

Frank Talk About the U.S. Deficit

Paul Schott Stevens, Moderator

President and CEO

Investment Company Institute



Erskine B. Bowles

Former White House Chief of Staff

Co-Chair, National Commission on Fiscal Responsibility and Reform



The Honorable Alan K. Simpson

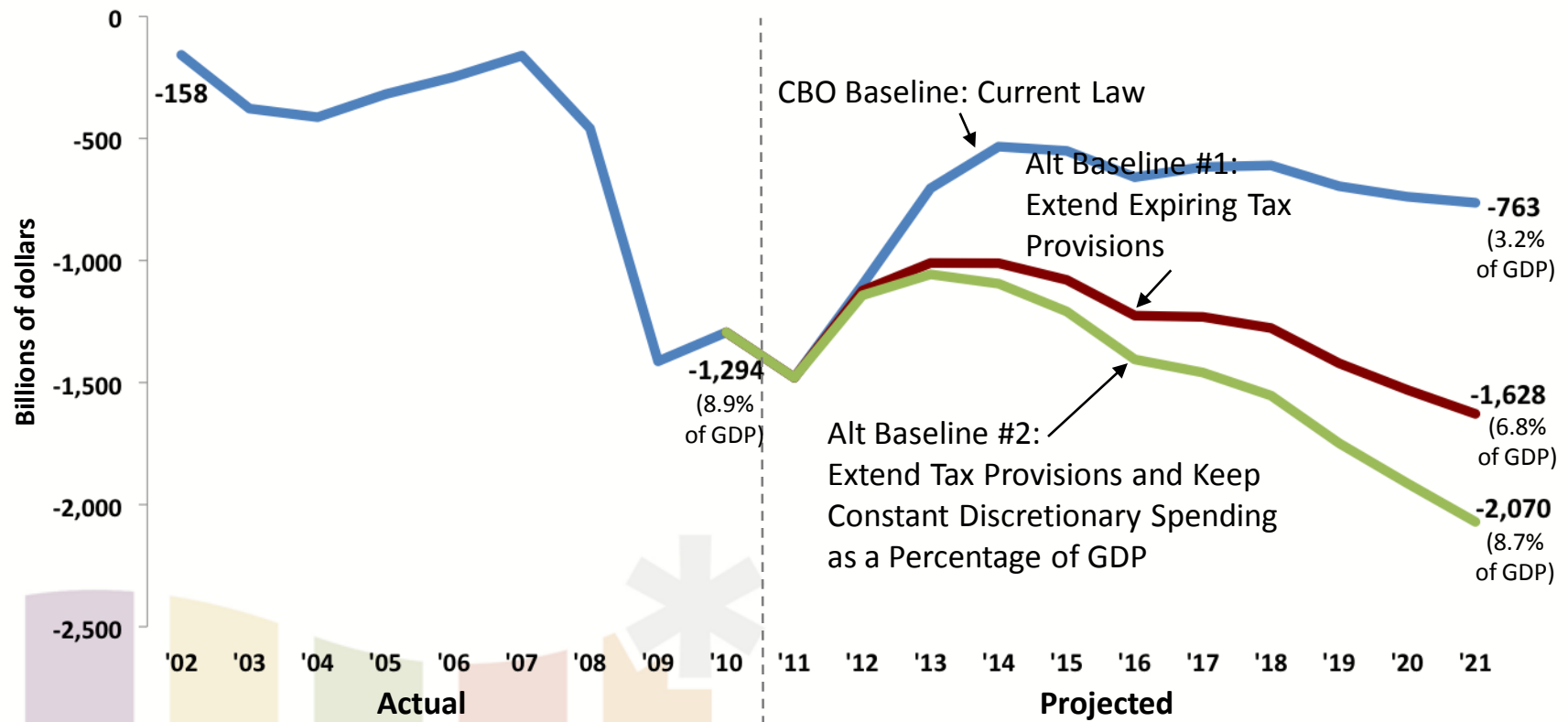
Former Senator from Wyoming

Co-Chair, National Commission on Fiscal Responsibility and Reform



Alternative Baseline Projections

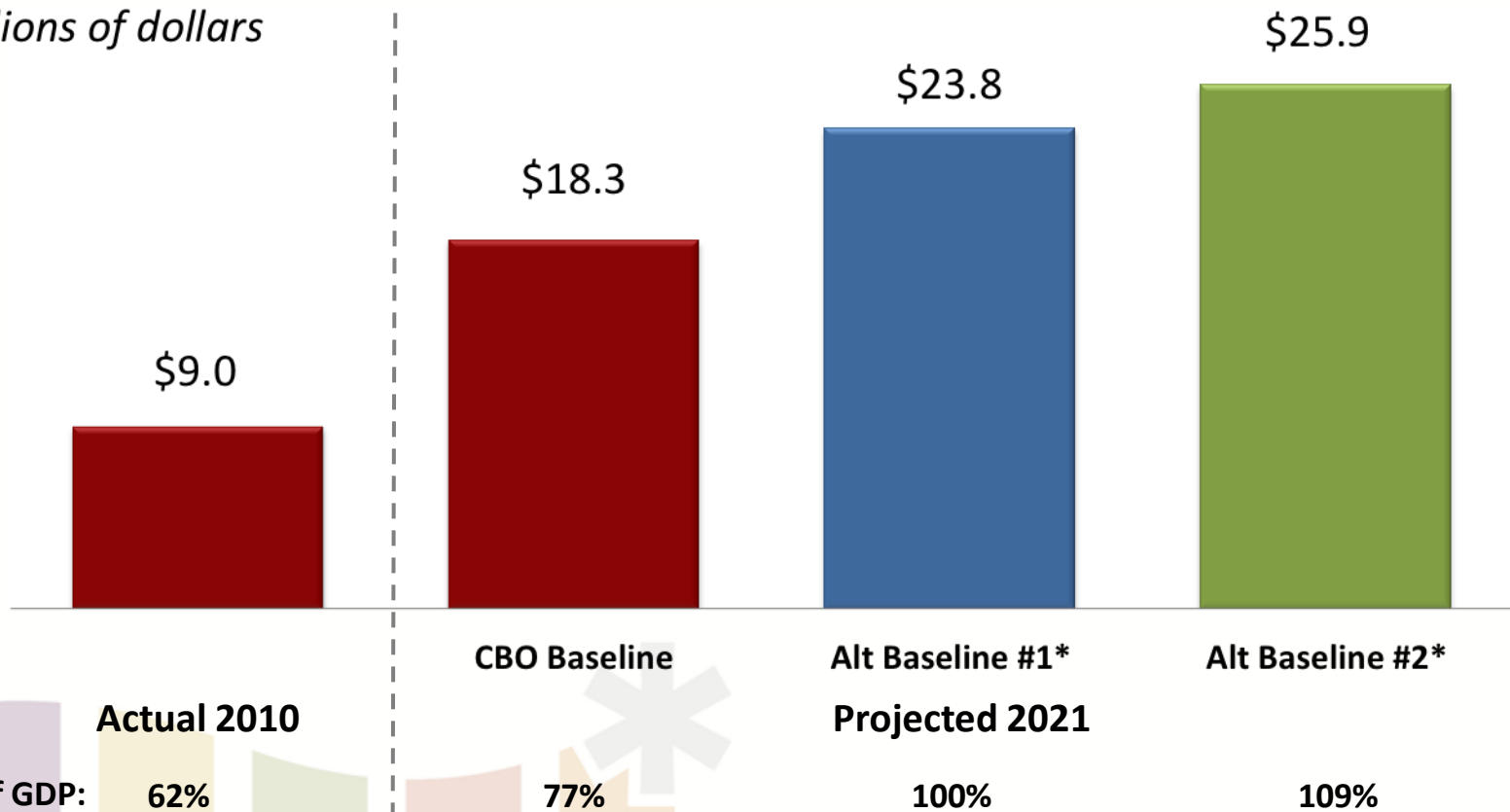
Federal unified budget deficit, 2002–2021



Source: Congressional Budget Office, "The Budget and Economic Outlook," January 2011

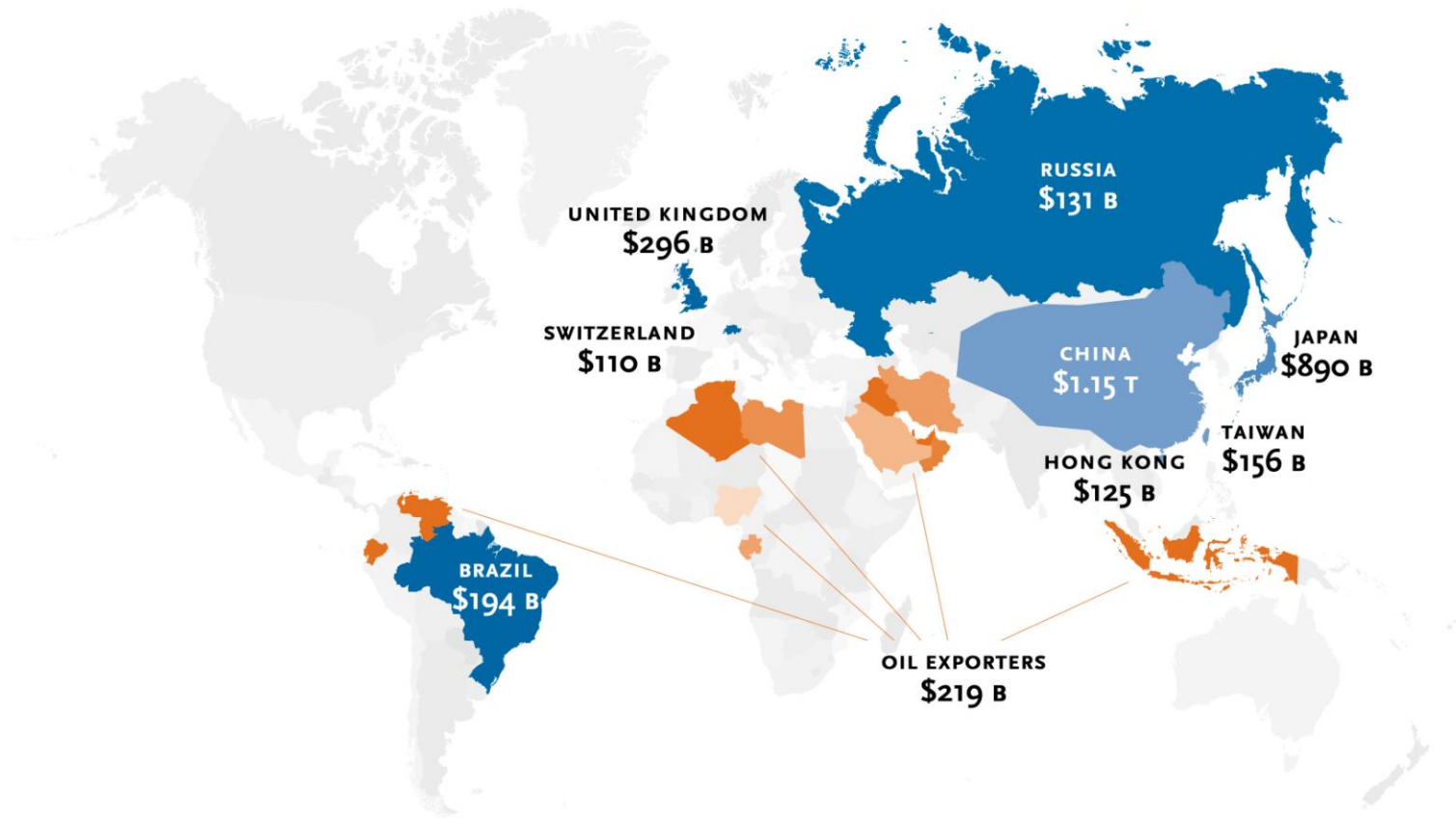
Federal Debt Held by Public: 2010 (Actual) and 2021 (Projected)

Trillions of dollars



*Debt outstanding under alternative baseline estimates calculated by ICI
Source: Congressional Budget Office, "The Budget and Economic Outlook," January 2011

Major Holders of U.S. Treasuries



Data for April 2011 - Source: U.S. Treasury

Bond Market Crisis?

“I think that the type of budget agreement that was put together by Alan Simpson and Erskine Bowles is the type of budget that will be passed by Congress. The only question is, will it be before or after the bond market crisis?”

Alan Greenspan
January 2011



Competing Plans: The Big Picture

President Obama:

- \$4.0 trillion savings
- 12 years

House GOP (Ryan):

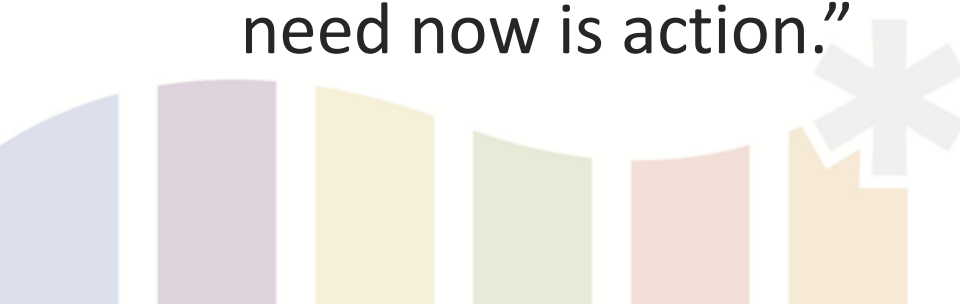
- \$4.4 trillion savings
- 10 years



Standard & Poor's Warning

Speaking to the Financial Times, Erskine Bowles ... said S&P had been “absolutely right” in changing the U.S. outlook.

“If anything, they understate the extent of the problem,” Mr. Bowles said. “We are a lot further along than we were a year ago ... but what we need now is action.”



The 1% Solution?

“The only thing that enjoys majority support among the American people in terms of spending cuts is to cut foreign aid. Well, foreign aid is less than 1 percent of the federal budget. So when you’re borrowing 40 cents of every dollar that you spend, you’re not going to solve the problem cutting foreign aid.”



*Kent Conrad (D-ND), Chairman
Senate Budget Committee
April 2011*

Competing Plans: Revenues

President Obama:

- Increases revenues
- Amount not specified
 - \$1 in taxes for \$3 in spending cuts
- Tax reform that lowers rates, increases revenues

House GOP (Ryan):

- Cuts taxes \$2.3 trillion
 - Extends all Bush-era rates
 - Repeals health care plan
- Tax reform with top rate of 25%

Will It Take an Election to Get Action?

“My impression is that [American] presidents do not get re-elected if they give a hard dose of medicine to their people. So, there is a tendency to procrastinate, to postpone unpopular policies in order to win elections.”

*Former Prime Minister Lee Kuan Yew
of Singapore
April 2011*

Will We Do the Right Thing?

“The Americans will always do the right thing ... after they have exhausted all of the alternatives.”

Winston Churchill

