



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551
June 22, 2009

JUN 23 2009
S. BERNANKE
CHAIRMAN

The Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515-4610

Dear Congressman:

Thank you for your letter of May 13 in which you ask for my views on the budget challenges associated with Social Security and Medicare and the proposal to address these challenges through the establishment of a bipartisan commission.

As I noted during my appearance before the House Budget Committee on June 3, prompt attention to questions of fiscal sustainability is particularly critical because of the coming budgetary and economic challenges associated with the retirement of the baby-boom generation and continued rapid increases in medical costs. Although recent fiscal policy actions enacted by the Congress have been appropriate to respond to the recession and threats to financial market stability, it is important that plans be made now for the restoration of longer-run fiscal balance in order to maintain the confidence of financial markets and achieve sustainable and healthy economic growth.

The recent projections from the Social Security and Medicare trustees show that, in the absence of programmatic changes, outlays for these programs will together increase from about 8-1/2 percent of GDP this year to almost 13 percent of GDP in 2030. These projections indicate that the nation will be required to choose among reductions in federal spending for health and retirement programs, cuts in other types of federal outlays, higher taxes, or some combination thereof, in order to avoid the economic costs and risks associated with the sharply higher long-term budget deficits that would result from failing to make these difficult choices. In turn, the decisions that are made regarding federal budget and tax policies will affect many features of our economy including the pace of future economic growth, incomes and living standards as well as how the costs of federal government programs are distributed within and across generations.

As you know, during my tenure as Chairman of the Federal Reserve Board, I have avoided taking a position on explicit budget proposals. I believe that these are fundamental decisions that must be made by the Congress, the Administration, and the American people. The proposal to establish a bipartisan commission is one of many possible ways to address our longer-run fiscal challenges; and, as I have noted in our previous correspondence, I applaud the efforts that you, Representative Cooper, and Senators Conrad, Gregg, Lieberman, and Voinovich have made to focus attention on the problem.

Sincerely,

A handwritten signature in black ink, appearing to be "Ben Bernanke", written over a light blue horizontal line.



BOARD OF GOVERNORS
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WASHINGTON, D. C. 20551

May 14, 2009

BEN S. BERNANKE
CHAIRMAN

The Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

MAY 14 2009

Dear Congressman:

Thank you for your letters of March 2, March 3, and April 21 in which you ask for my views on longer-run budget challenges and the proposal to deal with these challenges through the establishment of a bipartisan commission. Thank you also for the copy of the report prepared by the Center for the Study of the Presidency and the Congress, "Saving America's Future: A Challenge to the American People."

As I noted during my appearance before the Senate Budget Committee on March 3, the recent fiscal policy actions enacted by Congress have been necessary to address the extraordinary challenges imposed by developments in the economy and financial markets. Provided that a reasonable degree of financial stability can be achieved, I believe that these measures will help to avoid a prolonged episode of economic stagnation that would be more costly in the end and contribute to further deterioration in the fiscal situation.

These actions, however, will contribute to significantly wider federal deficits over the next several years. Accordingly, in light of the major longer-run budget challenges that the nation faces, it is important to begin planning now for the restoration of fiscal sustainability in order to avoid the economic costs and risks that would be associated with persistently large federal deficits. To the extent that reduced deficits and government borrowing allow more private saving and capital formation, future U.S. output and income will be enhanced.

As you know, during my tenure as Chairman of the Federal Reserve Board, I have avoided taking a position on explicit budget proposals. I believe that these are fundamental decisions that must be made by the Congress, the Administration, and the American people. The proposal to establish a bipartisan commission is one of many possible ways to address our longer-run fiscal challenges, and I applaud the efforts that you, Representative Cooper, and Senators Conrad and Gregg have made to shine a spotlight on the problem as well as the efforts of the authors of the report.

Sincerely,

A handwritten signature in black ink, appearing to be "Ben Bernanke", written over a horizontal line.



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WASHINGTON, D. C. 20551

BEN S. BERNANKE
CHAIRMAN

December 17, 2008

The Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515-4610

DEC 17 2008

Dear Congressman:

Thank you for your letters to the Board, in which you transmitted your letter to President-elect Obama, and underscored your concerns regarding the wide range of financial, economic, and fiscal challenges confronting the country and the incoming Administration.

I have not forgotten your previous letters from last year on related topics. As I did then, I continue to share your concern over the long-term fiscal prospects of the country.

Today, the first priority for the Federal Reserve must be to help restore stability to the nation's financial system, with the ultimate objective of promoting a return to a healthy level of economic activity. To that end, we are applying with full vigor the full range of tools that have been given us by the Congress.

Over time, however, and particularly as the financial and economic situations improve, the need to address the looming longer-term fiscal challenges will become increasingly acute. As you have articulated so well, the quality of the future that we will endow to our children and our grandchildren will depend in important measure on how well we rise to the occasion.

Sincerely,

A handwritten signature in black ink, appearing to be "B. Bernanke", written in a cursive style.



BOARD OF GOVERNORS
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WASHINGTON, D. C. 20551

BEN S. BERNANKE
CHAIRMAN

July 31, 2007

The Honorable Frank R. Wolf
House of Representatives
Washington, D.C. 20515

Dear Congressman:

Thank you for your recent letter outlining your plans to establish a commission focusing on the critical long-term fiscal challenges confronting our country.

I cannot overemphasize the importance of these issues to the long-term health of the U.S. economy. As I noted in my testimony before the House Budget Committee on February 28, 2007:

... because of demographic changes and rising medical costs, federal expenditures for entitlement programs are projected to rise sharply over the next few decades. Dealing with the resulting fiscal strains will pose difficult choices for the Congress, the Administration, and the American people. However, if early and meaningful action is not taken, the U.S. economy could be seriously weakened, with future generations bearing much of the cost. The decisions the Congress will face will not be easy or simple, but the benefits of placing the budget on a path that is both sustainable and meets the nation's long-run needs would be substantial.

I hope very much that progress can be achieved that is both substantial and timely.

Sincerely,

A handwritten signature in black ink, appearing to be "Ben Bernanke", written over a horizontal line.