

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
GOVERNMENT AFFAIRS

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May 7, 2012

The Honorable Howard McKeon
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Adam Smith
Ranking Member
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman McKeon and Ranking Member Smith:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses and organizations of every size, sector, and region, supports Congress's efforts to prevent negative consequences from the mandatory sequestration provisions of the "Budget Control Act of 2011," (BCA) while at the same time urging Congress to find suitable spending cuts that rein in federal expenditures to reduce the deficit and ultimately lower America's level of debt.

The sequestration provisions were the result of the failure of the Congressional Super Committee to identify ways to reduce federal spending. As a result, Congress is forced to rely on a "meat ax" approach to budgeting that may ultimately do more harm than good.

The Chamber urged the Super Committee to "go big" in order to reduce expenditures and get the U.S. fiscal policy under control. The main driver of America's long-term debt explosion is the system of entitlements. Members of Congress know that reforming entitlements is essential to making a real dent in the debt, and strong leadership is needed now to advance solutions to ensure America's entitlement programs can serve both current and future generations. There is no way to make a significant impact in projected deficits without meaningful steps to overhaul Medicare, Social Security, Medicaid and other mandatory spending programs, which make up nearly 60% of the budget.

In the wake of the failure of the Super Committee, the Chamber believes that sequestration is far too blunt an instrument that will wreak unnecessary havoc on America's defense industrial base, which could threaten economic and national security. The aerospace and defense industries directly employ more than one million people and support more than two million middle-class jobs across the United States. These industries account for approximately \$215 billion in revenue and more than \$77 billion in exports. With more than 30,000 suppliers in all 50 states, this sector plays a key role in the overall U.S. economy. To meet the daunting fiscal challenges facing America, everyone must be prepared to make some sacrifices, but the military has already shouldered significant cuts. Indeed, the first tranche of funding cuts under the BCA has already reduced the Pentagon's budget by \$487 billion from FY 2012-21.

The additional cuts that sequestration soon will impose on the military are nearly \$500 billion over the next nine years, bringing total defense reductions under the BCA to about \$1 trillion. Secretary of Defense Leon Panetta has cautioned that such a large, indiscriminate cut would “hollow out the force and inflict serious damage to the national defense.” Senior military leaders, such as the Chairman of the Joint Chiefs of Staff, have echoed this warning. At a time of global political instability, such significant additional reductions would convey uncertainty to America’s allies and relief to our enemies, and raise fundamental questions as to the future military capability of the United States.

Therefore, the Chamber urges Congress to take action as soon as possible to prevent sequestration and avert the devastating consequences to national security and, to find suitable cuts elsewhere to meet budget and deficit targets. Ultimately, Congress must confront the drivers of America’s national debt – escalating entitlement costs – and, as a result, avoid an otherwise inevitable massive tax increase that would hinder job creation and slow economic growth.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten". The signature is fluid and cursive, with the first name "R." and last name "Josten" being the most prominent parts.

R. Bruce Josten

Cc: The Members of the U.S. House of Representatives