



Comeback America: The Nation's Fiscal Challenge and A Way Forward

Annual Meeting
I-35 Corridor Coalition
Fort Worth, TX
January 18, 2012

Hon. David M. Walker
Founder and CEO
The Comeback America Initiative
and
Former Comptroller General of the United States



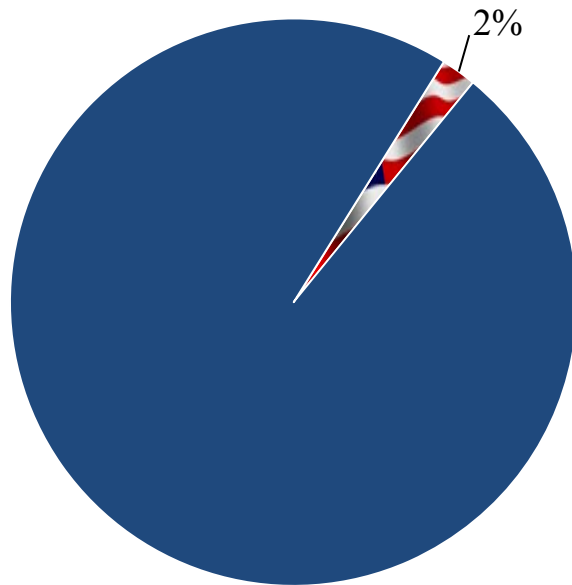
Selected Key Founding Principles

- Limited but effective Government.
- Individual liberty and opportunity
- Personal responsibility and accountability
- Rule of law and equal justice under the law
- Fiscal responsibility and intergenerational equity

Growth of Government

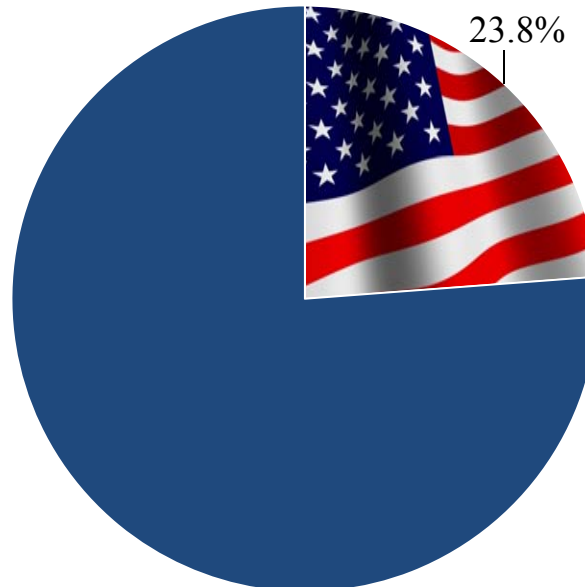
Federal Spending

1800



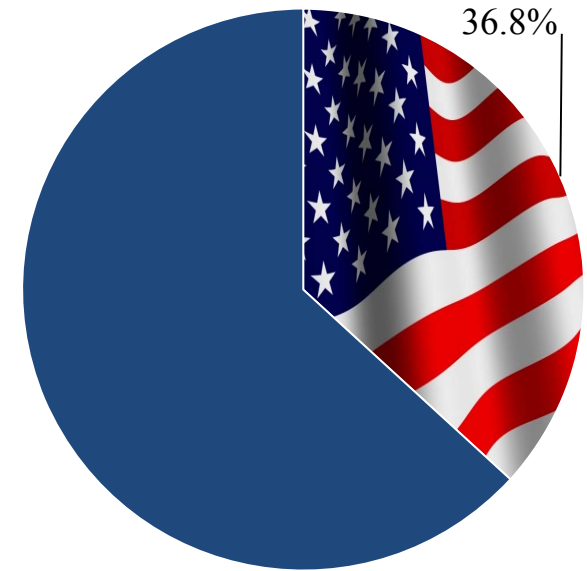
US GDP: \$8.89
Billion
(Constant 2010 Dollars)

2011



Projected US GDP: \$14.65
Trillion
(Constant 2010 Dollars)

2040



Projected US GDP: \$28.54
Trillion
(Constant 2010 Dollars)

Source: Historical Statistics of the United States, Millennial Edition On Line, Cambridge 2006; CBO, The Budget and Economic Outlook: An Update, August 2011; CBO, CBO's Long-Term Budget Outlook, Supplemental Data, June 2011. Compiled by TCAII.
Note: Federal Spending for 2040 is based on the Alternative Scenario Estimates.

4 Myths

- There are a number of myths about how to solve the Nation's fiscal problems. The 4 most common are:

We can Grow our way out

We can Inflate our way out

We can Tax our way out

We can Cut our way out

- The simple truth is that none of these by themselves will work and all of them will play a role in order to restore our fiscal sanity.



Learning from the Past

The country is currently experiencing similar conditions as in 1992 when Ross Perot first ran for President.

Fiscal Irresponsibility

Political Dysfunction

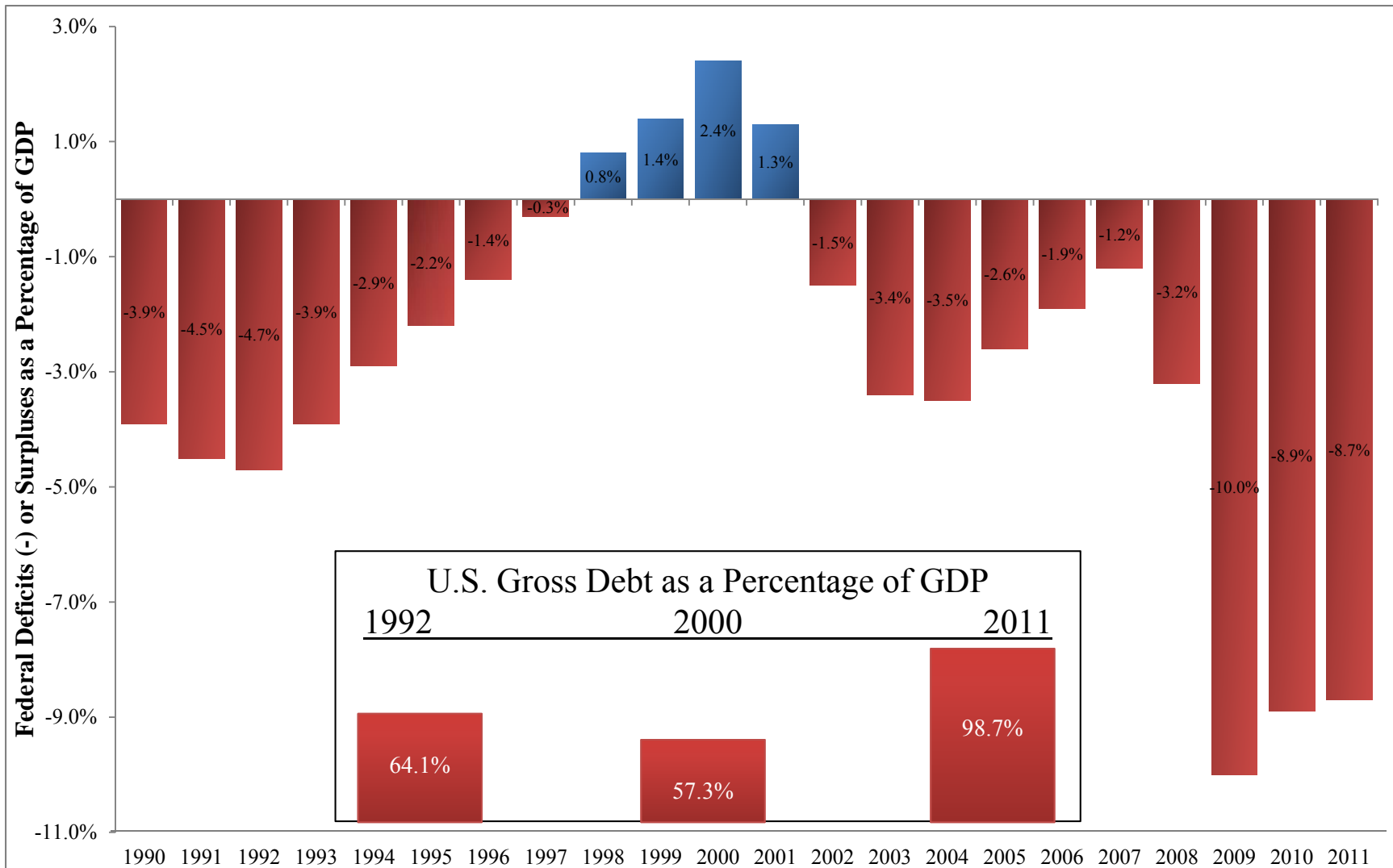
Lack of Trust in Government

Absence of Public Confidence in the Future

The country is approaching an even bigger iceberg than in 1992. We corrected our course then and can do so again if we “wake-up” and get some committed and courageous leadership.

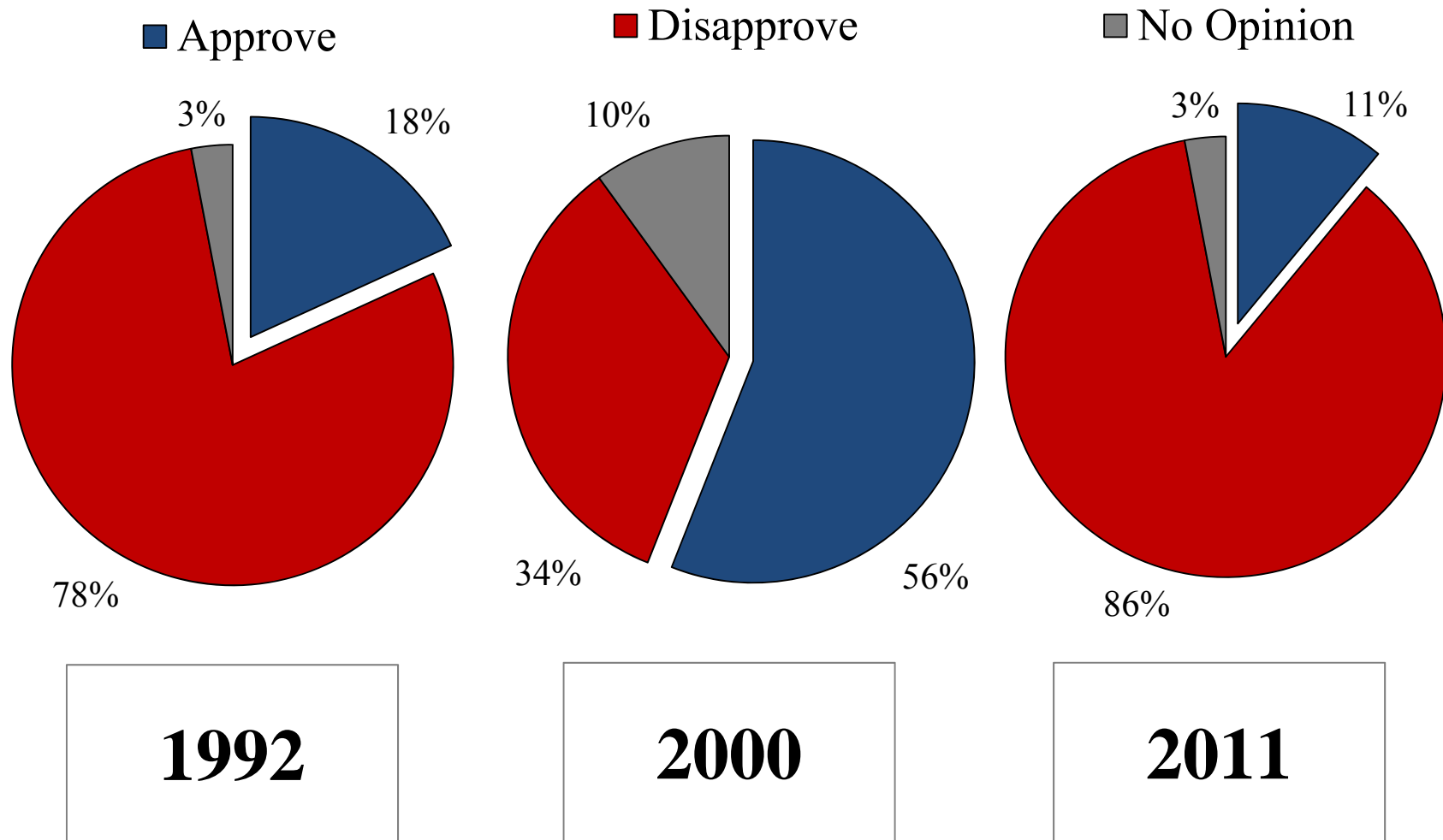
Deficits and Debt

(as a percentage of GDP)



Source: Office of Management and Budget, Historical Tables, Table 1.3; Congressional Budget Office, The U.S. Federal Budget, December 2011: Infographic; U.S. Department of Treasury, Bureau of the Public Debt, Debt to the Penny; CBO, Long-Term Budget Outlook (June 2011); Compiled by TCAII. Note: 2011 Gross debt as of Sept 31.

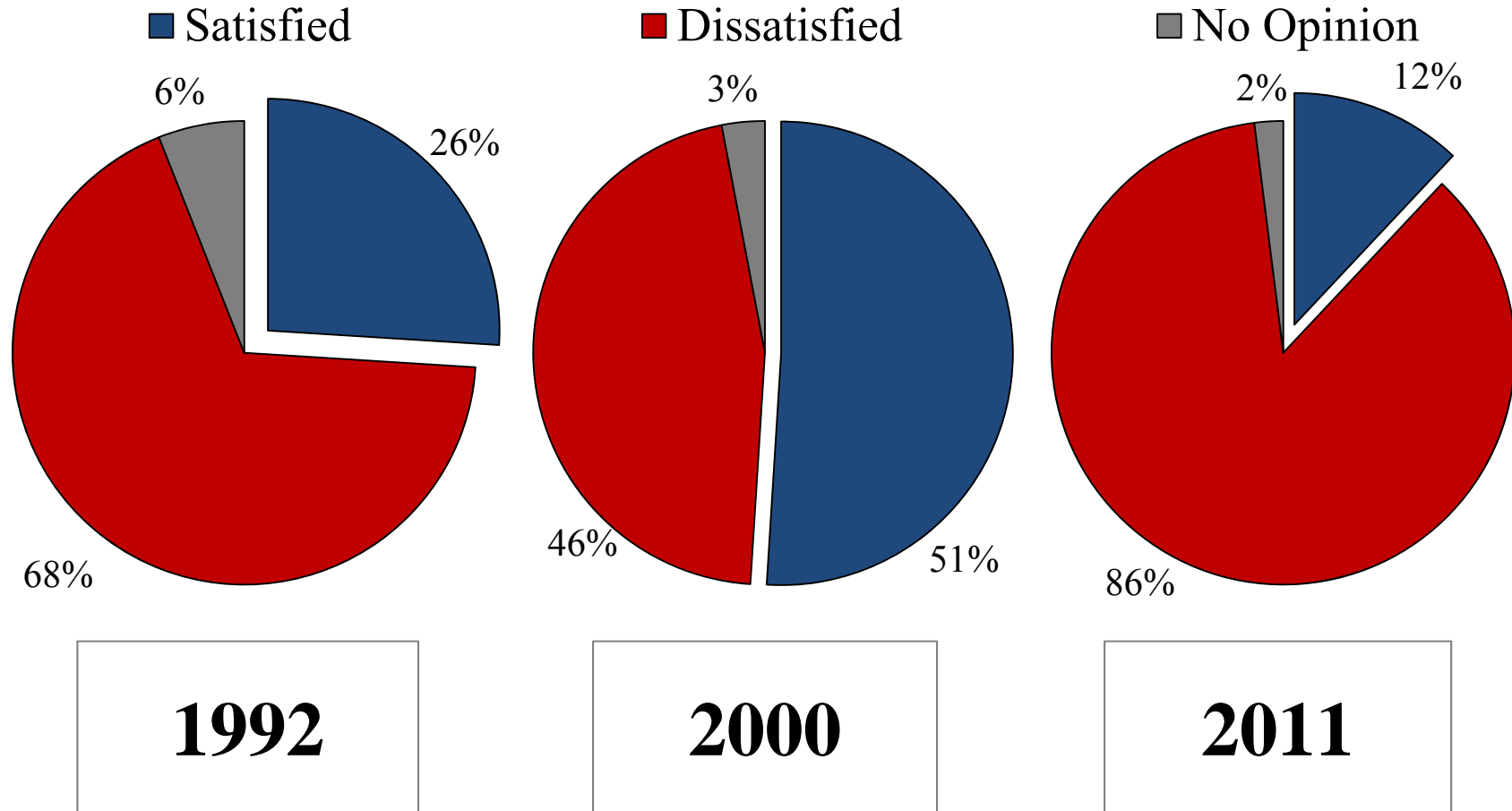
Congressional Approval



Source: Gallup, Political Polls. Compiled by TCAII.

Note: 1992 Poll taken March 3rd, 2000 Poll taken December 2nd – 4th, and 2011 Poll taken December 15th – 18th.

Citizen Satisfaction



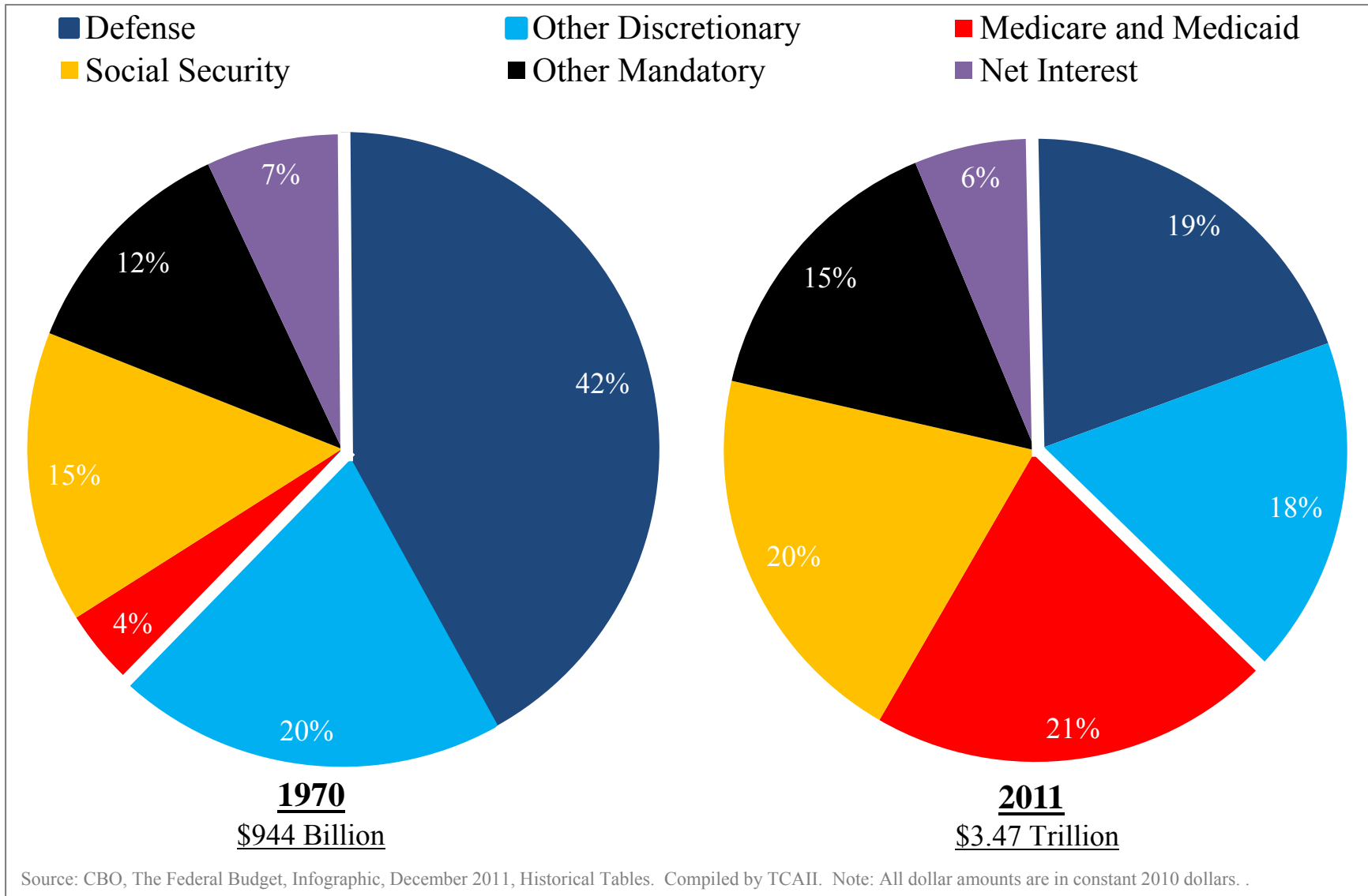
Source: Gallup, Political Polls. Compiled by TCAII.

Note: The question asked by Gallup is worded as such "In general, are you satisfied with the way things are going in the United States at this time?"

1992 Poll taken November 11th – 12th, 2000 Poll taken December 2nd – 4th, and 2011 Poll taken November 3rd – 6th.

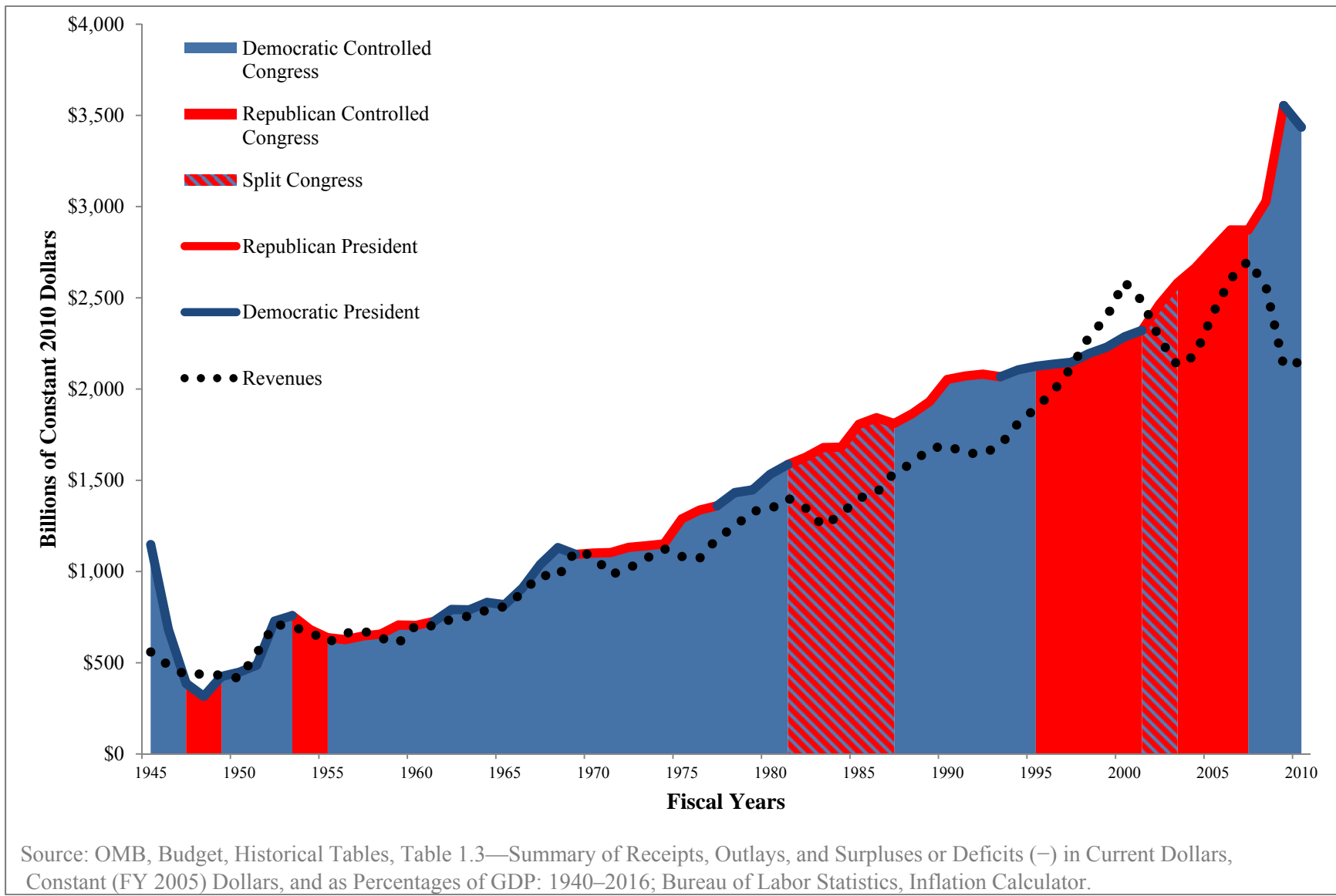
Composition of Federal Spending

(% of Total Outlays)



Federal Revenues and Outlays

(Control of Congress and the White House)

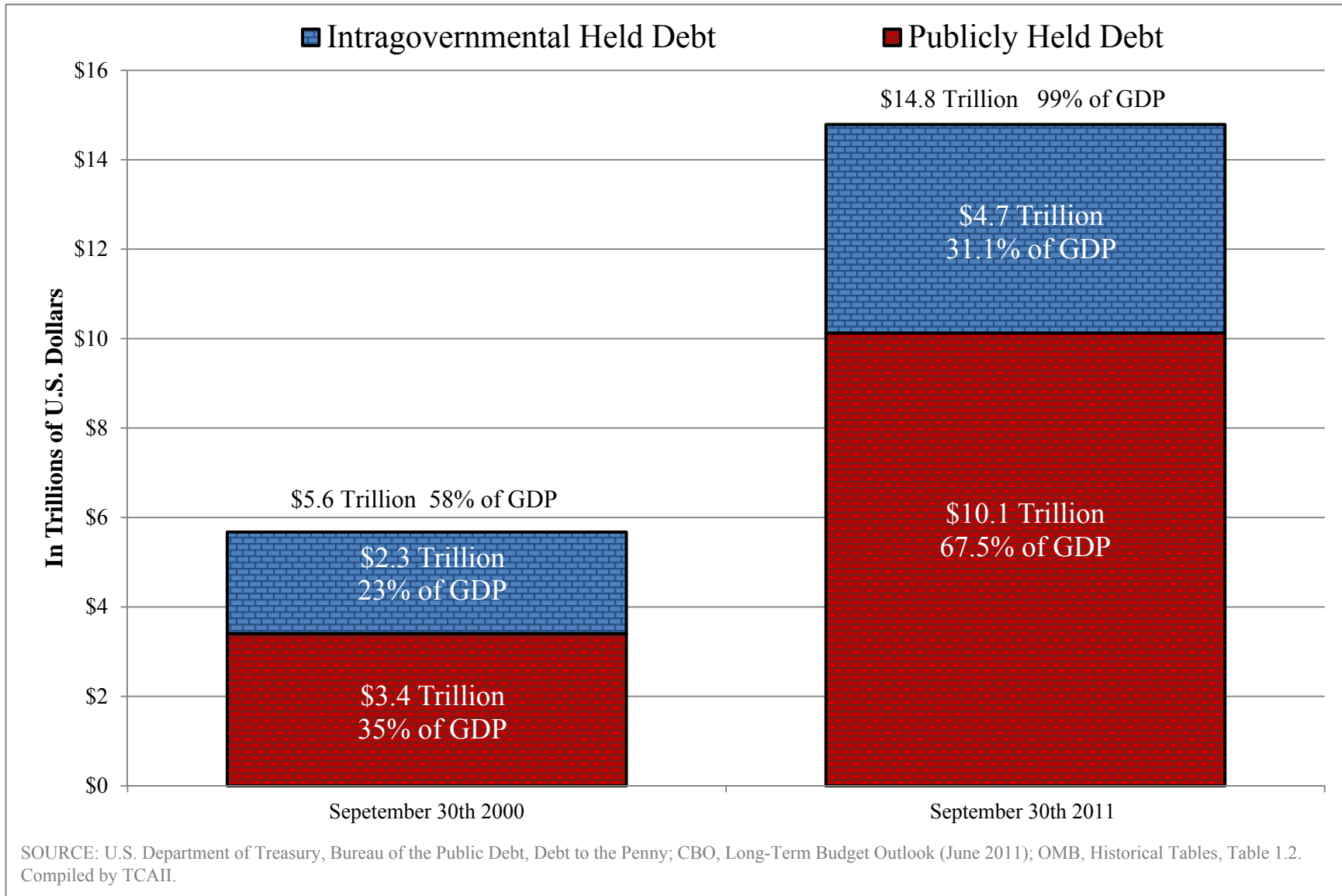


If The U.S. was a Household

Household Income Statement	
Per Week	
Household Income	\$ 966
Household Expenses	\$ 1,496
Household Deficit	\$ (536)
Overall Household Debt, Liabilities, & Unfunded Promises	
Household Debt (as of Sept. 30, 2011)	\$ 314,234
Household Total Liabilities and Unfunded Promises (as of Sept. 30, 2011)	\$ 1,391,605
Sources: U.S. Department of Treasury, 2011 Financial Report of the United States Government; U.S. Census Bureau, Quick Facts. Note: Household figures are calculated based proportionally on the Federal Government's finances using median income. Numbers may not add due to rounding.	

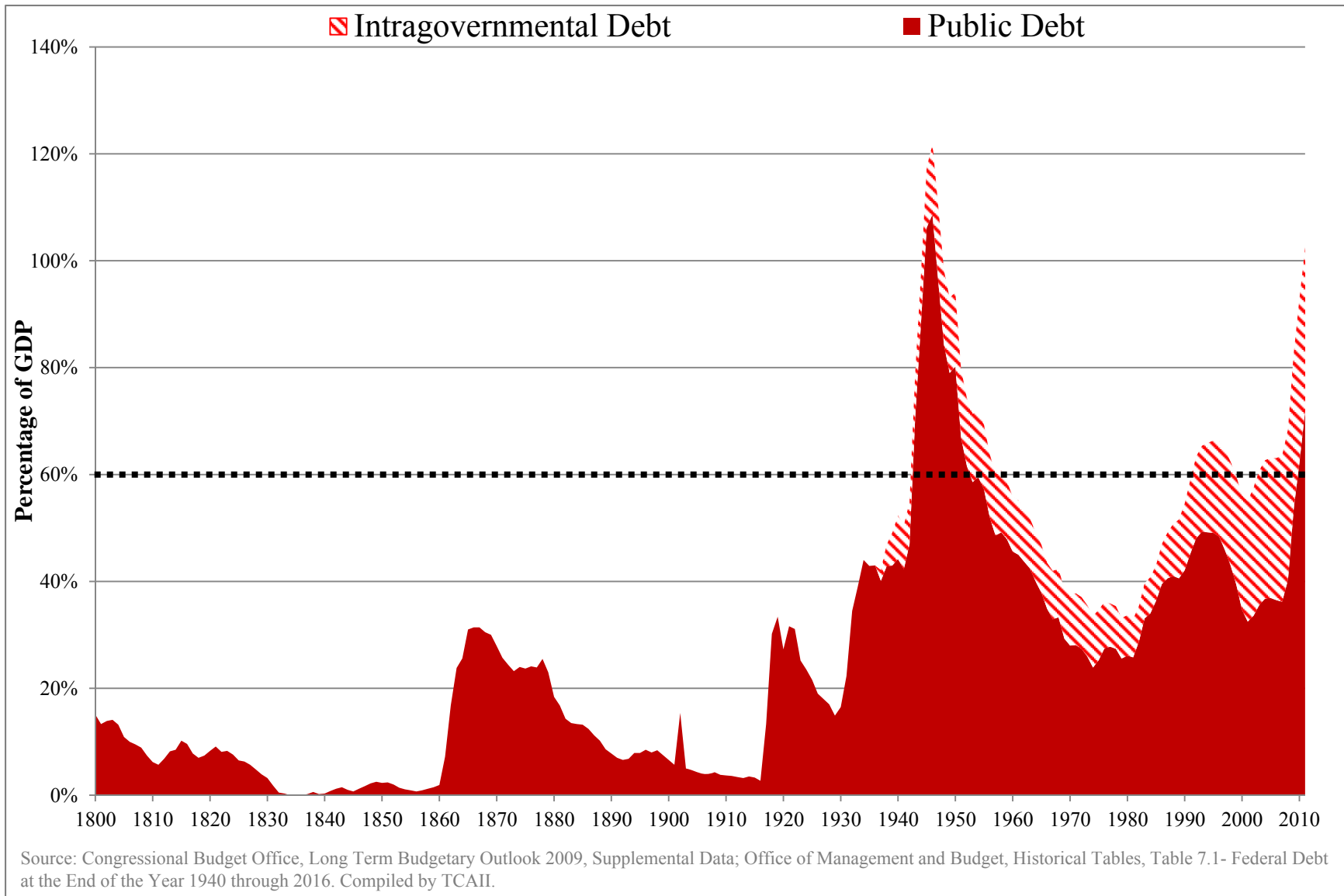


Federal Debt Burdens



Historical Debt Burden

(1800 through 2011)





Federal Financial Hole

(For Fiscal 2000 and 2011)

In Trillions of Dollars	2000	2011	
Explicit Liabilities	\$ 6.9	\$17.4	
•Publicly Held Debt	3.4	10.1	
•Military & Civilian Pensions & Retiree Health	2.8	5.8	
•Other Major Fiscal Exposures	0.7	1.5	
Commitments & Contingencies	0.5	1.9	
E.g. Pension Benefit Guaranty Corporation, Undelivered Orders			
		Trustees' Estimates	Actuary's Alternative Scenario
Social Insurance Promises	13.0	33.7	46.1
•Future Social Security Benefits	3.8	9.2	9.2
•Future Medicare Benefits	9.2	24.7	37.0
▪Future Medicare Part A Benefits	2.7	3.3	8.5
▪Future Medicare Part B Benefits	6.5	13.9	21.0
▪Future Medicare Part D Benefits	-	7.5	7.5
Total	\$20.4	\$53.2	\$65.5

SOURCE: Data from the Department of Treasury, 2011 Financial Report of the United States Government. Compiled by TCAII.

NOTE: Estimates for the Actuary's Alternative Scenario are found in note 26 of the 2010 Financial Report of the United States. Future liabilities are discounted to present value based on a real interest rate of 2.9% and CPI growth of 2.8%. The totals do not include liabilities on the balance sheets of Fannie Mae, Freddie Mac, and the Federal Reserve. Assets of the U.S. government not included.

Growing Foreign Dependency

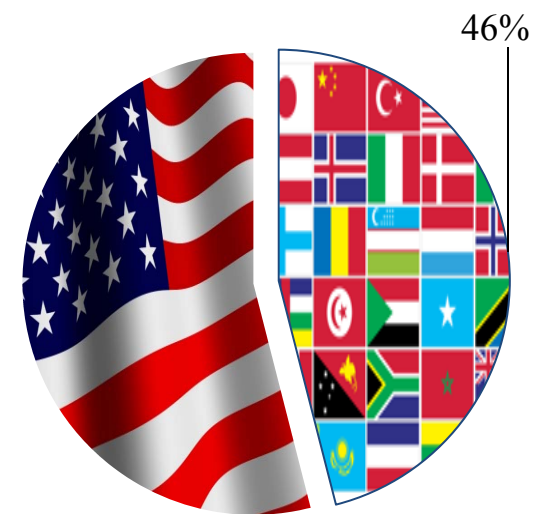
1970
Total Public Debt
\$283 Billion



1990
Total Public Debt
\$2,412 Billion



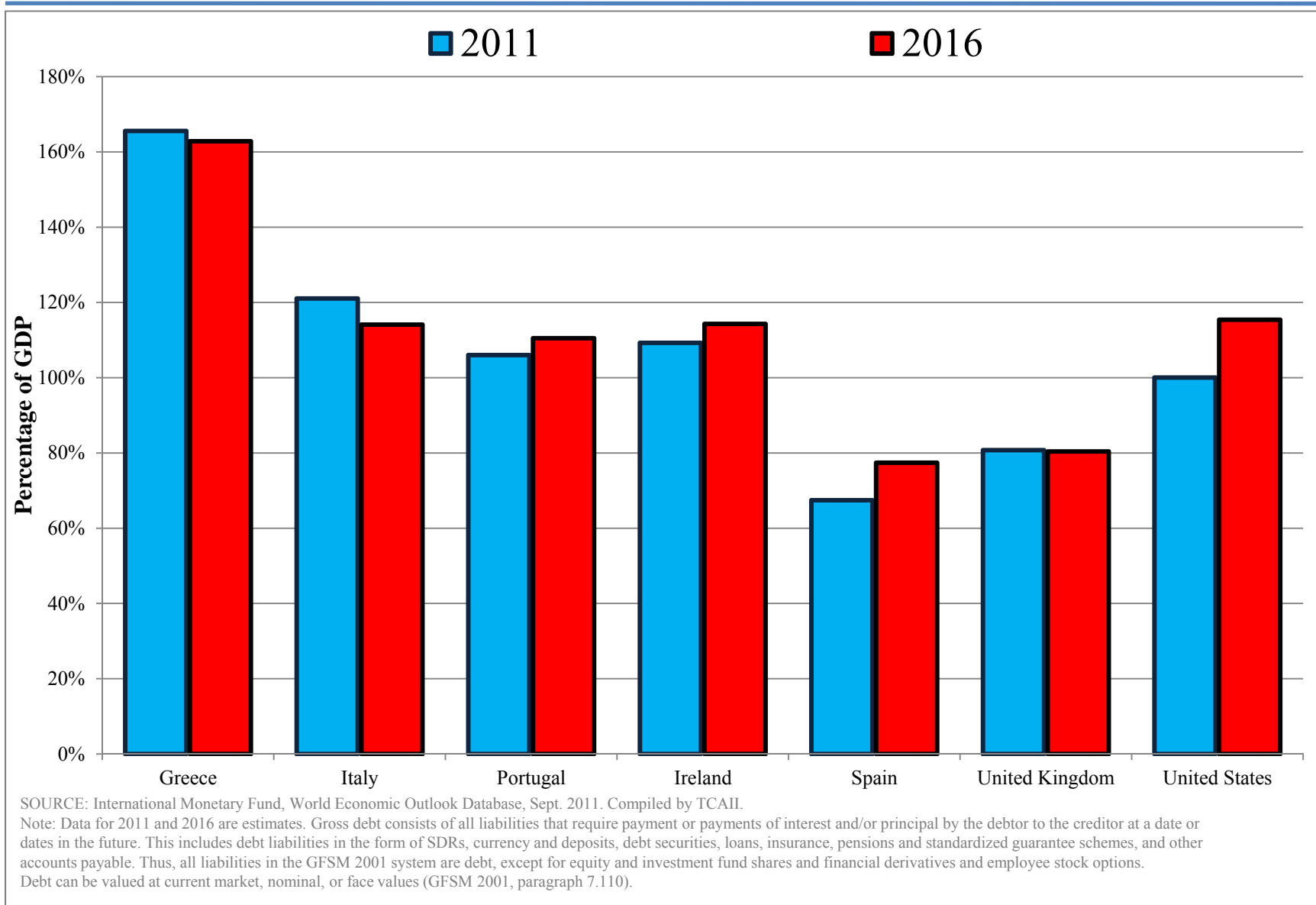
2011
Total Public Debt
\$10,127 Billion



Source: Office of Management and Budget, Historical Tables; Department of Treasury, Major Holders of Treasury Securities, October 18, 2011, Debt to the Penny.
Compiled by TCAII.

Note: 2011 public debt and foreign held public debt reflect data from September 2011.

Comparative Debt Burdens





Sovereign Fiscal Responsibility Index

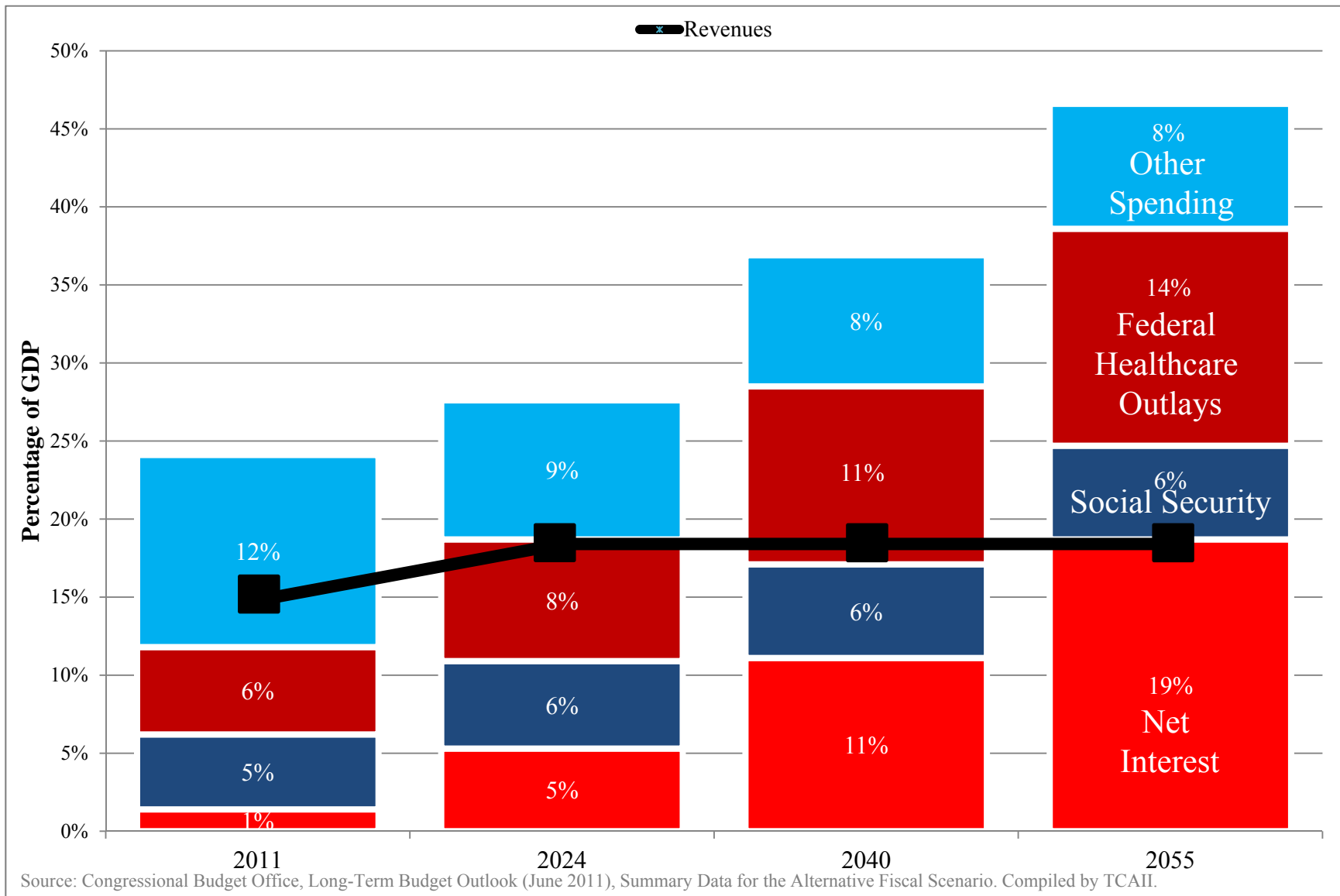
(As of September 2011)

- | | |
|------------------------|------------------------------|
| 1. Australia (1) | 18.Slovakia (16) |
| 2. New Zealand (2) | 19.Norway (15) |
| 3. Sweden (4) | 20.Austria (21) |
| 4. Estonia (3) | 21.France (23) |
| 5. China (5) | 22.Finland (22) |
| 6. Chile (7) | 23.Slovenia (20) |
| 7. Luxembourg (6) | 24.Germany (25) |
| 8. India (12) | 25.Spain (24) |
| 9. Brazil (10) | 26.Belgium (26) |
| 10. Denmark (8) | 27.Italy (27) |
| 11. United Kingdom (9) | 28.United States (28) |
| 12. Netherlands (14) | 29.Hungary (29) |
| 13. Israel (19) | 30.Iceland (32) |
| 14. Canada (11) | 31.Ireland (30) |
| 15. Korea (17) | 32.Japan (31) |
| 16. Poland (13) | 33.Portugal (33) |
| 17. Mexico (18) | 34.Greece (34) |

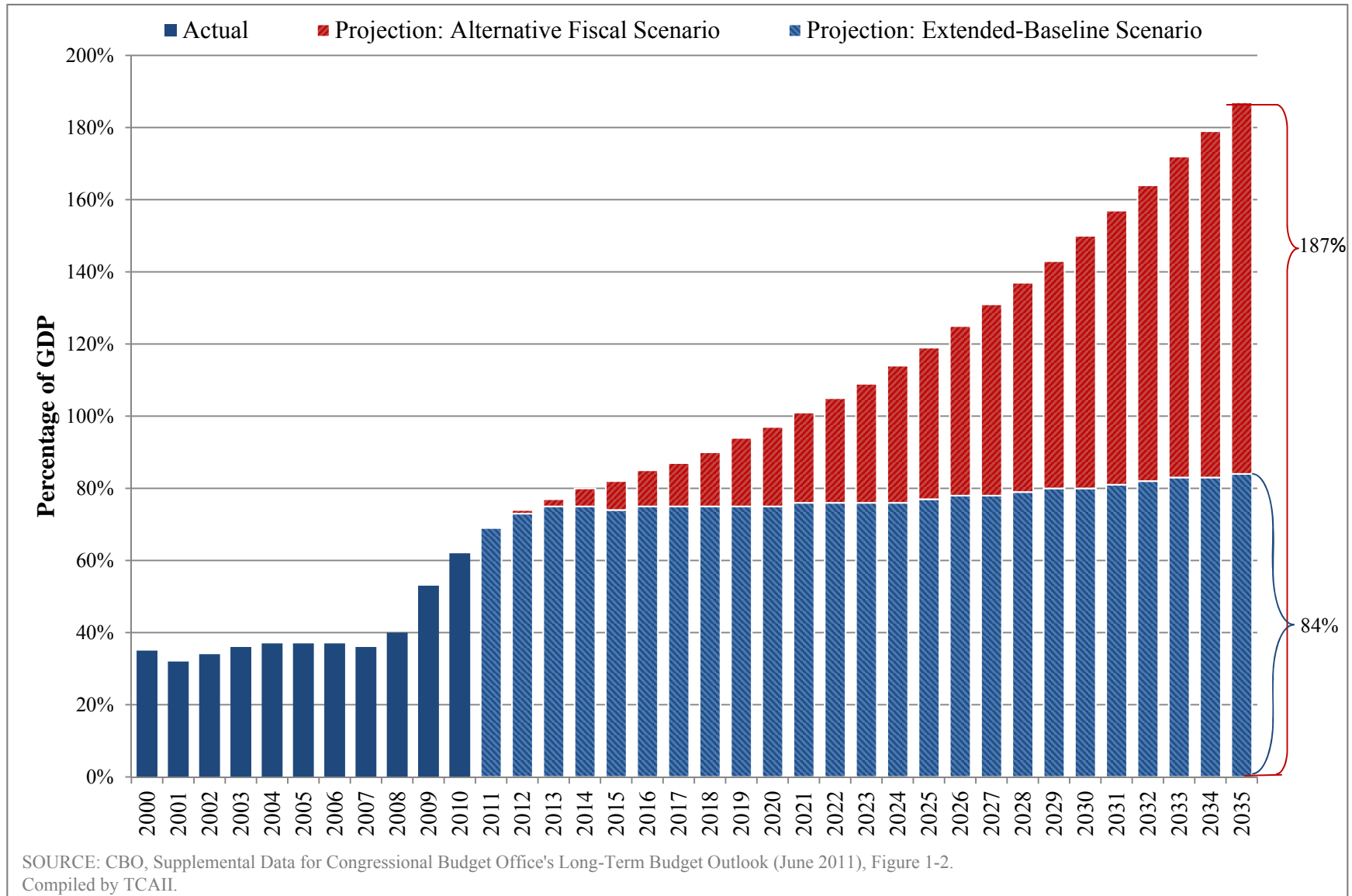
Source: Comeback America and Stanford Graduate Students' Sovereign Fiscal Responsibility Index. Compiled by TCAII.

Note: Based upon IMF data that was reported in September 2011 and does not take into consideration subsequent events.

Our Fiscal Future



CBO's Public Debt Projections



Social Security and Medicare

Key Dates and Data regarding the financial condition of the Social Security and Medicare Trust Funds

	Social Security	Medicare
Current Beneficiaries	55.0 Million	46.3 Million
Year the Trust Fund begins permanently operating with a negative cash flow	2010	2008 (HI Trust Fund)
Trust fund exhaustion year	2036	2024
Discounted Present Value (PV) of unfunded promises ¹	\$9.2 Trillion	\$37 Trillion ²
Actuarial Balance as a % of GDP	0.71%	1.9%

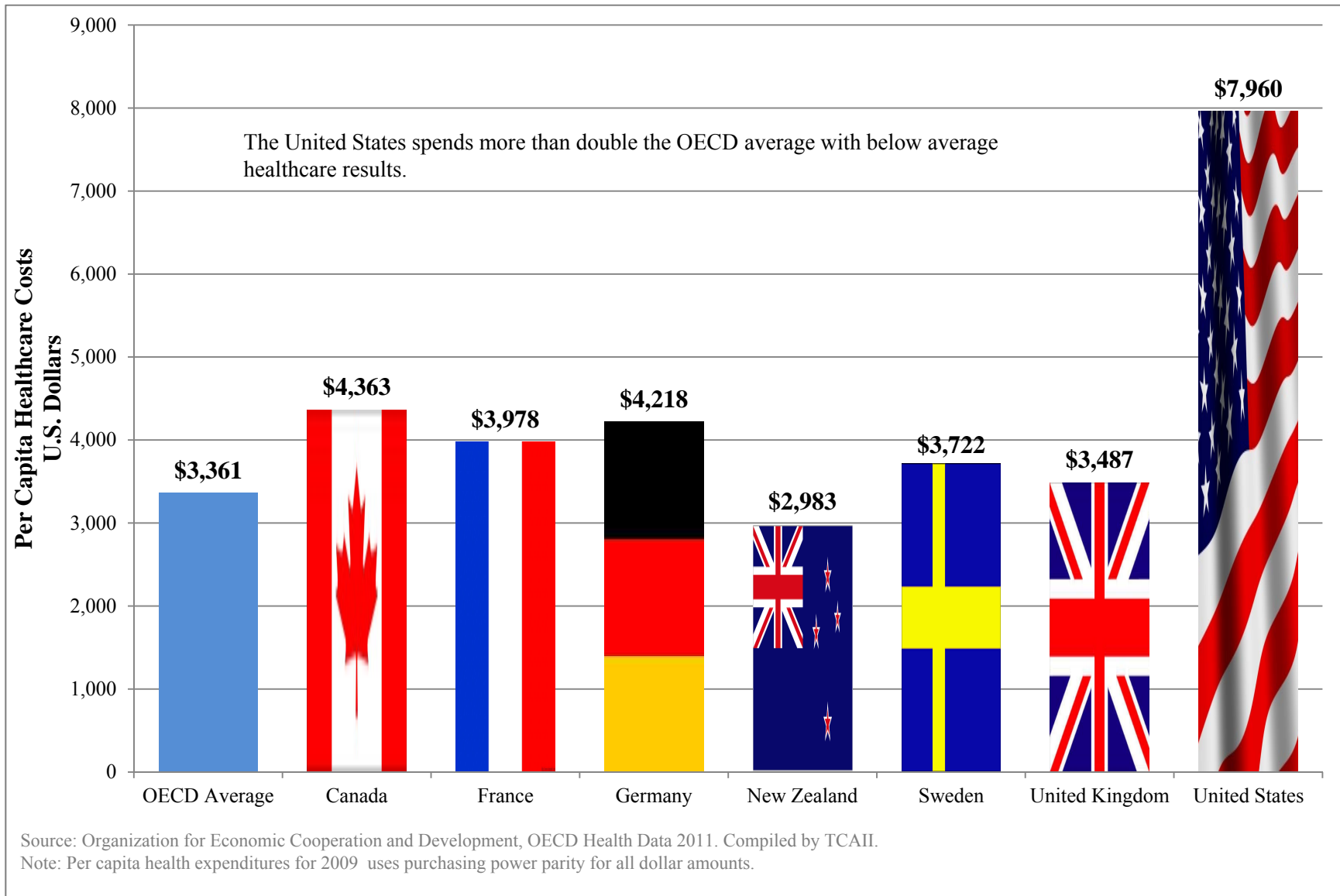
Insurance and Federal Disability Insurance Trust Funds; and Centers for Medicare & Medicaid Services, 2011 Medicare Trustees Report; 2011 Financial Report of the United States Government, Notes to the Financial Statements, Note 26 .

Compiled by TCAII.

Note: The Social Security Disability Trust fund will be exhausted by 2018.

1. Excludes current “assets” in the Social Security & Medicare trust funds.
2. Based on Medicare Actuarial projections that differ from current law.

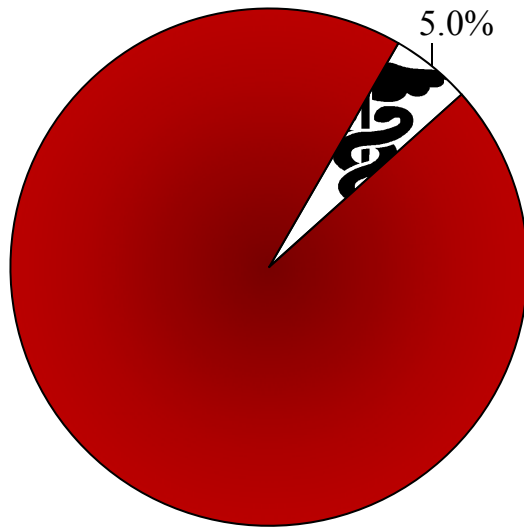
Comparative Health Costs



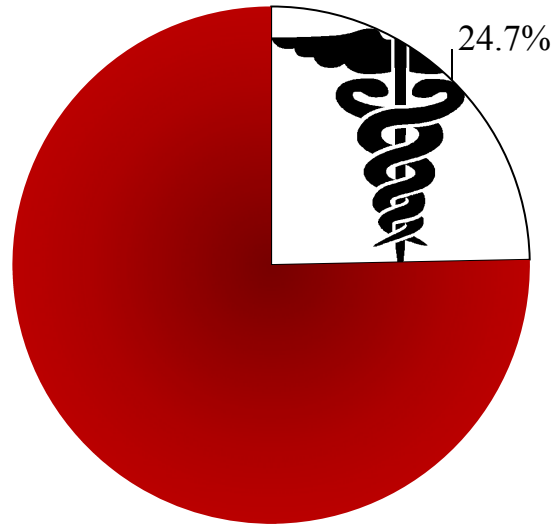
Federal Healthcare Spending

(As a Percentage of Primary Spending)

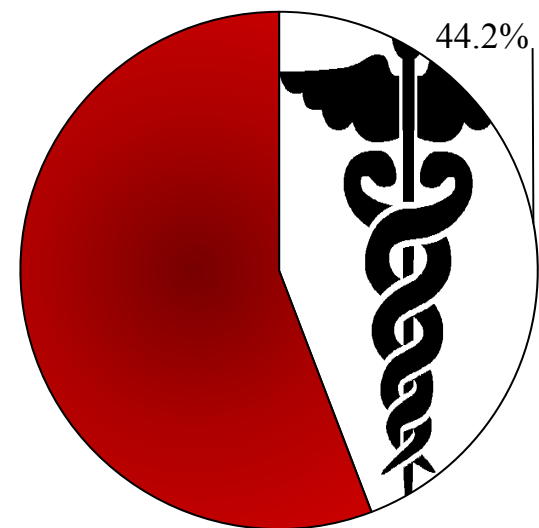
Health Spending



1970



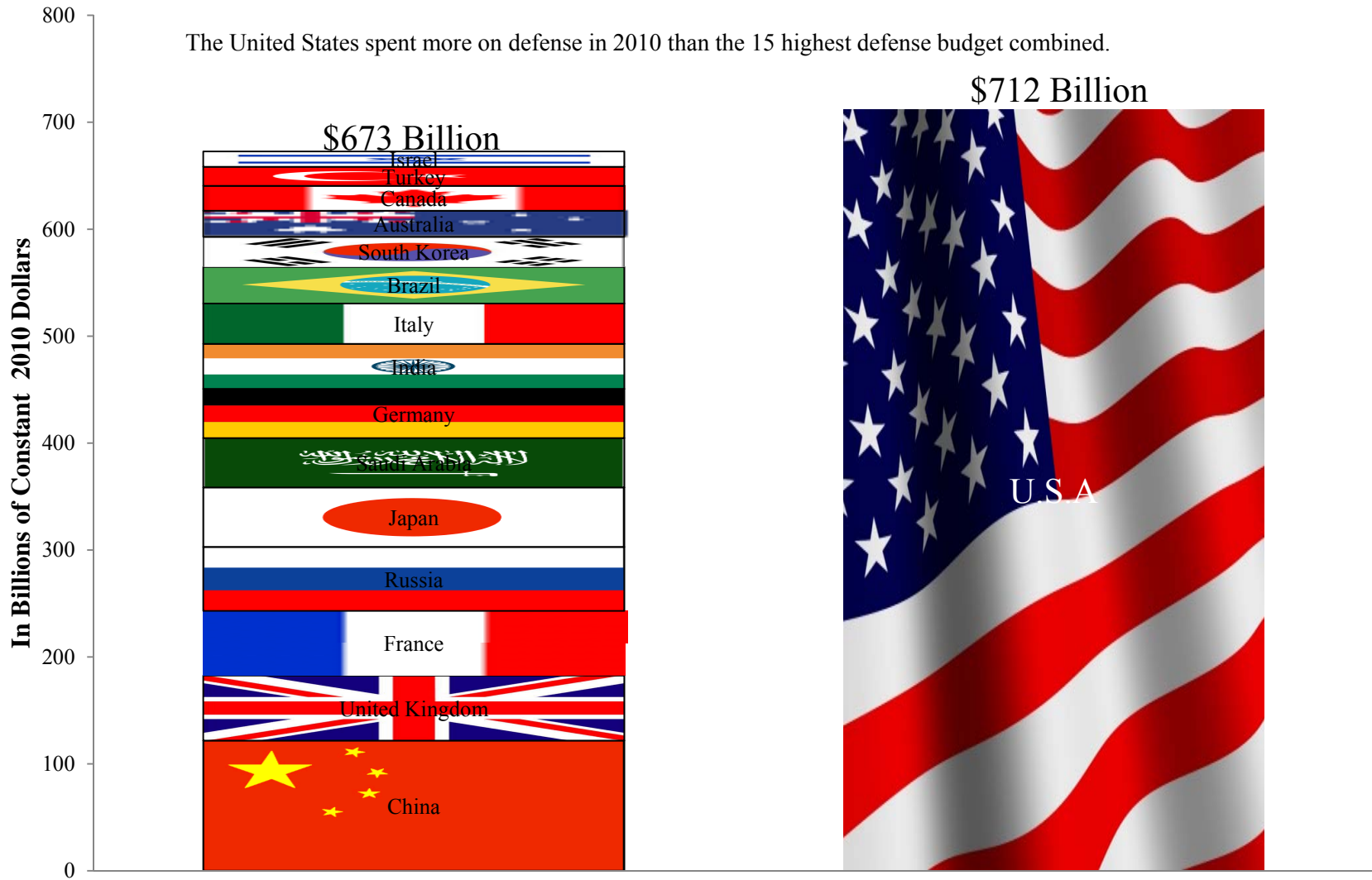
2011



2040

Source: Congressional Budget Office, CBO's Long-Term Budget Outlook (June 2011), Supplemental Data, Figure B1. Compiled by TCAII.
Note: Figures are based on CBO's Alternative Fiscal Scenario Projections. Primary spending is all federal spending excluding interest.

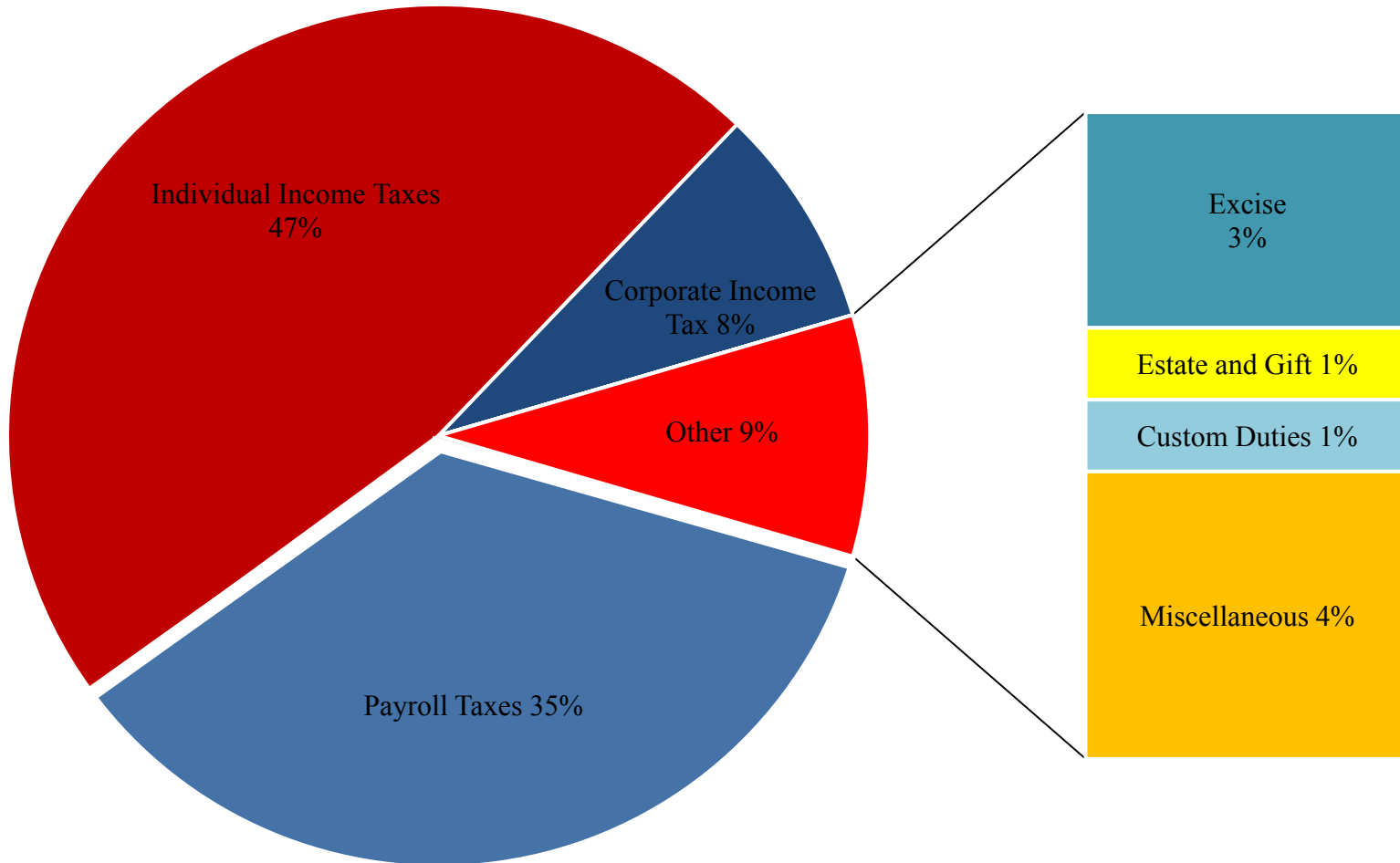
Relative Defense Spending



SOURCE: Stockholm International Peace Research Institute, SIPRI Military Expenditure Database 2011; Bureau of Labor Statistics, Inflation Calculator. Compiled by TCAII.

2011 Federal Revenue Composition

Total Revenue \$2.2 Trillion in 2010 Dollars



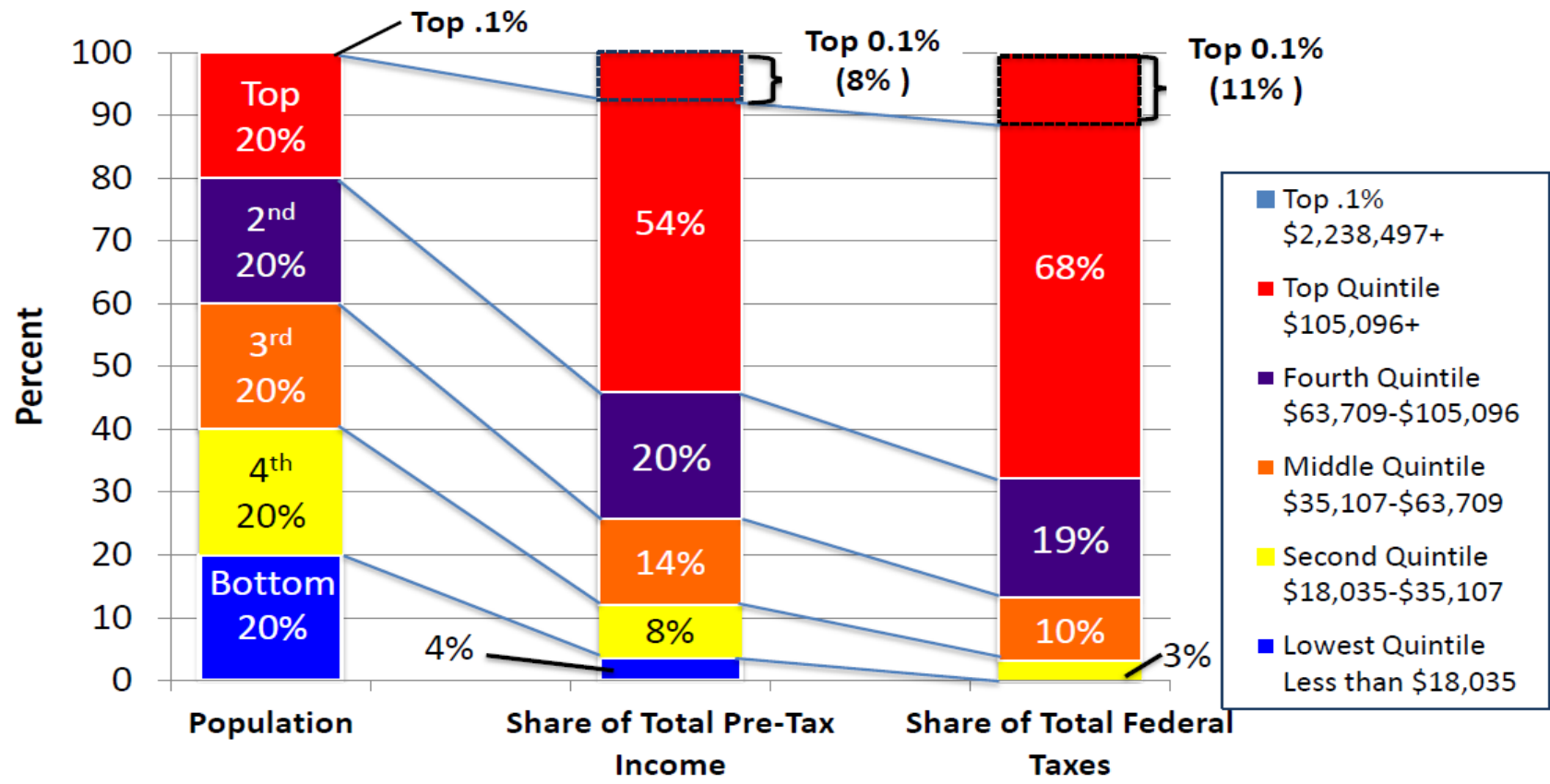
Source: Congressional Budget Office, The Budget and Economic Outlook: An Update, August 2011. Compiled by TCAII.

Note: New figures for the components of other spending were not published. The same percentage of revenues for these figured is assumed from the June 2011 CBO report.

Progressive Tax System



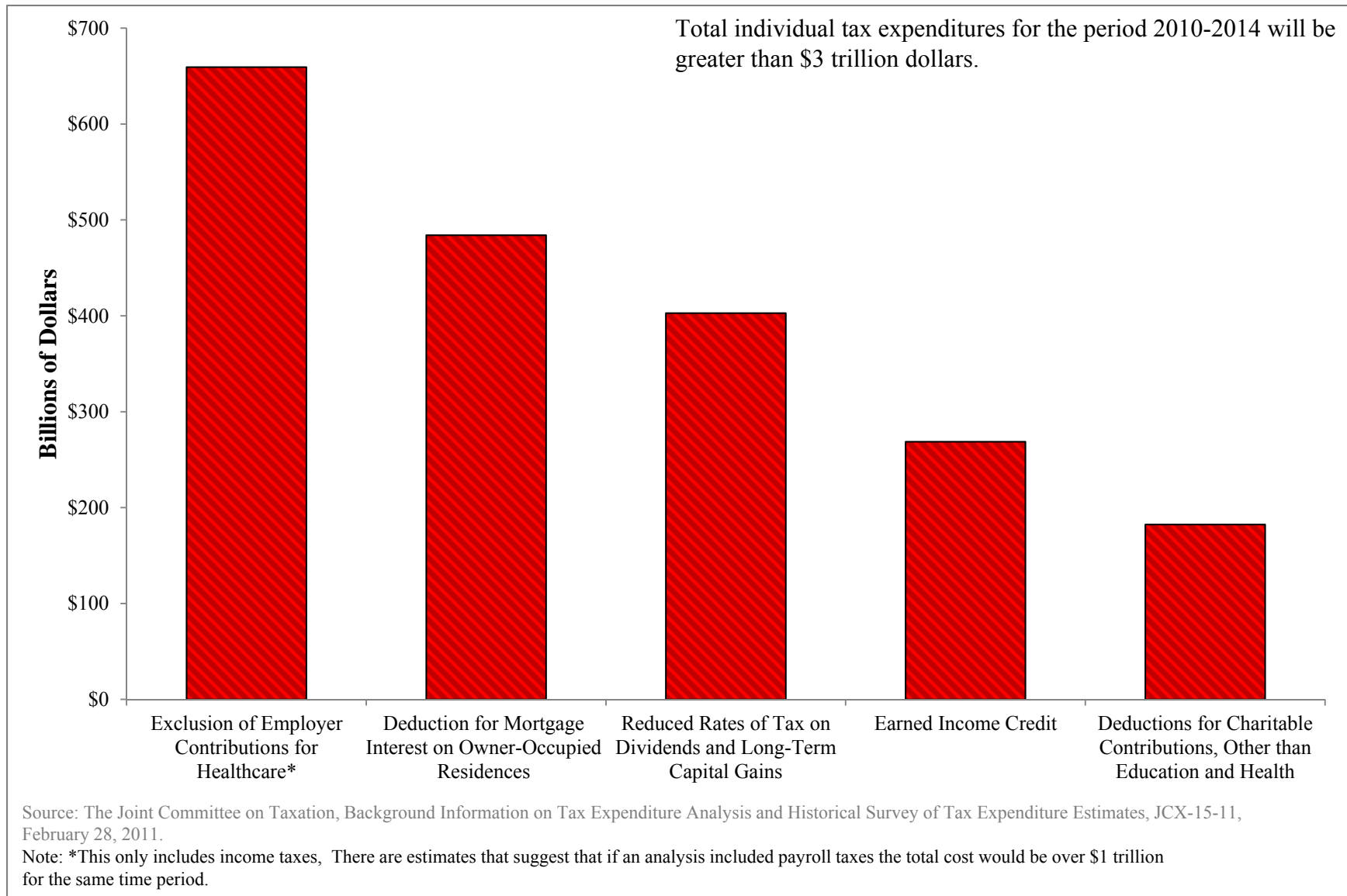
High-income households earn a disproportionate share of pre-tax income and pay a disproportionate share of total federal taxes



SOURCE: Tax Policy Center, *Share of Federal Taxes Under Current Law, By Cash Income Percentile, 2010*; August 2009. Compiled by PGPF.
NOTE: Data for Cash Income in 2010
© 2011 Peter G. Peterson Foundation

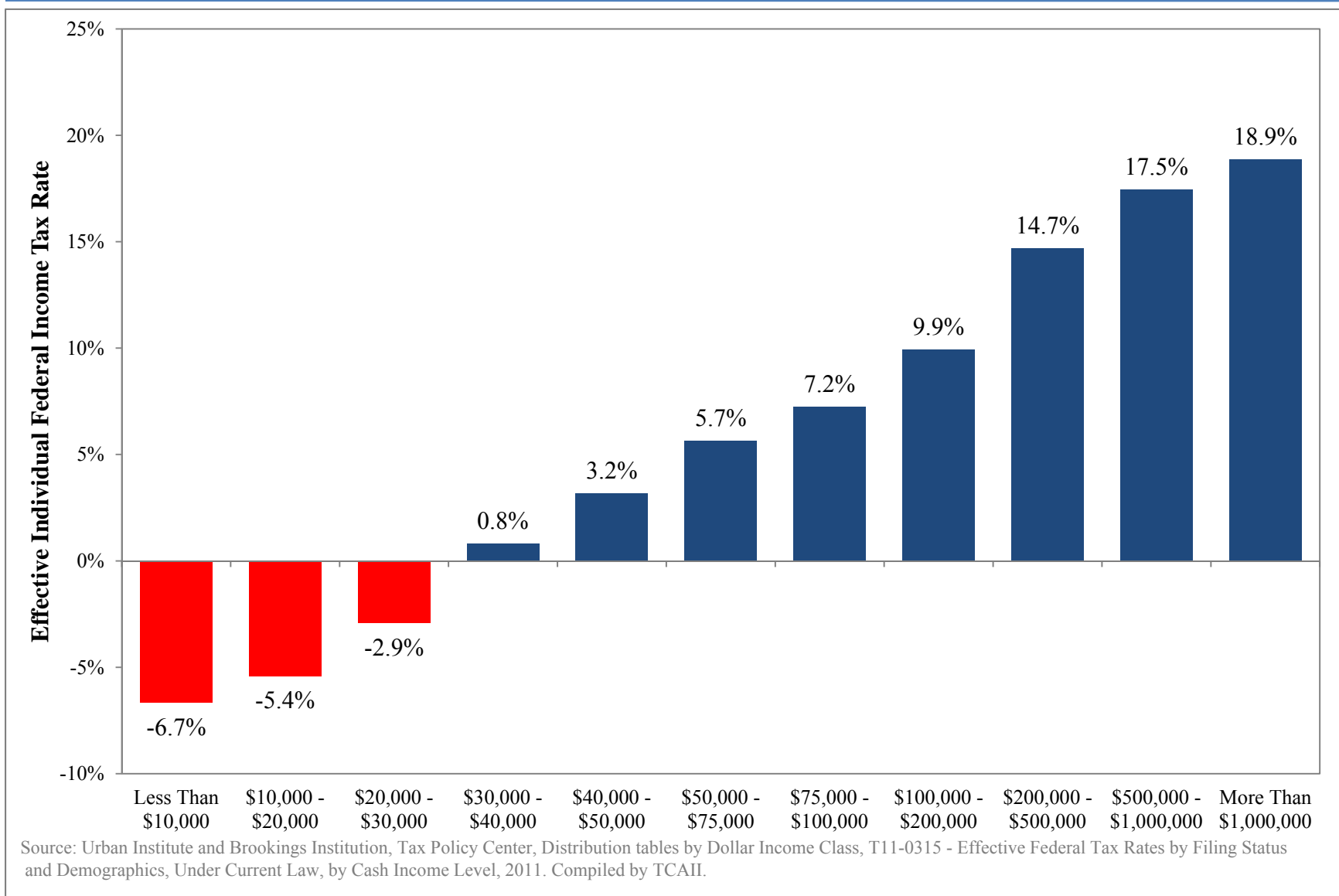


Select Individual Tax Expenditures (2010-2014)





Effective Federal Income Tax Rates



Overall Infrastructure Ranking

OECD Rank	Country (World Rank)	OECD Rank	Country (World Rank)
1	Switzerland (1)	18	United Kingdom (28)
2	France (3)	19	Czech Republic (29)
3	Denmark (5)	20	Estonia (31)
4	Finland (6)	21	Chile (32)
5	Iceland (7)	22	Slovenia (33)
6	Austria (8)	23	Turkey (34)
7	Germany (10)	24	Australia (37)
8	Sweden (11)	25	Israel (38)
9	Portugal (12)	26	Norway (42)
10	Japan (13)	27	Hungary (46)
11	Netherlands (14)	28	New Zealand (50)
12	Canada (15)	29	Ireland (53)
13	Luxembourg (16)	30	Greece (62)
14	Belgium (17)	31	Mexico (73)
15	Korea (18)	32	Slovak Republic (74)
16	Spain (22)	33	Italy (79)
17	United States (24)	34	Poland (87)

Source: World Economic Forum, World Competitiveness Report, 2011. Compiled by TCAII.

Taxpayer's Burden by State

(Thousands of Dollars)

1. Wyoming	\$15.1	18. Nevada	\$ 4.2	35. New York	\$ 13.7
2. North Dakota	\$ 6.4	19. Missouri	\$ 4.6	36. Maine	\$ 14.3
3. Nebraska	\$ 2.5	20. Ohio	\$ 4.7	37. Mississippi	\$ 14.3
4. Utah	\$ 2.2	21. Virginia	\$ 4.8	38. Rhode Island	\$ 14.3
5. South Dakota	\$ 0.3	22. Wisconsin	\$ 5.1	39. Michigan	\$ 14.7
6. Iowa	\$ 0.4	23. Texas	\$ 5.7	40. California	\$ 15.1
7. Montana	\$ 0.7	24. Kansas	\$ 5.8	41. Delaware	\$ 15.9
8. Arkansas	\$ 0.7	25. Washington	\$ 6.5	42. Maryland	\$ 16.5
9. Tennessee	\$ 1.2	26. Pennsylvania	\$ 8.2	43. Louisiana	\$ 16.8
10. Alaska	\$ 1.4	27. Georgia	\$ 8.9	44. West Virginia	\$ 18.9
11. Minnesota	\$ 1.9	28. New Mexico	\$ 9.0	45. Massachusetts	\$ 20.1
12. Indiana	\$ 2.3	29. South Carolina	\$ 9.7	46. Kentucky	\$ 23.8
13. Florida	\$ 2.5	30. Oklahoma	\$ 10.0	47. Hawaii	\$ 25.0
14. Oregon	\$ 2.6	31. North Carolina	\$ 11.2	48. Illinois	\$ 26.8
15. Arizona	\$ 2.6	32. New Hampshire	\$ 11.6	49. New Jersey	\$ 34.6
16. Colorado	\$ 2.8	33. Vermont	\$ 12.5	50. Connecticut	\$ 41.2
17. Idaho	\$ 2.9	34. Alabama	\$ 12.9		

Source: 2009, Institute for Truth in Accounting

Numbers in red denote burden per taxpayer, Numbers in black denote a surplus per taxpayer



CAI's Fiscal Framework

Scope of CAI's Illustrative Fiscal Frameworks:

- Budget Controls and Process Reforms
- Social Security
- Medicare, Medicaid, and Healthcare
- Defense and Other Spending
- Comprehensive Tax Reforms
- Constitutional Amendments

Feasibility Test

Fiscal Reforms Must Meet a Feasibility Test:

- 1) Do they make economic sense?
- 2) Are they socially equitable?
- 3) Are they culturally acceptable?
- 4) Do they pass a math test?
- 5) Are they politically feasible?
- 6) Can they achieve significant bipartisan support?

A Phased Approach

- **Calendar Year 2012**

- › Resolution of Payroll, Unemployment, and Medicare Physician Payment Issues (Short-Term)
- › Tough 2013 Budget (Short-Term)
- › Bush/Obama Tax Cut Decision (Short-Term)
- › Possible Reconsideration of Debt Ceiling Automatic Spending Cuts (Short-Term)
- › Congressional Hearings (Structural)
- › Citizen Education/Engagement (Structural)

- **2013 - ?**

- › Tough Budget Controls (Structural)
- › Role and Size of Government (Structural)
- › Government Transformational Commission (Structural)
- › Comprehensive Social Security Reform (Structural)
- › Health Care Coverage Reform and Cost Controls (Structural)
- › Comprehensive Tax Reform (Structural)

What Can You Do?

- Test your fiscal knowledge by going to www.fiscalIQ.net
- To educate others use the Fiscal Facts prepared presentation and notes found on TCAII's website.
- For further information about:
 - Non-partisan facts and possible solutions on fiscal sustainability and responsibility
Sign up at
The Comeback America Initiative's website
www.TCAII.org
 - Promoting progress over partisanship sign up at
No Labels website
www.NoLabels.org