

## **ADDRESSING OUR DEBT: A NATIONAL SECURITY IMPERATIVE**

We are former senior government officials who have served during eight Presidential administrations, Democratic and Republican, and former leaders in Congress from both parties. We join together now because we strongly believe that our long-term debt is the single greatest threat to our national security, and we urge elected leaders to agree by the end of this year on a plan that both averts the fiscal cliff and puts the debt on a downward path.

U.S. national security in the 21<sup>st</sup> century rests on both economic and military strength, for our military might and diplomatic muscle ultimately depend on a vibrant economy. Continued U.S. military strength and robust diplomatic efforts remain key to deterring and defeating the varied threats that confront our nation. Economic growth is the foundation of that strength, without which it cannot exist. Our strong economy is the core of our nation's foreign policy power, and it creates the hope and opportunity that drive our democracy. Unless we change course, our huge and growing debt will undermine our economic growth, our military strength, and our global leadership.

Today, the United States faces a variety of new global threats and challenges which are far different from those we faced just a few decades ago. In order to maintain America's global leadership in a fast changing world, we must continually revise the strategies underpinning our current federal policies. Doing so requires strong leadership from our elected officials and policymakers – for in order to successfully tackle the fundamental challenges we face, it will require courage, shared sacrifice and a willingness to compromise and make the tough choices essential to setting a new course for our nation.

Our leaders should use the consensus against going over the fiscal cliff as an opportunity to agree now on a framework for significant fiscal reform in 2013. Another “kicking of the can” – the lowest common denominator of what both parties can currently accept, without any structural reforms that truly address the nation's problems – is not acceptable. We must reassure our own citizens and businesses, the international financial markets, and the greater global community that America will address its fundamental challenges and maintain its leadership role in the world.

This is not a time for party politics. It is essential that we no longer delay necessary choices. What is needed now is statesmanship from our elected officials so that we can maintain the nation's global economic and strategic leadership.

*This statement reflects high-level principles on which we agree. We intend to issue a second report with greater detail on fiscal and national security principles which should be considered as our elected leaders develop longer term strategies to enhance the nation's economic and national security going forward.*

### **FACING FISCAL REALITIES**

Our leaders today face an American economy with a multitude of short- and long-term challenges. In the near term, it is essential that we get more Americans back to work – the pace of the recovery and job creation is unacceptably low. Over the longer term, we face a rapidly changing, much more competitive global economy that requires effective public policies, investment, and strong business performance in order to maintain our economic strength. In addition, the growing disparity in incomes threatens the fundamental American values of equal opportunity and shared prosperity, and an economy based on a vibrant middle class.

Current U.S. fiscal policy profoundly exacerbates these challenges. Our dismal fiscal outlook and political gridlock diminishes confidence and adds uncertainty and risks for businesses, impairing an already slow recovery and undermining the “can do” American spirit of risk-taking essential to business enterprises large and small. Over the long term, the effects of our growing debt threaten to consume an unacceptable share of our economy. The interest costs and significant diversion of capital caused by our growing debt stifle our ability to make the private and public sector investments (including education, infrastructure, and research and development) necessary to fuel real economic growth, innovation, competitiveness, and job creation, and eventually diminish our role and standing in the world.

It is important to avoid the upcoming fiscal cliff, not only because the sudden changes in revenues and spending would harm the current fragile economic recovery, but also because such policies would not address the fundamental drivers of our long-term fiscal problems and would signal a further failure of governance. However, it is not possible to implement a definitive solution to our fiscal challenges by the end of this year. Therefore, we strongly urge the President and Congress to avert the fiscal cliff, while also establishing a formal framework and process for fiscal reform in 2013 which has the following components:

- The Objective: Our fiscal goal must be to stabilize the debt as a share of the economy, and put it on a downward path for the longer term. We cannot continue to grow our national debt faster than our economy if we want to maintain our global leadership. Any solution which does not meet this simple test is insufficient.
- The Framework: To achieve this objective, our leaders should decide on a fiscal framework that results in substantial deficit reduction over the next 10 years and structural changes to our fiscal policies that eventually balance the budget over the long term, including:
  - Specific levels of revenue, spending and deficits over the next 10 years, and parameters for longer-term fiscal reform, including future levels of debt as a share of the economy, and a date by which the budget must balance.
  - Tax reforms to raise more revenues, encourage growth and enhance progressivity – and it must be decided how much should be done through eliminating deductions, increasing rates and/or more fundamental changes to our tax code.
  - Changes to entitlements to put them on a sustainable long-term path, as well as changes to defense and other discretionary spending, while protecting the most vulnerable and preserving sufficient resources to invest in the future.
- The Process: Congress and the President should agree on an expedited process to enact legislation reflecting this framework in 2013, including appropriate default and enforcement mechanisms that ensure we will achieve the targeted result.

Absent a new, sustainable fiscal outlook, America’s standing in the world and its national security will surely, if perhaps slowly, decline. We must resolve our immediate crisis in a way that drives the completion of a comprehensive long-term fiscal plan which supports America’s continuing economic strength and global leadership role.

## DEVELOPING OUR NATIONAL SECURITY STRATEGIES

Given global political and technological trends in recent decades, the threats and opportunities facing the United States have changed – old risks have disappeared and new ones have arisen. A successful national security strategy must be based on a clear understanding of the major risks facing the United States in the 21<sup>st</sup> century.

In previous eras, increased defense spending may have been required to maintain security. That is no longer the case. In our judgment, advances in technological capabilities and the changing nature of threats make it possible, if properly done, to spend less on a more intelligent, efficient and contemporary defense strategy that maintains our military superiority and national security. This reassessment should be done on its own merits, but it also has positive fiscal implications. The key questions will be whether we spend enough on the right priorities, and whether we spend too much in areas that buy us little, if any, additional advantage.

In this context, we should bolster the non-defense dimensions of our national security policies, especially our diplomatic assets. These serve to deter threats, reduce tensions, and resolve conflicts and thus lessen military and human costs. The State Department's budget, for example, is woefully small as a proportion of our overall national security posture – both the Department's role and its expenditures should be more fully integrated into the entirety of our national security requirements. In this new era, we will increasingly need to serve as a catalyst for collective action and press others to bear their fair share of responsibilities as stakeholders in the international system.

Our current forces have unprecedented flexibility, agility, and reach, making it possible for the U.S. to reach virtually any spot on the globe in a timely manner. Military superiority, however, does not translate into military omnipotence. We need to determine what we can do only collectively and what, if our vital interests are involved, we must do alone. We must emphasize missions which are vital, can be completed successfully, and which don't enable an adversary to achieve an outcome simply by surviving. Material savings can be achieved through long-standing proposals to utilize manpower more efficiently, reform personnel compensation structures, and rationalize and streamline the process used by the Defense Department to acquire equipment, goods and services.

There is no doubt that a more agile and efficient military posture, geared to this century's threats, can effectively and efficiently provide for America's safety.

## AMERICA'S LEADERSHIP ROLE

In the coming decades and beyond, America must continue its critical engagement and leadership in global affairs in order to protect the U.S. national interest and ensure a safer world. At the end of World War II, the United States represented a dominant share of the global economy, enabling an assured hegemonic status. The reality that other nations rise in no way lessens the imperative for American leadership – we have unique collective strengths and remain the indispensable nation for global peace, prosperity and freedom.

In this century's much more competitive global landscape, maintaining our role will require us to renew and optimize our fiscal, economic, and national security strategies in order to maximize our strength.

We must recognize the dual role of military and economic strength in maintaining our national security. The geopolitical, technological and competitive changes across the global landscape demand modernized national security policies. But the wisest military strategy will not be effective unless we also put in place a viable fiscal plan that improves our short and long-term outlooks, and enables the necessary critical private and public investments for our future economic strength and security.

In a time of division and drift, the true test for America is neither military nor economic – it is political. We ask our elected officials from both parties to assert genuine leadership, communicate to the American people what needs to be done, and make pragmatic policy decisions to power our nation’s economy, democracy, and role in the world. The penalty for deadlock or procrastination is inevitable decline. The reward for action is the enduring dynamism of American society and leadership.

Such action is required for the well-being of our own people. But mastering such trials would also buttress our world credibility – as proof of our discipline and competence, and as validation of our political and economic system. With credibility comes enhanced leverage. Stimulating growth will render America a more compelling partner for trade and investment. Reining in our debt will lessen vulnerability to creditors. Investing in the future will stoke competitiveness. And a more robust, equitable economy will encourage Americans, more sanguine about their own prospects, to maintain the nation’s leadership in the world.

A fresh compact for America requires not Herculean efforts, but a fusing of common sense, fairness, and pragmatism. It summons the truest form of patriotism – putting our country first.

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*Coalition Chairman*  
Former Chairman, Joint Chiefs

**Henry A. Kissinger**  
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