

Jan Brewer, asking if she still wanted the state's portion of the stimulus cash, or if she felt compelled to fall in with Kyl. The letters arrived almost simultaneously and were similar in structure and language, each suggesting that projects important to Phoenix and Arizona were in jeopardy.

Clearly, their delivery was orchestrated to embarrass Kyl.

Few doubted the manipulative hand of Emanuel in the letter-writing campaign. And, indeed, the online political news service Politico reported July 16 that "Emanuel directed that the letters from the Cabinet secretaries be sent to Brewer, according to two administration officials."

It would be an intellectual insult to suggest otherwise. Emanuel is notorious for such back-alley tactics and is the only person in a position to organize such a campaign literally overnight. But on July 24, at a hearing of the House Budget Committee, Transportation Secretary Ray LaHood—author of the snarkest of the four letters—insulted away.

Asked repeatedly whether he had been encouraged or told by anyone within or without the administration to write his letter, LaHood—finally—gave a straight answer. "No," he said.

As most Washington-watchers know, honesty does not come easily to many of the political class. But couldn't LaHood, an Illinois Republican, simply have taken the Fifth? It would have been in keeping with the tenor of things.

Rahm Emanuel used the president's Cabinet for his political goon squad.

If anyone ought to be protesting this staged theater, it isn't so much Kyl or Brewer as the Cabinet secretaries who were so demeaned by being forced to deliver cheap political threats that are laughable on their face and utterly transparent.

Mr. KYL. Mr. President, the editorial reports on what they call a political hit job perpetrated ostensibly against me. It didn't bother me, but as reported, the Chief of Staff of the President enlisted four Cabinet officers to write letters to the Governor of Arizona, which were seen by some as veiled threats to withhold stimulus funding because I had dared to criticize the stimulus program and suggest that after the first couple years of spending, the outyears might be saved and spent in better ways. That generated criticism by these four Cabinet Secretaries, who wrote almost identical letters, which clearly were designed to try to intimidate.

That is not the right way for the administration to make its point. I am happy to debate the success or failure of the stimulus package with anybody from the administration who would like to debate it. I welcome that kind of conversation. But there seems to be too much effort now to either shut people up or intimidate them from speaking.

There have been a lot of reports with respect to the stimulus and the so-called health care legislation, and in other areas, to be coincidence. There seems to be a pattern developing, and it is not good. Senator CORNYN, yesterday, spoke to that issue with respect to a new Web site that the White House started asking people to send in their observations of people who are criticizing the administration's plans, if

they think some of the criticism isn't accurate or they said: If you think there is something fishy, let us know about it.

These are the kinds of tactics that might go over well in certain cities that have had a history of political bosses, but it is not the kind of tactic you would expect from the White House. I hope the folks at the White House have learned their lesson and, frankly, will knock it off.

FANNIE MAE AND FREDDIE MAC

Mr. KYL. Mr. President, there were two items that came to my attention that I wished to briefly comment on that are related. The first has to do with the Fannie Mae and Freddie Mac continuing saga of costing the American taxpayers a ton of money. We all know that despite warnings, particularly from Republicans, they needed oversight, that they were accumulating far too much bad debt and taking on all these so-called toxic assets—mortgages that, frankly, weren't going to be paid back; that they were exposing the American taxpayer to liability because of the implicit guarantee that lay behind the Federal charter for Fannie Mae and Freddie Mac. Others said: Don't worry, keep going with this; it is a wonderful program. Finally, the bottom fell out. Fannie and Freddie were deeply in debt and the American taxpayers came to their rescue.

The idea was then to restructure these two entities so that never again could this happen. We did that. The problem was that, because Fannie and Freddie were government-chartered entities, it didn't take long for them to squeeze out most of the private players in the mortgage market. Today, I think they hold something like 75 percent of these particular mortgages.

Well, of course, the day of reckoning has come again. They have now run up more debt—a huge amount of debt—and they are not going to be able to pay it. A story in yesterday—I will get the source later—reported that the government has since pledged, after their original reorganization, more than \$1.5 trillion, including \$85 billion in direct aid, in order to keep the mortgage market working through Freddie Mac and Fannie Mae. The White House is now considering a new plan that apparently is coming out of the Office of the Secretary of Treasury and the National Economic Council Director that would somehow reform Fannie and Freddie yet again.

The Treasury Secretary said:

The only question that remains is what form and what structure they ultimately will take.

The article points out that the most likely structure is a good bank/bad bank structure, in which they will basically be relieved of all their obligations, which will all be put in a new "bad bank," which is a pile of debt that the American taxpayers will eat, and then the "good bank" is the entity that is supposed to continue on.

The question is: Why would we want these quasi-government entities to continue to compete with the private market, continue to create bad debt that taxpayers have to eat every now and then, and after we slough off the bad debt to the American taxpayers, they continue to do business as if they had gone through bankruptcy and don't have any more debts but they still have the implicit guarantee of the American taxpayers.

It is time to end that. We have a vibrant mortgage market now. There is an expectation that within the next several months housing will come back. It already is in certain areas. Interest rates are low, and it is possible to write mortgages now. We have learned the lesson that we are not going to write mortgages that cannot be repaid. It is not good for the financial institutions or for the people who take out the mortgages if they cannot repay them, and it is not good for taxpayers who have to end up eating the bad debt that is created.

I wished to close by referring to the penultimate paragraph from this newspaper, which says that the bad bank would be for Fannie Mae's and Freddie Mac's toxic assets. Then the government could create new companies to attract private investment for mortgage finance, starting the process over again.

Why should the government create new companies? The private market has an adequate way to deal with this; it is called the private sector, private companies. They are highly regulated. The proposal from the administration is to impose additional regulations, but why do we need a new government company? We have government insurance companies, government car companies, and the administration proposal on health care is to create a new government health insurance company. We have banks taken over by the government.

Now we are going to fail to learn the lesson with Fannie Mae and Freddie Mac and create new government-backed companies, such as Fannie and Freddie—maybe they have the same name, who knows—in the mortgage business. When are we going to get out of the business of having the government create new companies? That is socialism, that is not American. That is not our free enterprise system. When things go wrong, we adjust and we make new regulations to correct the problems that were created; we learn the lessons of why government created the issue in the first place.

We don't need to continue to have the government create new companies that cost the taxpayers money and get us deeper into the notion that the government can compete with the private sector. That, then, leads inevitably to the government takeover because the government is never a good competitor when it is also the regulator. That is a fear a lot of people have with health care.

HEALTH CARE

Mr. KYL. Mr. President, that brings me to the final point. In yesterday's Wall Street Journal, an article is entitled "ObamaCare's Real Price Tag." It goes through all the different expenses of the proposed health care legislation, with the creation of a government insurance company. They talk about the funding gap that is created by the commitments of funding to this entire program. One of the things they notice is people need to be aware of the long-term consequences. We all know that Medicare, for example, is not financially sound. We can go out through the 5-year projections, 10-year, 15-year, 20-year, and so on, and know what the obligations of our children and grandchildren will be.

When we pass regular legislation in Congress, we have a set of blinders that says: What is the 10-year cost? We get it, and then we assume there are no more costs beyond that. What this op-ed points out is, we can calculate a 10-year cost. Maybe it is \$1 trillion or \$2 trillion or maybe it is more than that. We can at least estimate it. That is what the CBO and the Joint Tax Committee are charged with doing. Then there is an assumption that there is no cost beyond that.

What the people who write the legislation frequently do is to build in benefits in the early years and then phase in the ways of paying or not paying for it, so the real costs come in the so-called outyears—the outyears are beyond the 10-year window—so that it doesn't score as a big loser. What they point out is, in effect, what this legislation does is gone out for 10 years and creates a cliff. When you fall off the cliff, that is when you are in trouble because the commitments to the people for health care have been already made.

Can you imagine Congress pulling back on those commitments? Once there is an expectation from government, that is not lightly withdrawn. The American people come to expect it, and there is a big lobby against it, if you try to withdraw the benefit. But if you haven't provided for how you are going to pay for it, there is a very rude and sudden awakening when you come to the cliff and realize you haven't folded into your calculations how you are going to pay for this benefit.

We did that with the so-called SCHIP legislation. We created a benefit, and the benefit kicked in early. The funding ostensibly stopped after a certain period of years. But everybody knew the funding would not stop. That required the suspension of belief. I guess it is called cognitive dissonance. The notion that somehow or another Congress is going to, at the end of that period of time—I believe it was 5 years—pull back all the benefits we had been giving to people for 5 years, that was not going to happen.

So you had the commitment to provide benefits, but no way to pay for them. As this article points out, that is

what is happening with this health care legislation as well.

Let me quote from the third paragraph:

In the July 26 letter, CBO Director Douglas Elmendorf notes that the net costs of new spending will increase at a more than 8 percent per year between 2019 and 2029—

There we are talking about the next 10 years, not the first 10 years.

—while new revenue would only grow at about 5 percent. "In sum," he writes, "relative to current law, the proposal would probably generate substantial increases in federal budget deficits during the decade beyond the current 10-year budget window."

The point is, we should not look at these things during the first period of time that we analyze them, but rather the continuing commitment of the American taxpayer. When we do that, as the Director of the CBO points out, we find that we have a continuing, growing deficit; in other words, piling up more and more debt and, if anything, my guess is that these estimates are conservative and that the amount of deficit would be even more.

The editorialist in the Wall Street Journal had complained about this, talking about the "Grand Canyon" between spending and revenue, pointing to the CBO's long-term projections, and then said:

That's not our outlook. That's what White House Budget Director Peter Orszag told the House Budget Committee in June. He added that "If you're not falling off a cliff at the end of your projection window, that is your best assurance that the long-term trajectory is also stable."

As the editorial points out: "The House bill falls off a cliff."

So the precise thing we are trying to avoid in intelligent legislating is not avoided in the Democratic health care proposals: benefits promised now, ostensibly paid for in the first 10 years, not paid for after that. That is not me talking, as I said, that is the non-partisan Congressional Budget Office.

There are other examples of this pointed out, but as the editorial notes in conclusion:

ObamaCare's deficit hole will eventually have to be filled one way or another—along with Medicare's unfunded liability of some \$37 trillion.

I read that last night, and I had to go back and reread it—unfunded deficit of \$37 trillion. It is impossible for us to imagine how much money that is—\$37 trillion just for current obligations, not counting what would be added by the ObamaCare.

We cannot afford this, and I think the American people are beginning to appreciate we cannot afford it. There is no free lunch. The Federal Government cannot simply keep promising things and not worry about the costs in the future. We can only print money for so long before we have rampant inflation that destroys the wealth of everyone, primarily the people who have saved in the country, which starts with our senior citizens.

We cannot borrow our way out of it because the main people who continue

to lend to us, such as the Chinese, have begun to lecture us on the fact they don't trust we are going to pay them back now, and they are going to start requiring more and more in the way of interest payments for them to continue to lend to us.

It is a little bit like the credit card company that says to a family: Look, you have borrowed a lot of money on your credit card. We are not sure that you are going to be able to pay that back to us. So if you are going to borrow more money on the credit card, we are going to double the interest rate to make it a high interest rate so at least it accounts for our risk in lending you more money. Borrowing more money from the Chinese at higher interest rates is not the answer.

The other alternative is to tax the American people. Everybody understands taxing the American people is the worst thing you can do for an economy, especially in a downturn. Americans believe they are already taxed enough. You cannot tax the rich and solve the problem because they already pay most of the taxes and it would only account for another few hundred billion dollars, even if you taxed them for everything they are worth.

You eventually get down to the middle class. The President has said over and over that he does not want to tax the middle class. The reality is that it is unavoidable if we continue to consider legislation such as this.

Mr. President, I ask unanimous consent to have printed in the RECORD this Wall Street Journal op-ed of August 6 called "ObamaCare's Real Price Tag."

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, August 6, 2009]

OBAMACARE'S REAL PRICE TAG

The funding gap is a canyon by year 10.

ObamaCare sinks in the polls, Democrats are complaining that the critics are distorting their proposals. But the truth is that the closer one inspects the actual details, the worse it all looks. Today's example is the vast debt canyon that would open just beyond the 10-year window under which the bill is officially "scored" for cost purposes.

The press corps has noticed the Congressional Budget Office's estimate that the House health bill increases the deficit by \$239 billion over the next decade. But government-run health care won't turn into a pumpkin after a decade. The underreported news is the new spending that will continue to increase well beyond the 10-year period that CBO examines, and that this blowout will overwhelm even the House Democrats' huge tax increases, Medicare spending cuts and other "pay fors."

In a July 26 letter, CBO director Douglas Elmendorf notes that the net costs of new spending will increase at more than 8% per year between 2019 and 2029, while new revenue would only grow at about 5%. "In sum," he writes, "relative to current law, the proposal would probably generate substantial increases in federal budget deficits during the decade beyond the current 10-year budget window." (The House bill has changed somewhat in the meantime, but not enough to alter these numbers much.)