



2008 FALL SYMPOSIUM

Navigating Transition, Leading Change

SESSION SUMMARY

I.O.U.S.A.

It's Time to Wake up to the Big Problem

Richard Palmer, Reporter

Following a day full of discussion on topics ranging from personnel development to preparing for the presidential transition, attendees were favored with a thirty minute short of the recently released documentary *"I.O.U.S.A.: One Nation. Under Stress. In Debt."* At the conclusion of the film, **Mr. Robert Bixby**, Executive Director of the Concord Coalition, offered a few remarks.

The film began with the statement:

"The most serious threat to the United States is not someone hiding in a cave in Afghanistan or Pakistan, but our own fiscal irresponsibility."

To further drive home the point, recent Comptroller General of the U.S., David Walker, says:

"We suffer from a fiscal cancer. It is growing within us, and if we do not treat it, it could have catastrophic consequences for our country."

The movie continues by examining the U.S. debt history. Highlights include:

- After each major war until The Great Depression, the federal government reduced debt;
- The debt associated with the Revolutionary War was so alarming to the Founders that it was completely eliminated by 1835, the only time in American history this has occurred;
- Following World War II and the creation of Medicaid and Medicare, there was a general decrease in federal debt, but the 1980's brought the rise of supply side economics—and the rise of the federal debt;
- By the end of the 1980s, the narrator concludes, "A fundamental shift had occurred, America was becoming addicted to debt. Never before in our history had so much debt been created during an era of relative peace and prosperity;" and
- Although the Clinton administration curbed the trend slightly through balancing the budget, the debt since then has simply grown.

The film points to four national deficits that are at the root of the problem:

- Budget—the 2008 federal budget called for \$2.9 trillion dollars. The federal revenue was \$2.5 trillion. That is a \$410 billion dollar deficit. Do you see the problem?
- Savings—recently Americans have been following the example of the federal government in spending more than they can afford. With a negative savings rate, the U.S. loses its leveraging power because of heavy reliance on foreign investors.
- Leadership—this is our nation's biggest challenge. "Too many of our current leaders know we are facing a financial crisis, yet they lack the courage to do something about it." Who is going to step up?
- Balance of payment—in 2007, the U.S. was dead last in the amount of trade surpluses. This has serious long term consequences as we lose ownership of our assets.

The film focuses on each deficit in turn, followed by the sobering thought that the federal government is currently obligated to pay \$53 billion dollars in liabilities, social security, and unfunded promises. If this was to be paid today, how much does the federal government have? Nothing. Considered individually, each deficit poses a serious concern, but when taken together, the nation faces its worst problem in history.

Following the movie, Mr. Bixby addressed the group. He described how the basis for the movie came from the Fiscal Wake-up Tour that he has been involved with for the past several years. The purpose of this tour is to alert the public outside of Washington D.C. about how bad the fiscal situation really is.

He highlighted five key messages of the tour:

- The current fiscal policy is unsustainable—as was highlighted in the video;

- There are not any easy options here—eliminating earmarks or growing our way out by cutting taxes are not the solutions. The dynamics of the situation have to be changed.
- It is going to take bipartisan efforts to address this situation;
- The public needs to be involved in this as well—this is clearly evident in light of the response of the public to the recent \$700 billion dollar bailout; and
- This is more than a numbers issue, it is a moral issue. Future generations may be harmed and we need to consider what is being passed on.

With the recently passed \$700 billion dollar bail-out bill and the lending crisis in mind, Mr. Bixby concluded by speaking on the current fiscal situation:

- The incoming administration has to distinguish between short-term goals and long-term goals and choose wisely among

policy options. In the short term, we are facing some serious difficulties and appropriate fiscal response is necessary;

- The crisis in the financial market is a separate problem but is related to the recession. There are reasons here as well to loosen up on fiscal policy, but controls must be in place; and
- The short-term solutions should not make the long-term fiscal outlook worse.

The U.S. will not be able to ignore this problem forever. There is no way to hide or grow the economy out of the hole. Is this something the federal government will have to deal with on its own? No. When asked his opinion about when politicians will react to the budget deficit, Mr. Bixby responded that it will be when the public reacts. Who is the public? You and me.

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