EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 27, 2009

The Honorable David Obey
Chairman
Committee on Appropriations
United States House of Representatives
U.S. Capitol, H-218
Washington, DC 20515

Dear Chairman Obey:

Thank you for working so quickly to move forward with the economic recovery package, an essential step in fighting off the worst economic crisis since the Great Depression. Constructing such a large and important piece of legislation is a difficult task, and to have done it in such a short amount of time reflects your deep commitment to reviving our economy.

As you know, the economic situation our nation faces is dire. Last week, more people filed for unemployment benefits than at any time in 26 years. If nothing is done, many outside experts estimate that the unemployment rate could reach double digits, and our economy would fall $1 trillion short of its capacity – a shortfall that translates into about $12,000 in lost income on average for a family of four.

As you consider the American Recovery and Reinvestment Act this week, I wanted to lay out the principles that guide the President as he considers the type of plan that the country needs.

First, it is critical that we jump-start job creation with a direct fiscal boost that will lift the nation out of this deep recession. The plan must bolster economic activity sufficiently to save or create three to four million jobs by the end of 2010, off-setting the 2.5 million jobs lost in 2008.

To that end, the President urges you to pass a final bill that has at least 75 percent of the funds spending out over the next year and a half (the rest of fiscal year 2009 and fiscal year 2010). At the same time, the recovery package should include those provisions that have been shown to provide the most effective support to the economy. For example, economic research suggests that direct spending (such as on roads and bridges) provides the largest "bang for the buck" in boosting the economy during a recession. Combining direct spending provisions with other particularly fast-spending components (such as middle-class tax cuts; measures to avoid state health care and education cuts; and temporary expansions of unemployment insurance, food stamps, and health care for unemployed workers) will enable us to meet our spend-out goal while also providing the most effective support to the economy possible over the next year and a half.

Second, as the President has made clear, he is adamant that all of these investments must be made with unprecedented levels of transparency and accountability. He is deeply committed to making sure that every American is able to know what is in this plan, can be confident that it will accomplish the goals we set forth, and has the ability to hold Congress and the Administration accountable for their actions.

The President wants to post information online about how this plan's money is being spent and where it's going. In addition, he is insistent that the bill not include any earmarks or pet projects. While many such projects may be worthy, this emergency legislation is not the proper vehicle for those aspirations.

Third, we need to recognize that focusing only on the short term is part of why the economy is in such dire straits today. That is why as we address the pressing demands of lifting the economy out of a recession, we also must look to the future and begin the process of reinvesting in priorities like clean energy, education, health care, and infrastructure so that the United States can enhance its long-term growth and thrive in the 21st Century.

This begins with putting the nation in position to lead in the clean energy economy. The President wants to make investments that will double our renewable energy generating capacity, modernize and expand our nation's electrical grid, and undertake the largest program to weatherize homes in history.

On health care, the President believes that we need to move immediately to lower costs and expand coverage. That would entail not only protecting coverage for millions of Americans during these difficult times, but also modernizing our health care system for the future with a serious commitment to health care information technology systems and prevention efforts.

As the global economy becomes more competitive, the President believes that investing in education is the best way we can help our children succeed. He wants the recovery package to renovate and modernize 10,000 schools so our children have libraries and labs in which to learn; make college more affordable through funding the shortfall in Pell Grants and a new higher-education tax cut; and triple the number of fellowships in science to spur the next generation of innovation.

The President also believes that we need to rebuild and retrofit America for the demands of the 21st Century. This will entail repairing and modernizing roads and mass transit options across the country as well as expanding broadband access so that businesses all across our nation can compete with firms from all over the world.

Finally, we need to recognize that this recovery and reinvestment plan is an extraordinary response to an extraordinary crisis. It should not be seen as an opportunity to abandon the fiscal discipline that we owe each and every taxpayer in spending their money -- and that is critical to keeping the United States strong in a global, interdependent economy. Although it is not feasible to avoid any spillover whatsoever of the recovery package on out-year spending, the Administration believes that the package should minimize such effects on out-year spending as much as possible. Furthermore, the President is committed to paying for any of the temporary tax

cuts included in the recovery plan that he would like to make permanent, and will detail the manner of doing so in his budget submission.

Moving forward, we need to return to the fiscal responsibility and pay-as-you-go budgeting that we had in the 1990's for all non-emergency measures. The President and his economic team look forward to working with the Congress to develop budget enforcement rules that are based on the tools that helped create the surpluses of a decade ago. Putting the country back on the path of fiscal responsibility will mean tough choices and difficult trade-offs, but for the long-term health of our economy, the President believes that they must be made.

I look forward to working with you and your colleagues in the coming days to craft a recovery package that embodies these principles and achieves these goals.

Sincerely,

Peter R. Orszag
Director

Identical Letter Sent to:

The Honorable Jerry Lewis
The Honorable Henry Waxman
The Honorable Joe Barton
The Honorable Charles Rangel
The Honorable Dave Camp