EDUCATING AND ACTIVATING THE AMERICAN PUBLIC: REACHING POLICYMAKERS IS ONLY HALF THE BATTLE. ELECTED OFFICIALS ARE MOTIVATED BY AMERICANS DEMANDING ACTION. WE ARE COMMITTED TO RAISING PUBLIC AWARENESS ABOUT OUR NATION’S LONG-TERM FISCAL CHALLENGES AND ENERGIZING AMERICANS TO JOIN THE MOVEMENT FOR SOLUTIONS.
PRESENTING THE FACTS AND ANALYZING THE OPTIONS

As part of its efforts to raise the level of understanding about fiscal challenges and solutions in both Washington and across America, the Peterson Foundation regularly issues reports and analyses, including the State of the Union’s Finances. These publications have established the Peterson Foundation as a trusted source of unbiased, independent information about federal fiscal policy.

*The State of the Union’s Finances*, first released in July 2008, is a plainspoken guide to the federal government’s finances. Using figures, charts, and graphs, this accessible report explains how long-term structural deficits, escalating debt levels, and burgeoning interest payments pose a threat to the nation’s economic future. In addition to laying out the problem, the publication identifies areas that must be addressed as policymakers develop solutions.

The Foundation also publishes nonpartisan analyses of developments related to budget and fiscal policy. Subjects of analysis include: White House and Congressional budget proposals; the Social Security and Medicare Trustees reports, which delve into the solvency of the programs; reports on state and local government finances; academic publications on health care, retirement reform, savings, and income disparity; and evaluations of the fiscal stimulus and monetary actions taken during the recession.

In addition to analysis of ongoing events, the Foundation also produces resources for citizens to be able to understand, follow, and contribute to the public debate. These tools include fiscal issue primers, charts, a glossary of budget and economic terms, summaries of government budget projections, and links to third-party analyses. These publications are available on our website at [www.pgpf.org](http://www.pgpf.org).

Since the President’s Commission on Fiscal Responsibility and Reform released its plan in December of 2010, many groups and politicians have offered their own visions of fiscal reform, and fiscal issues have become increasingly prominent topics in the media. The Foundation has provided accessible and objective analysis of many of the plans released, including summaries, comparison tables, and graphs to help Americans assess the choices before us.
on foreign governments that purchase U.S. debt. Moreover, higher debt levels mean more resources devoted to compounding interest payments on the debt, which increasingly go abroad rather than stay in this country. Thus, we have fewer resources available for domestic investment in research and development, education, infrastructure and other crucial investments that maintain our economic competitiveness.

Changing Composition of Spending

Federal spending can be divided into five major categories: net interest (interest costs on the federal debt), Social Security, Medicare and Medicaid, national defense, and all other programs, which includes areas like education, income security, transportation, agriculture, housing, space and science, natural resources, and health programs like the National Institute of Health and Center for Disease Control and Prevention (see Figure 4).

FIGURE 4.

COMPOSITION OF FEDERAL SPENDING
(PERCENT OF TOTAL SPENDING, IN CONSTANT 2005 DOLLARS)

be achieved through program reforms and budgetary constraints will ultimately have to come from higher taxes. The key is to act sooner rather than later, because if we allow the debt to creep up too high, interest costs will make our fiscal challenge much tougher than it is now.

FIGURE 9.

INTEREST COSTS ARE PROJECTED TO EXCEED...

<table>
<thead>
<tr>
<th>BUDGET CATEGORY</th>
<th>IN YEAR</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid spending, 5.2%</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>Defense spending, 3.6%</td>
<td>2017</td>
<td></td>
</tr>
<tr>
<td>Medicare spending, 5.8%</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>Social Security, 5.4%</td>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>All other spending, 5.4%</td>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>Total Revenues, 18.3%</td>
<td>2046</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Interest rates of 5.4 percent. If interest rates rise, projected interest costs will exceed projected program costs earlier than shown.

**Projections are based on GDP with 2020.

**We are projected based on the Congressional Budget Office, Preliminary Analysis of the President’s Budget by the Congressional Budget Office. The Federal Government’s Long-term Fiscal Outlook, January 2010 Update, compiled by the OMB.

unviable, and could lead to lower standards of living, lower domestic investment, and higher interest and inflation rates over time. Interest rates are currently at an historic low—three-month rates are close to zero, while they hovered around 8 percent an recently as 1990. The interest cost on our debt would increase dramatically if rates rise in the future.

The Maastricht criteria, which must be met by European Monetary Union states looking to adopt the Euro as their currency, is an internationally recognized standard for fiscal policy: The criteria limits inflation and interest rates based on international averages, and caps deficit and public debt levels at 3 percent and 60 percent of a country’s GDP, respectively.

FIGURE 10.

A SUSTAINABLE DEBT TARGET
(PERCENT OF GDP)
BUILDING PUBLIC AWARENESS ABOUT OUR FISCAL FUTURE

Delivering a compelling message requires straight facts and a healthy dose of creativity. Through the “OweNo” campaign, the satirical candidacy of Hugh Jidette, and a variety of advertisements, the Peterson Foundation is engaging concerned citizens across the nation.

While discussions about America’s fiscal future are commonplace in Washington, D.C., we also seek to inspire conversations at kitchen tables across America. That’s why the Peterson Foundation has developed a number of public awareness efforts to connect with the American public.

In 2010, the Foundation launched a public awareness campaign under the banner “OweNo.” The campaign’s goals are to educate Americans about the consequences of our soaring debt and deficits, build consensus among concerned citizens of all political persuasions on the need for sensible solutions, and, most importantly, engage people across the country in a movement for change. Through its campaign website and social networking properties, it offers tools and resources to help Americans get involved with putting our nation on a more sustainable fiscal path.

To help catalyze public interest, the campaign features a satirical presidential candidate, Hugh Jidette (a play on the phrase “Huge Debt”), whose absurd fiscal platform is spotlighted through a humorous advertising campaign that drives home a serious message. While his positions sound strange and unbelievable, unfortunately all of the facts and figures that he cites are entirely true—bringing to light our fiscal challenges and the threats they pose to our nation’s economic future.

Through numerous other advertisements, the Foundation has helped to focus policymakers and the public on the need for fiscal action. In 2008, the Foundation ran multiple advertisements calling on presidential candidates to recognize the urgency of our growing debt and dependence on foreign lenders, and move decisively to correct fiscal imbalances. Subsequent advertisements highlighted the facts about the unsustainability of growing retirement and health care obligations, as well as the public’s favorable attitudes toward a bipartisan fiscal commission.

In October 2011, the Peterson Foundation served as the official broadcast sponsor of a New Hampshire presidential primary debate hosted by Bloomberg and the Washington Post at Dartmouth College. As part of the sponsorship, the Foundation ran informational advertisements in which children, whose future is most at stake, offer facts about America’s debt and deficits. The debate was the first forum in the 2012 primary season that focused exclusively on fiscal and economic issues. As such, it served to advance the Foundation’s educational mission and help focus attention on how our nation’s leaders and potential leaders plan to put America on a more sustainable fiscal path.

Through these intensive efforts to draw attention to the nation’s fiscal challenges and publicize the growing appetite for dealing with them, the Foundation is helping to build momentum for long-term solutions in Washington.
Today's economic crisis is just the tip of the iceberg.

$56 TRILLION
$483,000 per U.S. household

We must act now on a much larger and less visible threat: the $56 trillion in liabilities and unfunded retirement and health care obligations, and the dangerous overreliance on foreign lenders that threaten us all.

Fortunately, the Obama Administration and a growing number of Congressional leaders recognize the urgent need for entitlement, budget, health care, and tax reform.

At the President's Fiscal Responsibility Summit, we created the Action-oriented Bipartisan Commission to engage the American people, consider all options, and make sensible recommendations requiring a vote by Congress. Such a commission would be an excellent first step toward improving the government's financial health.

Meeting today's economic challenges is very important, but addressing tomorrow's fiscal challenges is vital to navigating a better future for our children and grandchildren.

Learn more at www.pgpf.org

Peter G. Peterson Foundation
Our America. Our Future.

In Washington, the deficits and debt are increasing. And Americans know it.

80% of voters nationwide rank “dealing with our growing budget deficit and national debt” a high priority

To give you a sense of the importance of the deficit issue, health care reform (58%) and cutting taxes (51%) rank much lower as a priority.

66%

60% deficit and debt

Fully 2/3 of voters say Washington is not paying enough attention to the problem—up 10% since the question was asked 7 months ago.

70% for bipartisan commission

And 7 out of every 10 voters support a bipartisan commission to develop budget, spending and tax reforms to be voted on by Congress.

Americans know the current process isn’t working.


(CLOCKWISE) INFORMATIONAL ADVERTISING USED TO HIGHLIGHT THE NEED FOR FISCAL SUSTAINABILITY; IMAGE FROM AN EDUCATIONAL TELEVISION AD AIRED BY THE FOUNDATION DURING A NEW HAMPSHIRE PRESIDENTIAL DEBATE; HUGH JIDETTE, A SATIRICAL PRESIDENTIAL CANDIDATE FEATURED IN THE “OWENO” CAMPAIGN.
REACHING AUDIENCES ACROSS THE COUNTRY

For all Americans – even those well-versed in financial matters – understanding the enormity of our long-term fiscal crisis can be challenging. With this in mind, the Peterson Foundation sponsored the groundbreaking film *I.O.U.S.A.*, a documentary that puts the size and scope of our national debt and deficits in accessible terms for Americans of all ages and backgrounds.

Released in November 2008, *I.O.U.S.A.* brought the nation’s fiscal challenges to life in more than 300 theaters, private screenings, and homes across the country and clarified complex topics, such as debt-to-GDP ratios, debt ceilings, the composition of the federal budget, and the major drivers of rising debt. In vivid detail, the critically acclaimed film weaves interviews with experts, and citizens across the country with compelling economic data to show how our growing fiscal problems will affect every single American – especially today’s young people and the generations to follow, whose future depends on addressing these pressing issues. The testimony of citizens and well-known subjects such as Warren Buffet, former Chairmen of the Federal Reserve Alan Greenspan and Paul Volcker, and former Treasury Secretaries Paul O’Neill and Robert Rubin make the film a nonpartisan and pointedly topical narrative.

In April 2010, the Foundation released *I.O.U.S.A.: Solutions*, a sequel to the original documentary. Building on the tough questions raised in the first film, *Solutions* offered a practical blueprint and sensible steps to get our nation’s fiscal house in order. Following the film’s CNN premiere, a televised panel discussion featuring senior Foundation leaders brought our perspective to everyday Americans on the importance of achieving long-term fiscal sustainability. Much like the original film, *I.O.U.S.A.: Solutions* earned a large viewership, not only during its televised broadcast, but also on YouTube and across the Internet.
From the producers of *Wordplay* and the studio that brought you *Supersize Me*

**I.O.U.S.A.**


"May be to the U.S. economy what an inconvenient truth was to the environment."

-Sundance Film Festival

"The most unexpectedly frightening movie at Sundance."

-Kenneth Turan, Los Angeles Times

**FOR SALE**

**FORECLOSURE**

Inquire Within
BRINGING THE PEOPLE’S VOICE TO THE BUDGET DEBATE

The American people should be active participants in advancing solutions to our nation’s fiscal challenges. That’s why the Peterson Foundation has partnered with AmericaSpeaks, The Concord Coalition, and others to ensure the public’s voice is heard.

The Peterson Foundation believes that citizen engagement is critical to its mission. To empower the American people to take action, the Foundation has supported a number of innovative partnerships, including a signature effort with AmericaSpeaks, a nonpartisan organization that works to provide citizens with a voice on the most important decisions that impact their lives.

In June 2010, AmericaSpeaks brought together thousands of Americans in 20 cities across the nation to participate in community discussions about our fiscal future. Citizens from all walks of life learned about fiscal and economic issues and expressed their preferences for budgetary reform. The forums were held simultaneously and linked together by satellite for a truly national discussion, and offered Americans an opportunity to discuss our fiscal challenges with their fellow citizens. The resulting recommendations were shared with policymakers as America’s solutions for a sustainable fiscal future.

The discussions resulted in various levels of support for a range of options, including raising tax rates on corporations and well-off individuals, increasing the age for receiving full Social Security benefits, and reducing defense spending by 10-15 percent. Participants were also asked to develop messages to send to their elected officials. Among the most popular was, “Please find the political will to use this input as if it were coming from a powerful lobbying group – because we are.”

From 2008 through 2011, the Foundation partnered with The Concord Coalition to support its Fiscal Wake-Up and Fiscal Solutions Tour, which educated Americans about our national budget challenges and the choices involved in addressing them. In four years, the tour stopped in more than 70 cities.

With funding support from the Peterson Foundation, our former CEO, David Walker, launched the “Comeback America Initiative (CAI) in 2010.” Rooted in the recommendations included in David’s book, Comeback America, CAI educates Americans about our fiscal challenges and offers a variety of proposals to address them. David serves as an effective and knowledgeable advocate for fiscal responsibility – he regularly travels the country, speaking to audiences of concerned Americans, explaining the magnitude of our fiscal challenges and offering concrete solutions.

(FACING PAGE) PARTICIPANTS TAKE PART IN AMERICASPEAKS’ “OUR BUDGET, OUR ECONOMY” EVENT, WHICH CONVENED THOUSANDS OF AMERICANS IN CITIES ACROSS THE COUNTRY TO DISCUSS HOW THE U.S. SHOULD ACHIEVE FISCAL SUSTAINABILITY.
TEACHING YOUNG AMERICANS ABOUT THEIR FISCAL FUTURE

Teaching students about fiscal policy can help to establish a foundation for financial literacy and active citizenship. The Peterson Foundation is working with Columbia Teachers College and others to develop engaging, informative ways to increase understanding of fiscal issues among young Americans.

Few lessons are devoted to economic and fiscal policy in most school curricula. As a result, students often graduate from high school lacking the awareness and analytical tools to understand and participate meaningfully in discussions about the nation's economic and fiscal priorities – discussions that directly impact their future.

To improve instruction on economic policy issues, the Foundation provided a three-year grant to Columbia University's Teachers College to develop a comprehensive curriculum for courses in economics, civics, U.S. history, world history and mathematics, highlighting the nation's fiscal challenges. The curriculum will be made available free of charge to every high school in the country.

Titled “Understanding Fiscal Responsibility: A Curriculum for Teaching About the Federal Budget, National Debt and Budget Deficit,” the nonpartisan, inquiry-based curriculum will teach students the facts about public policies that have led to persistent budget deficits and identify the significant consequences our growing national debt has on the future of the United States and its citizens. An advisory board of experts in economics, fiscal policy, and education has reviewed the lessons. The curriculum incorporates books, primary sources, simulations, and other visual and digital media.

After field-testing the curriculum in 56 classrooms in Texas, Pennsylvania, and New York, the final version will be distributed nationwide in 2012. Columbia Teachers College has commissioned the National Center for Restructuring Education, Schools and Teaching (NCREST) to conduct an evaluation of the results of the curriculum.

The Foundation also advanced its educational mission by providing America's Promise Alliance – a partnership of more than 400 organizations focused on changing outcomes for children – with a grant to expand the teaching of financial literacy to middle and high school students across the country.

In addition, to engage students in a fun and interactive way, the Foundation also provided a grant to support Budgetball, an outdoor game created by the National Academy of Public Administration and Parsons The New School for Design, which combines physical skill with fiscal strategy. The game has been played on the national mall in Washington, D.C., and on campuses nationwide.
ENGAGING THE NEXT GENERATION

The economic and fiscal choices we make today will have profound consequences for the next generation. The Peterson Foundation has worked with mtvU, Mobilize.org, and others to reach out to America’s next generation of leaders, demonstrating why fiscal policy is so critical to their future.

While fiscal policy is not exactly top-of-mind for most teens and college students, the stakes are tremendous. Our skyrocketing debt, deficits, and interest costs could lead to sharp reductions in public and private investment and increases in taxes that reduce their standard of living and limit the opportunities available to them as adults.

In 2009, to educate young Americans about these pressing issues and to empower them to take action, the Peterson Foundation teamed up with MTV’s college campus network, mtvU, to launch Indebted. Short for “in-debt education,” the Indebted campaign communicated the real burden of the debt that young Americans will inherit, with the goal of helping college students understand and ultimately take charge of the fiscal challenges they will face after graduation. Indebted drove home the message that the money our country is borrowing today will eventually be paid back by today’s young people and future generations. The campaign also encouraged students to take control of their personal finances by planning for the future and saving responsibly.

Through the MTV campus network, the program reached upwards of 9 million college students on hundreds of college campuses across the nation. The campaign’s website featured information about responsible credit card use and included a popular video game called Debt Ski, which illustrates the importance of maximizing savings, paying for necessities, and preparing for unexpected life events. The latter was inspired by a student participating in Indebted’s Digital Challenge, which called on young people from across the nation to develop interactive ideas to promote the message of the campaign.

The Foundation also worked with Mobilize.org to bring together members of the millennial generation to explore their role in addressing the financial issues facing the nation. With Foundation funding, Mobilize.org convened the National Youth Summit, entitled “Democracy 2.0: Exploring the Millennial Generation’s Return on Investment,” which focused on solutions that government and the private sector could implement in four key areas – health care, taxes, entitlements, and personal financial responsibility and literacy – with attendees presenting concrete proposals to improve the economic health of America’s younger generations.

In 2010, the Peterson Foundation initiated the Peter G. Peterson Foundation Fiscal Internship program to enable undergraduate and graduate students to spend summers in Washington, D.C., working with top fiscal policy experts and scholars at leading policy research organizations. This program, which is administered through the Concord Coalition, brings the students together in a weekly seminar and gives them a close-up view of the issues and the policy development process.

The Peterson Foundation will continue to work with youth-oriented organizations to educate young Americans about the ways in which long-term debt and deficits impact their future, with the goal of motivating them to stay informed and actively work toward solutions to the nation’s fiscal challenges.
STUDENTS PARTICIPATING IN THE INDEBTED CAMPAIGN, A COLLABORATION BETWEEN THE PETERSON FOUNDATION AND MTVU THAT EDUCATED AND EMPOWERED COLLEGE STUDENTS TO TAKE A STAND ON FISCAL ISSUES.
For more information, please visit:
WWW.PGPF.ORG