

2010

FISCAL
SUMMIT

AMERICA'S CHALLENGE AND A WAY FORWARD
SPONSORED BY THE PETER G. PETERSON FOUNDATION

2010 SURVEY OF ECONOMIC LEADERS

Conducted by Global Strategy Group

Commissioned by the Peter G. Peterson Foundation

2010 ECONOMIC LEADER SURVEY

OVERVIEW

In April 2010, the public opinion research firm Global Strategy Group asked the most senior economic officials from the last eight administrations and congressional leaders from the past 30 years to participate in a brief survey about important fiscal issues facing the United States.

The survey was commissioned by the Peter G. Peterson Foundation as part of the organization's mission to increase public awareness of the nature and urgency of the country's key fiscal challenges. The Foundation believed the collective views of these Democratic and Republican individuals, who possess deep knowledge and significant experience in various areas of economics and finance, would be a valuable contribution to the critical dialogue about the nation's fiscal situation and best steps forward.

The findings were released in the days leading up to the first meeting of President Obama's National Commission on Fiscal Responsibility and Reform as well as the Foundation's *2010 Fiscal Summit: America's Challenge and A Way Forward*.

METHODOLOGY

Global Strategy Group conducted a survey among top economic leaders from the last eight administrations and Congress between April 5, 2010 and April 26, 2010. Individuals who are currently serving in public office were not solicited for participation in accordance with the research design. Respondents completed the survey online and via mail.

Of the 103 eligible participants Global Strategy Group contacted, 58 completed the survey, resulting in a response rate of 56 percent. Typical mail surveys achieved a response rate of between 3 percent to 6 percent, by comparison.

The respondents who completed the survey are comprised of former:

- Secretaries of the Treasury
- Presidents of the Federal Reserve and members of the Board of Governors
- Directors of the Office of Management & Budget
- Chairs of the Council of Economic Advisors
- Directors of the Congressional Budget Office
- Chairs and ranking members of the Senate Budget Committee
- Chairs and ranking members of the House Budget Committee
- Chairs and ranking members of the House Ways and Means Committee

For the purposes of analysis, respondents are assigned a party affiliation based on their personal affiliation (if an elected official) or by the administration that appointed them.

KEY FINDINGS

There is broad bipartisan consensus among economic leaders about our country's economic health. Regardless of party affiliation, the nation's former top economic leaders believe we are headed for another economic crisis without decisive and quick action to address our current long term fiscal path and structural deficit challenges. Furthermore, they believe the solution to address these challenges must include both tax increases and spending cuts.

1. WE NEED TO CHANGE DIRECTIONS.

Democrats and Republicans unanimously feel that the federal government is currently on an unsustainable long-term fiscal path. (100 percent of Democrats and Republicans strongly agree, 0 percent of Democrats and Republicans somewhat agree, somewhat disagree or strongly disagree).

Q. Do you agree or disagree that the federal government is currently on an unsustainable long-term fiscal path?

REPUBLICANS

100%
STRONGLY AGREE

DEMOCRATS

100%
STRONGLY AGREE

2. STRUCTURAL ISSUES MUST BE ADDRESSED.

Democrats and Republicans unanimously consider long-term structural deficits more threatening to the country's economic future than short-term deficits. (100 percent of Democrats and 93 percent of Republicans say long-term structural deficits are much more threatening; 7 percent of Republicans say they are somewhat more threatening).

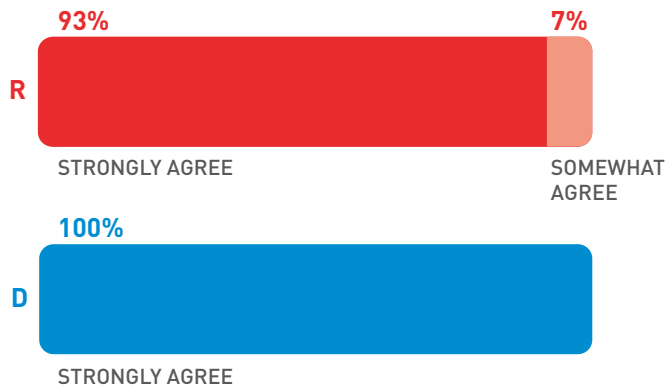
Q. Which do you think is more threatening to this country's economic future: Short-term deficits that are largely a result of government spending on economic recovery measures and wars in Iraq and Afghanistan - OR - Longer-term structural deficits that are a result of a basic and recurring imbalance between government revenues and overall spending.

Short-Term Deficits

R **0%** STRONGLY AGREE / SOMEWHAT AGREE

D **0%** STRONGLY AGREE / SOMEWHAT AGREE

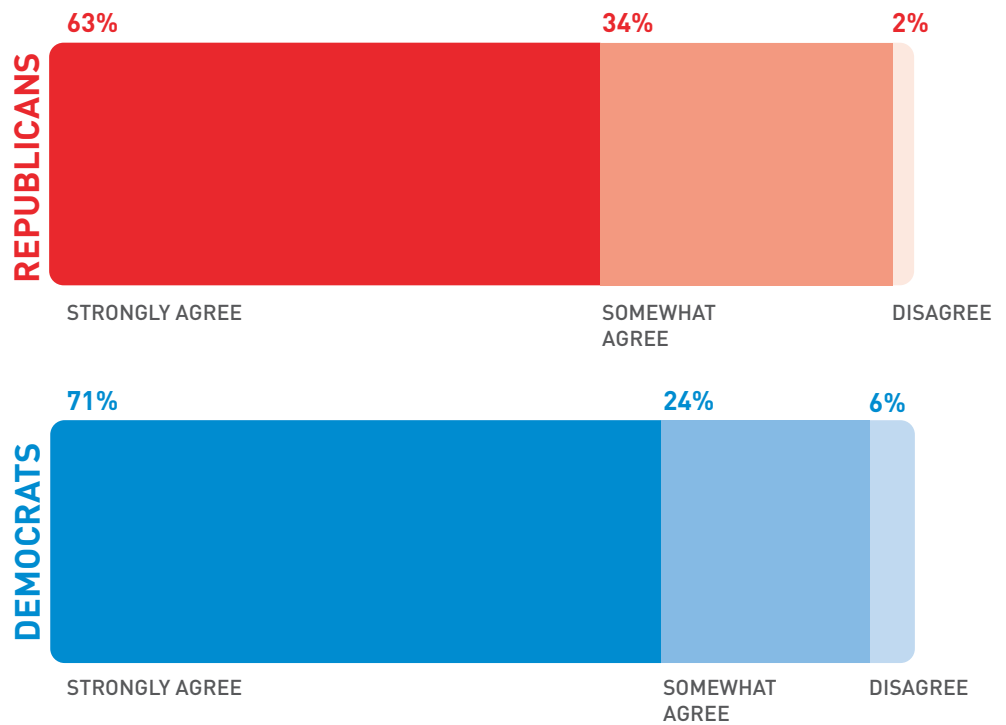
Longer-Term Structural Deficits



3. INACTION WILL LEAD TO CRISIS.

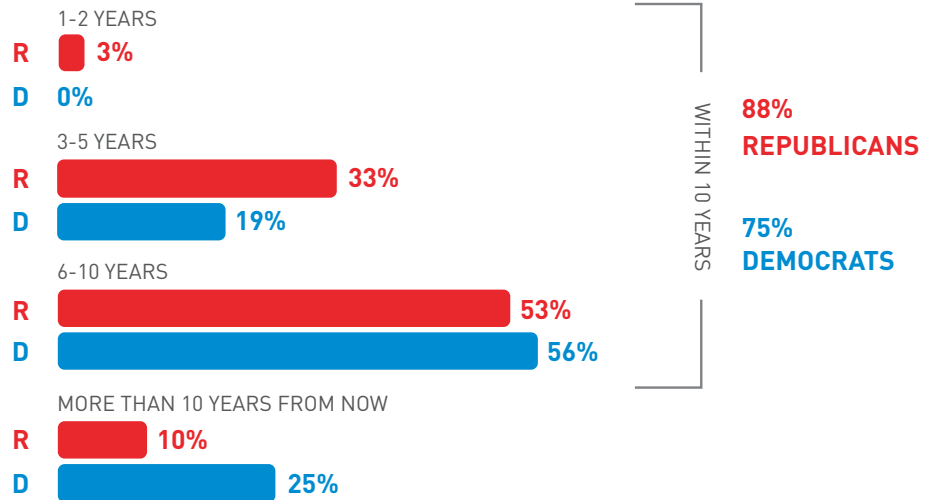
A) More than nine in 10 Republicans (98 percent) and Democrats (94 percent) believe if we do not act soon to address the nation's long-term fiscal situation we are heading for another major economic crisis.

Q. Do you agree or disagree that if we do not act soon to address the nation's long-term fiscal situation we are heading for another major economic crisis?



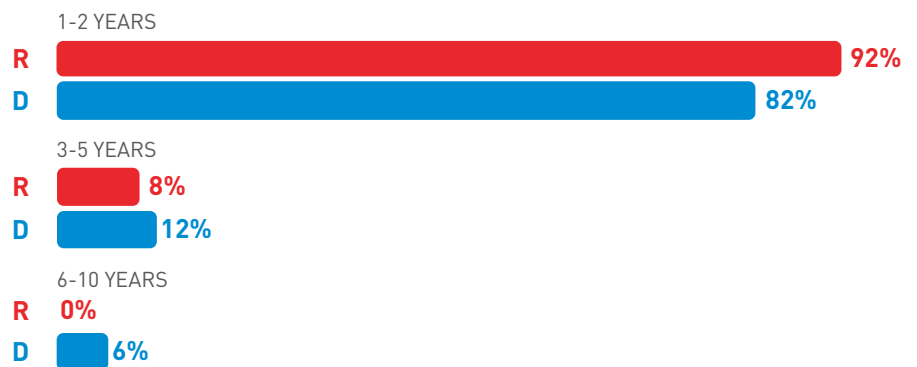
B) Most Republicans (88 percent) and Democrats (75 percent) expect an economic crisis within the next 10 years if we do not act.

Q. Within what time period would you expect an economic crisis to happen if we do not address our longer-term structural deficit challenges?



C) And practically nine in 10 Republicans (92 percent) and eight in 10 Democrats (82 percent) believe the government should begin to take action within the next one to two years to address the long-term fiscal situation.

Q. When should the U.S. government begin to take action to address the long-term fiscal situation?



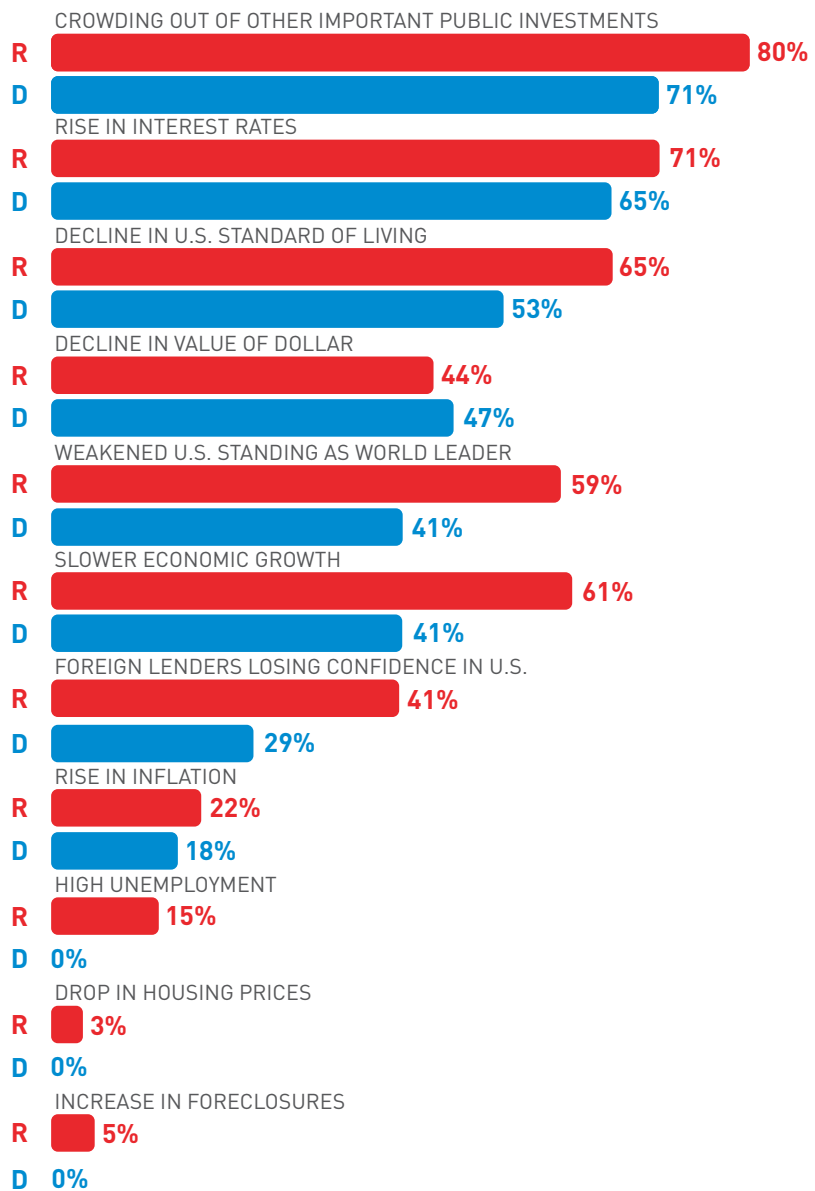
4. ELEMENTS OF A CRISIS.

Majorities of Democrats and Republicans believe that without measures to address the longer-term structural deficit challenges it is very likely we will encounter:

- Rapid growth in federal mandatory spending crowding out other important public investments (80 percent of Republicans very likely/71 percent of Democrats very likely).
- Significant rise in interest rates (71 percent of Republicans very likely/65 percent of Democrats very likely).
- An eventual decline in Americans' standard of living (65 percent of Republicans very likely/53 percent of Democrats very likely).

Q. If we fail to enact meaningful measures to address longer-term structural deficit challenges within the next few years, how likely is it that we will encounter...?

VERY LIKELY

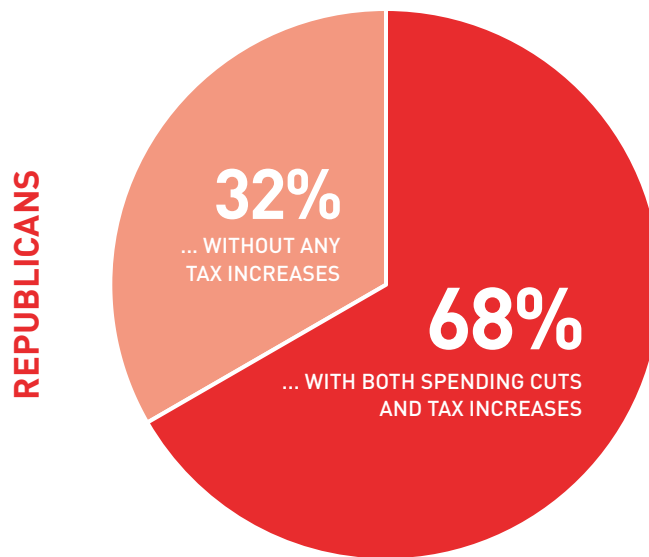


5. TAX INCREASES AND SPENDING CUTS MUST BE PART OF THE SOLUTION.

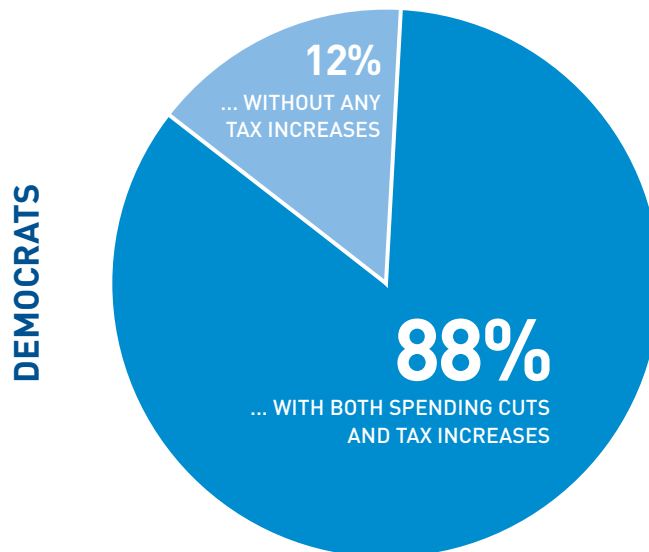
Two-thirds of Republicans (68 percent) and more than eight in 10 (88 percent) Democrats believe that solving the country's long-term structural deficits will include both spending cuts and tax increases.

Q. As you think about approaches to solve the country's longer-term structural deficits, which one statement best represents your point of view?

SOLVE THE COUNTRY'S LONGER-TERM STRUCTURAL DEFICITS...



SOLVE THE COUNTRY'S LONGER-TERM STRUCTURAL DEFICITS...

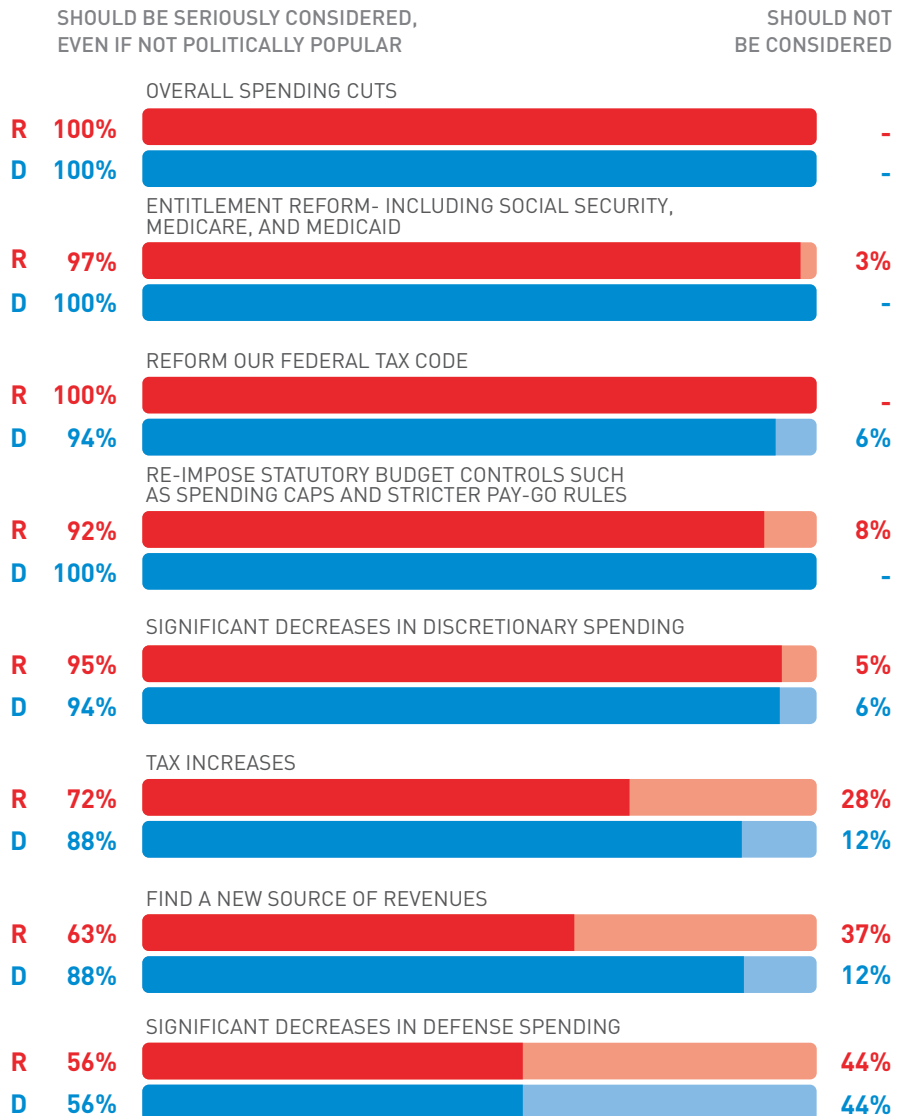


6. DEMOCRATS & REPUBLICANS SHARE AN OPEN-MINDED APPROACH.

Practically all Democrats believe entitlement reform (100 percent), overall spending cuts (100 percent), and significant decreases in discretionary spending (94 percent) should be seriously considered (94 percent) should be seriously considered.

72 percent of Republicans believe tax increases should be seriously considered in addition to 56 percent who believe significant decreases in defense spending should be seriously considered.

Q. For each of the following ways to address our country's long-term fiscal challenges, do you believe it should be seriously considered even if not politically popular or do you believe it should not even be considered?



.....

**2010 SURVEY
OF ECONOMIC
LEADERS**

COMPLETE
TOPLINE RESULTS

.....

2010 SURVEY OF ECONOMIC LEADERS

APRIL 5-26, 2010

		DEM	REP
Q1. In general, would you say that things in this country are headed in the right direction or would you say things are off on the wrong track?	RIGHT DIRECTION	18%	-
	WRONG TRACK	59%	85%
	NEITHER	24%	15%
Q2. Do you agree or disagree that the federal government is currently on an unsustainable long-term fiscal path?	STRONGLY AGREE	100%	100%
	SOMEWHAT AGREE	-	-
	SOMEWHAT DISAGREE	-	-
	STRONGLY DISAGREE	-	-
	AGREE (NET)	100%	100%
	DISAGREE (NET)	-	-
Q3A. How concerned are you about America's dependence on foreign lenders to keep buying our debt?	VERY CONCERNED	41%	37%
	SOMEWHAT CONCERNED	41%	49%
	NOT VERY CONCERNED	12%	15%
	NOT AT ALL CONCERNED	6%	-
	AGREE (NET)	82%	85%
	DISAGREE (NET)	18%	15%

Q3B. How concerned are you about our ability to ensure the solvency and sustainability of entitlement programs such as Medicare and Social Security for future generations?

	DEM	REP
VERY CONCERNED	82%	88%
SOMEWHAT CONCERNED	18%	10%
NOT VERY CONCERNED	-	3%
NOT AT ALL CONCERNED	-	-
CONCERNED (NET)	100%	98%
NOT CONCERNED (NET)	-	3%

Q4. Which do you think is more threatening to this country's economic future:

Short-term deficits that are largely a result of government spending on economic recovery measures and wars in Iraq and Afghanistan.

OR

Longer-term structural deficits that are a result of a basic and recurring imbalance between government revenues and overall spending?

SHORT-TERM DEFICITS ARE MORE THREATENING	-	-
SHORT-TERM DEFICITS ARE SOMEWHAT MORE THREATENING	-	-
LONGER-TERM STRUCTURAL DEFICITS ARE SOMEWHAT MORE THREATENING	-	7%
LONGER-TERM STRUCTURAL DEFICITS ARE MUCH MORE THREATENING	100%	93%
SHORT-TERM (NET)	-	-
LONG-TERM (NET)	100%	100%

Q5. Do you think the longer-term structural deficit in this country is a...?

VERY SERIOUS PROBLEM	100%	100%
SOMEWHAT SERIOUS PROBLEM	-	-
NOT VERY SERIOUS	-	-
NOT A SERIOUS PROBLEM AT ALL	-	-
SERIOUS (NET)	100%	100%
NOT SERIOUS (NET)	-	-

Q6. Do you agree or disagree that if we do not act soon to address the nation's long-term fiscal situation we are heading for another major economic crisis?

STRONGLY AGREE	71%	63%
SOMEWHAT AGREE	24%	34%
SOMEWHAT DISAGREE	-	2%
STRONGLY DISAGREE	6%	-
AGREE (NET)	94%	98%
DISAGREE (NET)	6%	2%

Q7. How much economic pain will the average American endure if actions are not taken to avert a long-term economic crisis in this country?

	DEM	REP
A LOT	82%	78%
SOME	18%	23%
NOT TOO MUCH	-	-
NONE	-	-
WILL CAUSE PAIN (NET)	100%	100%
WILL NOT CAUSE PAIN (NET)	-	-

Q8. How much do you think that long-term increases in U.S. debt and interest costs will hinder its competitiveness compared to emerging economies like China, India, and Brazil?

	DEM	REP
A LOT	29%	59%
SOME	71%	24%
NOT TOO MUCH	-	12%
NONE	-	6%
WILL HINDER (NET)	100%	82%
WILL NOT HINDER (NET)	-	18%

Q9. Compared with other ways to address our longer-term structural deficit challenges, how important is it that we reduce our overall health care spending, including but not restricted to, Medicare?

	DEM	REP
MUCH MORE IMPORTANT	44%	41%
SOMEWHAT MORE IMPORTANT	56%	51%
SOMEWHAT LESS IMPORTANT	-	5%
MUCH LESS IMPORTANT	-	3%
MORE IMPORTANT (NET)	100%	92%
LESS IMPORTANT (NET)	-	8%

Q10. If we fail to enact meaningful measures to address our longer-term structural deficit challenges, how likely is it that we will encounter an economic crisis?

	DEM	REP
VERY LIKELY	71%	71%
SOMEWHAT LIKELY	24%	24%
NOT VERY LIKELY	6%	5%
NOT AT ALL LIKELY	-	-
AGREE (NET)	94%	95%
DISAGREE (NET)	6%	5%

Q11. Within what time period would you expect this economic crisis to happen if we do not address our longer-term structural deficit challenges?

	DEM	REP
WITHIN THE NEXT 1-2 YEARS	-	3%
WITHIN THE NEXT 3-5 YEARS	19%	33%
WITHIN THE NEXT 6-10 YEARS	56%	53%
MORE THAN 10 YEARS FROM NOW	25%	10%
I DON'T BELIEVE WE ARE HEADING FOR AN ECONOMIC CRISIS	-	3%
WITHIN 10 YEARS (NET)	75%	88%

Q12 - 17. If we fail to enact meaningful measures to address the longer-term structural deficit challenges within the next few years, how likely is it that we will encounter...

	LIKELY		NOT LIKELY		NET	
	VERY LIKELY	SOMEWHAT LIKELY	NOT VERY LIKELY	NOT AT ALL LIKELY	LIKELY	NOT LIKELY
Rapid growth in federal mandatory spending that then crowds out other important public investments	71%	29%	-	-	100%	-
	80%	17%	2%	-	98%	2%
Significant rise in interest rates	65%	29%	6%	-	94%	6%
	71%	29%	-	-	100%	-
An eventual decline in Americans' standard of living	53%	41%	6%	-	94%	6%
	65%	25%	10%	-	90%	10%
Significant decline in the value of the dollar	47%	47%	6%	-	94%	6%
	44%	51%	5%	-	95%	5%
Weakened U.S. standing as a leader in the world	41%	41%	18%	-	82%	18%
	59%	37%	5%	-	95%	5%
Substantially slower economic growth	41%	41%	18%	-	82%	18%
	61%	39%	-	-	100%	-
Foreign lenders losing confidence in the U.S. leading to higher interest rates or a reluctance to lend us money	29%	65%	6%	-	94%	6%
	41%	49%	10%	-	90%	10%
Sharp rise in inflation	18%	35%	29%	18%	53%	47%
	22%	61%	17%	-	83%	17%
High unemployment	-	65%	35%	-	65%	35%
	15%	76%	10%	-	90%	10%
A drop in housing prices	-	75%	25%	-	75%	25%
	3%	60%	38%	-	63%	38%
An increase in foreclosures	-	65%	35%	-	65%	35%
	5%	63%	32%	-	68%	32%

23. Do you agree or disagree with those who say we can solve our longer-term structural deficit problem through economic growth alone?

	DEM	REP
STRONGLY AGREE	-	5%
SOMEWHAT AGREE	-	5%
SOMEWHAT DISAGREE	13%	12%
STRONGLY DISAGREE	88%	78%
AGREE (NET)	-	10%
DISAGREE (NET)	100%	90%

DEM **REP**

Q24. When should the U.S. government begin to take action to address the long-term fiscal situation?

WITHIN THE NEXT 1-2 YEARS	82%	92%
WITHIN THE NEXT 3-5 YEARS	12%	8%
WITHIN THE NEXT 6-10 YEARS	6%	-
MORE THAN 10 YEARS FROM NOW	-	-
NEVER, SINCE WE WILL GROW OUR WAY OUT	-	-

Q25. As you think about approaches to solve the country's longer-term structural deficits, which one statement best represents your own view:

SOLVE THE COUNTRY'S LONGER-TERM STRUCTURAL DEFICITS WITHOUT ANY SPENDING CUTS	-	-
SOLVE THE COUNTRY'S LONGER-TERM STRUCTURAL DEFICITS WITHOUT ANY TAX INCREASES	12%	-
SOLVE THE COUNTRY'S LONGER-TERM STRUCTURAL DEFICITS WITH BOTH SPENDING CUTS AND TAX INCREASES	88%	68%

Q26 - 33. For each of the following ways to address our country's long-term fiscal challenges, do you believe it should be seriously considered even if not politically popular or do you believe it should not even be considered?

	SERIOUSLY CONSIDERED	NOT CONSIDERED
Re-impose statutory budget controls such as spending caps and stricter PAY-GO rules	100% 92%	- 8%
Entitlement reform - including Social Security, Medicare, and Medicaid	100% 97%	- 3%
Overall spending cuts	100% 100%	- -
Reform our federal tax code	94% 100%	6% -
Significant decreases in discretionary spending	94% 95%	6% 5%
Find a new source of revenues	88% 63%	12% 37%
Tax increases	88% 72%	12% 28%
Significant decreases in defense spending	56% 56%	44% 44%

Q34. Do you agree or disagree that it is important for the National Commission on Fiscal Responsibility and Reform to go beyond the timeframe of 2015 and also address long-term fiscal goals over the next several decades?

STRONGLY AGREE	88%	70%
SOMEWHAT AGREE	6%	28%
SOMEWHAT DISAGREE	6%	32%
STRONGLY DISAGREE	-	-
AGREE (NET)	94%	98%
DISAGREE (NET)	6%	2%

