



State of South Carolina

Office of the Governor

MARK SANFORD
GOVERNOR

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November 18, 2008

The Honorable Harry M. Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Washington, D.C. 20515

The Honorable John Boehner
Minority Leader
United States House of Representatives
Washington, D.C. 20515

Dear Senator Reid, Senator McConnell, Speaker Pelosi, and Representative Boehner,

As our nation turns the corner from the election to the holiday season, I write to earnestly request that you do not sign off on yet another financial bailout. Congress' intentions are admirable given the enormity of the financial crisis, but the difference between intentions and outcomes is often dangerously pronounced, and I believe pursuing another taxpayer-funded bailout will in fact further infect our economy with unnecessary government influence and unintended fiscal consequences.

With banks already feeding from the federal trough, and automotive companies not far behind, many states and local governments have understandably started to line up for their slice of the bailout pie – from California asking for \$7 billion in relief to our capital city of Columbia, South Carolina, requesting \$76 million. And while I may represent a lonely voice in the wilderness in saying “no thanks” to federal money, I'd also think there are many taxpayers who aren't pleased to see our \$10.6 trillion national debt inch ever closer to our \$14 trillion national economy – and who deem it unwise and indeed unjust to ask our children and grandchildren to foot the bill for our failed fiscal decisions.

So I'd beg you to hold off on issuing another bailout until answering the following questions:

First, who bails out the bailout-or? Already our nation's unfunded liabilities total \$52 trillion, or about \$450,000 per household. There's something very strange about issuing debt to solve a problem caused by too much debt. *The Wall Street Journal* points out that “Every dollar [government] injects into the economy must first be taxed or borrowed out of the economy. No new spending power is created. It's merely redistributed from one group of people to another.” Robbing from Peter to pay for Paul makes little sense, unless Paul has better lobbyists in D.C.

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Second, will another \$100-300 billion really make a difference? In 2008, bailouts and economic stimuli became government's knee jerk reaction to any bad economic news. Over the past year, according to *Forbes*, the federal government has written nearly \$5 trillion worth of "I Owe You's" to jumpstart the economy. We've in essence unloaded truckloads of sugar in a vain attempt to sweeten a lake. Tossing in a Twinkie now will not make the difference, especially when that \$100 billion Twinkie represents less than one-fifth of one percent of a global economy that continues to sour.

Third, is there a better destination for this money? Congress has already given handouts to banks that overleveraged on risky loans, and is considering sending cash to the Big Three automakers whose current business model is uncompetitive, and to states themselves – even though unsustainable state spending growth outpaced federal government growth by 15 percentage points over the last 15 years. Surely we can find a better course than rewarding bad behavior.

Finally, hasn't government learned a lesson about unwise investments from the private sector? Pumping more money into uncompetitive enterprises, unprofitable ventures and unsustainable programs seems like a recipe for one thing: unmitigated failure.

To be clear, I believe that the automobile industry is a cornerstone of American manufacturing. In fact, South Carolina is home to car companies that ironically would not be aided by the proposed bailout. As for the Big Three, Harvard economist Martin Feldstein recently argued that Chapter 11 might provide the only way out, saying, "Restructuring in bankruptcy and resetting wages are measures that have saved airlines as well as manufacturers. The claim that bankruptcy would mean the loss of millions of jobs is nonsense intended to scare the public and force [government] to throw money at the auto industry's problems."

I also think that infrastructure investment is vital going forward, but feel Brian Riedl of The Heritage Foundation rightfully points out that, contrary to Congressional Democrats' arguments, "Before the government can spend \$1 billion hiring road builders and purchasing asphalt, it must first tax or borrow \$1 billion from other sectors of the economy, which then lose a similar number of jobs." Either way you look at it, putting money into roads and bridges may end up giving us a smooth ride to nowhere economically.

And I indeed know that Medicaid is key in providing care for whom the Bible calls "the least of these." But the Medicaid program, in its current form, is unsustainable. It is growing faster than the GDP and state revenue and, consequently, putting states and the federal government "on the road to a meltdown," according to former Democratic Governor Mark Warner of Virginia.

While all signs seem to point to the bailout train in D.C. being loaded up once again, I'd urge you to listen to taxpayers across my state and this nation who are fed up with government spending run amok and are looking for fiscally responsible leaders to help get things back on track. It's my earnest belief that if we stay much longer on the course we're on, the only thing we'll need is a bailout from all our bad decisions.

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I also think that what's happening here goes to the heart of whether or not we sustain the capitalistic model which created the wealth that has allowed for America's prominence in the world. Each day across this country there are hundreds and even thousands of small businesses who despite their best efforts and hard work don't make it. That so-called "creative destruction" is indeed critical – though oftentimes painful – to the working of our country's financial model. Something much different than that model is what's unfolding here, and to that end I worry for where our nation might be headed.

Thank you for your time and for thinking critically about the serious decisions ahead of you.

Sincerely,



Mark Sanford

MS/bf

cc: South Carolina Congressional Delegation
The Honorable Joe Barton, Ranking Member, United States House Energy and Commerce
Committee
The Honorable Nathan Deal, Ranking Member on the Health Subcommittee of the United States
House Energy and Commerce Committee
United States Senate Republican Caucus
United States House Republican Caucus