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United States Senate

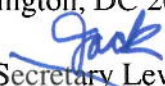
COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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October 4, 2013

The Honorable Jacob J. Lew
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220


Dear Secretary Lew:

I am deeply concerned about recent statements administration officials have made to financial institutions that the United States could default on its debt. This is irresponsible and threatens to create needless panic. Comments such as those recently made by administration officials invite greater market uncertainty and volatility, which threatens the livelihoods and savings of millions of Americans.

As Treasury Secretary, you have been entrusted to be a responsible steward of the public's finances, and should act in every possible capacity to protect and enhance the depth, liquidity, and efficiency of markets for U.S. debt securities.

Just Wednesday, the President, in response to a reporter's question regarding market sentiments as we approach the debt limit, said he thinks "they should be more concerned." It has been reported that at a September 24 *Bloomberg Markets 50 Summit* in New York, you stated that "I think if you look at the calm out there, it's a bit greater than it should be." And according to Bloomberg news, White House Director of the National Economic Council stated that "There is a false sense of complacency among some in the market that somehow things will always be solved at midnight."

Of course, everyone is entitled to their opinion. However, it is irresponsible for high-ranking government officials to stoke fear into the marketplace and sentiments of the American people based on personal conjectures, when you know that Republicans are willing to work with you to reach a reasonable resolution.

Furthermore, yesterday, Treasury released a report stipulating the consequences of a default. There is no doubt that those consequences would be significant. The overwhelming majority of members of Congress on both sides of the aisle are committed to ensuring that doesn't happen. But, if, as your report suggests, default could happen, then the responsible action from a risk management perspective would be to formulate contingency plans for how Treasury would deal with such an event. If you have taken that responsible action, then please share your plans with Congress and the American people. If you have not and, as your report

suggests, you believe default is a possibility, then Treasury is not acting as a responsible fiscal agent of the government.

Yesterday, you attended a White House meeting along with the President, the Vice President, and Chief Executive Officers of major Wall Street firms, such as Citigroup, AIG, J.P. Morgan Chase, and Wells Fargo. It is my hope that, in that meeting, administration officials did not question current sentiments of markets and the American people or discuss debt- and cash-management information not also made available to Congress and the American people.

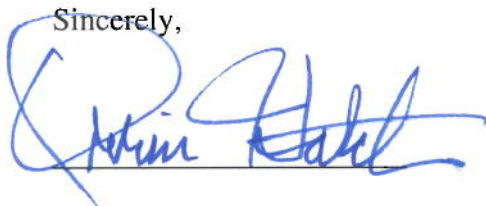
The reality is that Congresses and Presidents have repeatedly negotiated over the debt ceiling. You, in fact, worked in Congress during the Reagan Administration. And as you well know, President Reagan agreed to attach the Gramm-Rudman-Hollings fiscal reform plan to a debt ceiling increase. And most recently you negotiated on behalf of President Obama with Speaker Boehner two years ago.

As I've told you, default is not an option. It is the responsibility of Congress to raise the statutory debt limit, and there are no ways around that fact, nor are there any actions available to the administration to unilaterally ignore the statutory limit. But the President's position that he will not negotiate over raising the debt ceiling is not only irresponsible, it is also not a reflection of reality. Republicans control the House of Representatives and have every right to be concerned about raising the debt ceiling without any progress on nation's debt, which CBO found recently is headed to record levels because of the unsustainable growth of Medicare, Medicaid, Social Security, and other federal spending. My view is that the administration needs to come to the table now to head off this crisis. You have before and must again.

You have said that Treasury will exhaust headroom to operate under the debt limit provided by "extraordinary measures" no later than October 17, and the Congressional Budget Office has said that Treasury may run out of operating cash as early as October 22. That is why it's imperative that the Administration begin working in a constructive manner to find a way forward, instead of stoking fear in financial markets, for what I hope aren't political reasons.

I remain committed to working with you and the administration to find a path for funding the government and addressing the statutory debt limit. I, and all of my Republican colleagues, am fully committed to the American people and to creating the certainty necessary to enhance prosperity in the economy. I believe everyone should agree that questioning sentiments of Americans and suggesting that they are too calm is irresponsible behavior.

Sincerely,

A handwritten signature in blue ink, appearing to read "Orrin Hatch", is written over a horizontal line.

Orrin Hatch

Ranking Member, U.S. Senate Committee on Finance