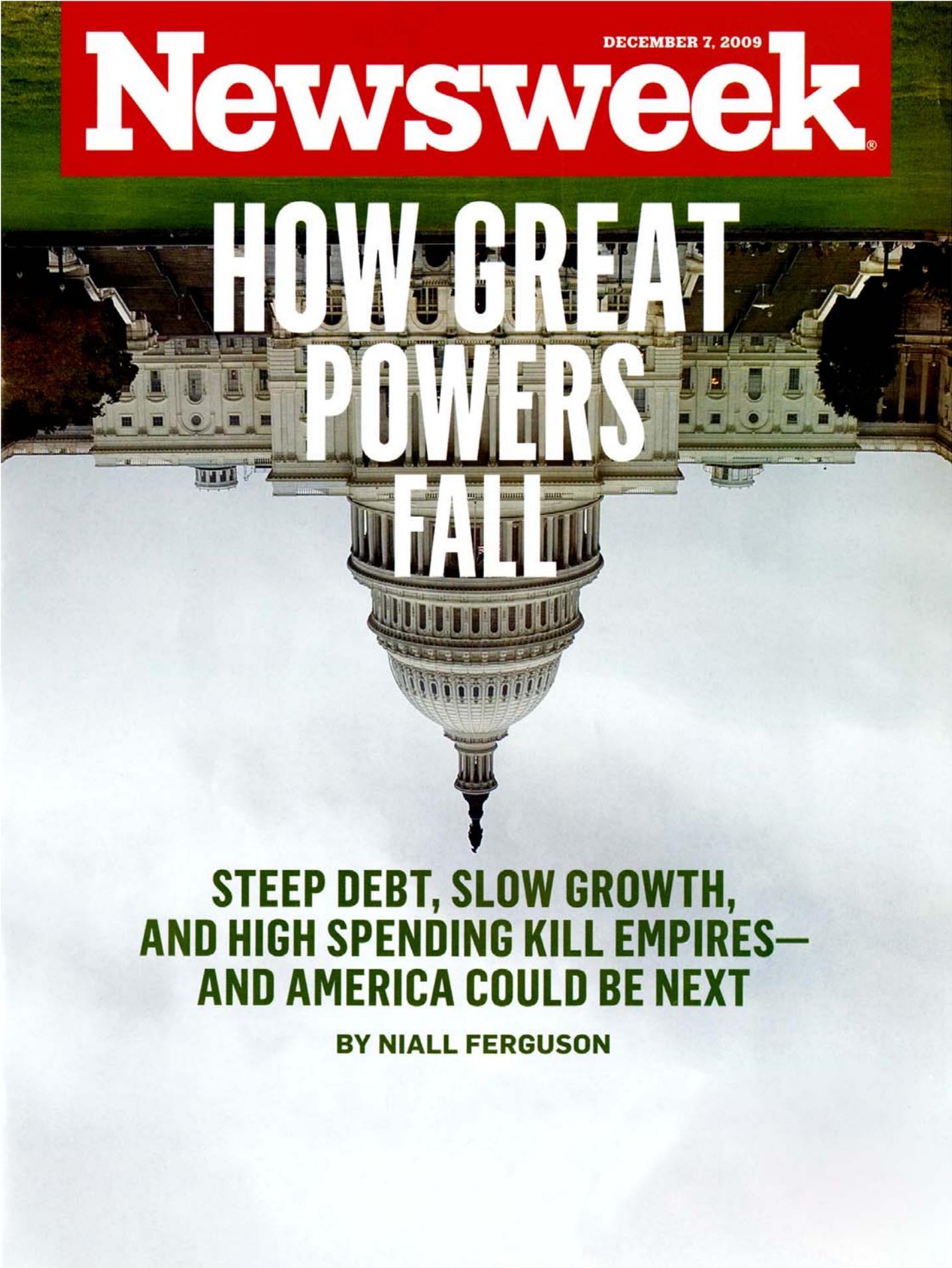


DECEMBER 7, 2009
Newsweek



**HOW GREAT
POWERS
FALL**

**STEEP DEBT, SLOW GROWTH,
AND HIGH SPENDING KILL EMPIRES—
AND AMERICA COULD BE NEXT**

BY NIALL FERGUSON

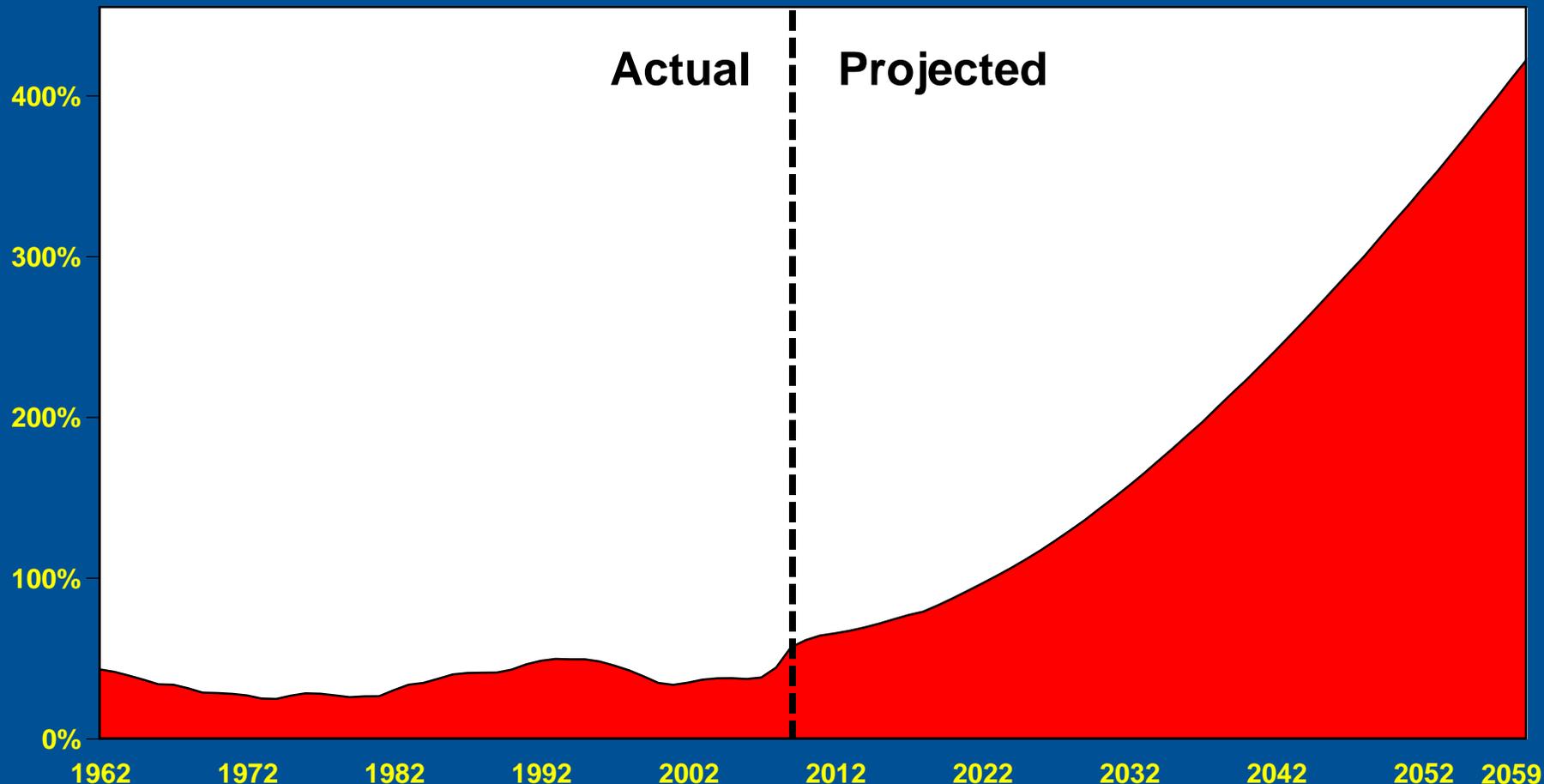
Newsweek: “An Empire At Risk”

“This is how empires decline. It begins with a debt explosion. It ends with an inexorable reduction in the resources available for the Army, Navy, and Air Force.... If the United States doesn’t come up soon with a credible plan to restore the federal budget to balance over the next five to 10 years, the danger is very real that a debt crisis could lead to a major weakening of American power.”

**– *Newsweek* cover story
By Niall Ferguson
November 28, 2009**

Federal Debt Soars Under CBO Long-Term Budget Scenario

(Debt held by the public as a percent of GDP)



Source: CBO Long-Term Budget Outlook, June 2009

Note: CBO alternative fiscal scenario with tax cuts made permanent, AMT indexed for inflation, and Medicare physician payments growing with higher MEI rate.

National Journal: “The Debt Problem Is Worse Than You Think”

“Simply put, even alarmists may be underestimating the size of the (debt) problem, how quickly it will become unbearable, and how poorly prepared our political system is to deal with it.”

***– National Journal cover story
By John Maggs
November 7, 2009***

Bipartisan Fiscal Task Force - Accountability

- **All Task Force members directly accountable to American people**
- **18 members – 10 Democrats (2 from Administration) and 8 Republicans**
- **Currently-serving members of Congress selected by Democratic and Republican leaders**
- **Treasury Secretary and one other administration official**

Bipartisan Fiscal Task Force - Broad Coverage

- **Everything on the table**
- **Spending and revenues**

Bipartisan Fiscal Task Force - Expedited Process

- **Recommendations to be submitted after 2010 election**
- **Fast-track consideration in Senate and House**
- **No amendments**
- **Final vote before 111th Congress adjourns**

Bipartisan Fiscal Task Force - Bipartisan Outcome

- **14 of 18 Task Force members must agree to recommendations**
- **Final passage requires supermajorities (3/5 vote) in both Senate and House**
- **President must still sign – retains veto power**

The White House

Office of the Press Secretary

For Immediate Release

January 23, 2010

Statement by The President on a Statutory Fiscal Commission

The serious fiscal situation that our country faces reflects not only the severe economic downturn we inherited, but also years of failing to pay for new policies—including a new entitlement program and large tax cuts that most benefited the well-off and well-connected. The result was that the surpluses projected at the beginning of the last administration were transformed into trillions of dollars in deficits that threaten future job creation and economic growth.

These deficits did not happen overnight, and they won't be solved overnight. We not only need to change how we pay for policies, but we also need to change how Washington works. The only way to solve our long-term fiscal challenge is to solve it together – Democrats and Republicans.

That's why I strongly support legislation currently under consideration to create a bipartisan, fiscal commission to come up with a set of solutions to tackle our nation's fiscal challenges – and call on Senators from both parties to vote for the creation of a statutory, bipartisan fiscal commission.

With tough choices made together, a commitment to pay for what we spend, and responsible stewardship of our economy, we will be able to lay the foundation for sustainable job creation and economic growth while restoring fiscal sustainability to our nation.

National Survey Shows Strong Public Support for a Special Bipartisan Process

“Would you favor or oppose creating [a] bipartisan commission as a way of reviewing and addressing our federal budget problems?”

70 Percent Favor

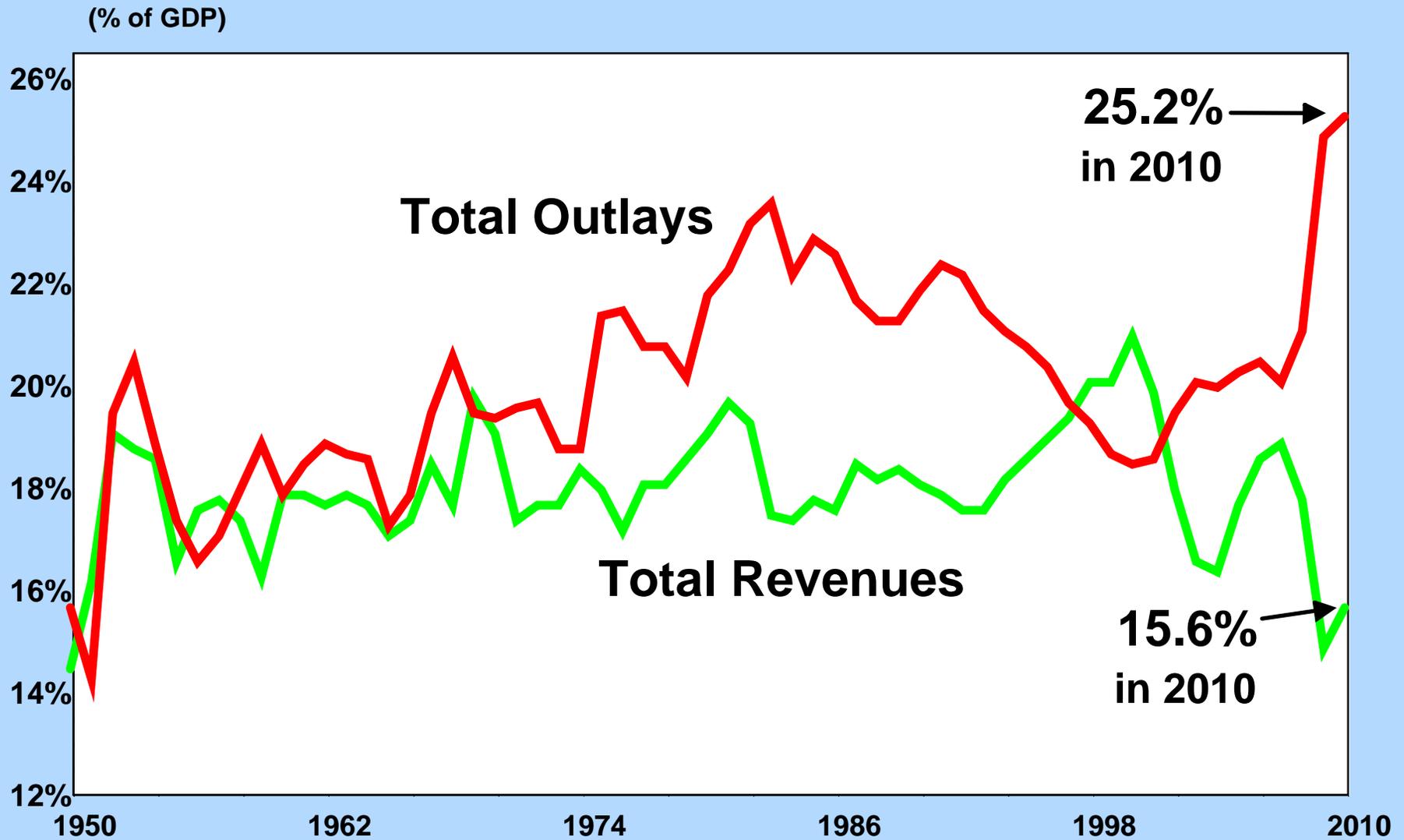
25 Percent Oppose

5 Percent Not Sure

Source: Public Opinion Strategies and Peter D. Hart Research Associates

Note: National survey of 700 registered voters conducted November 16-18, 2009

Spending and Revenues



Sources: OMB, CBO

Current Status of Social Security and Medicare Trust Funds

Social Security

- Permanently cash negative in 2016
- Insolvent in 2037 – 4 years earlier than forecast in 2008

Medicare (HI trust fund)

- Went cash negative in 2008
- Insolvent in 2017 – 2 years earlier than forecast in 2008