

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**

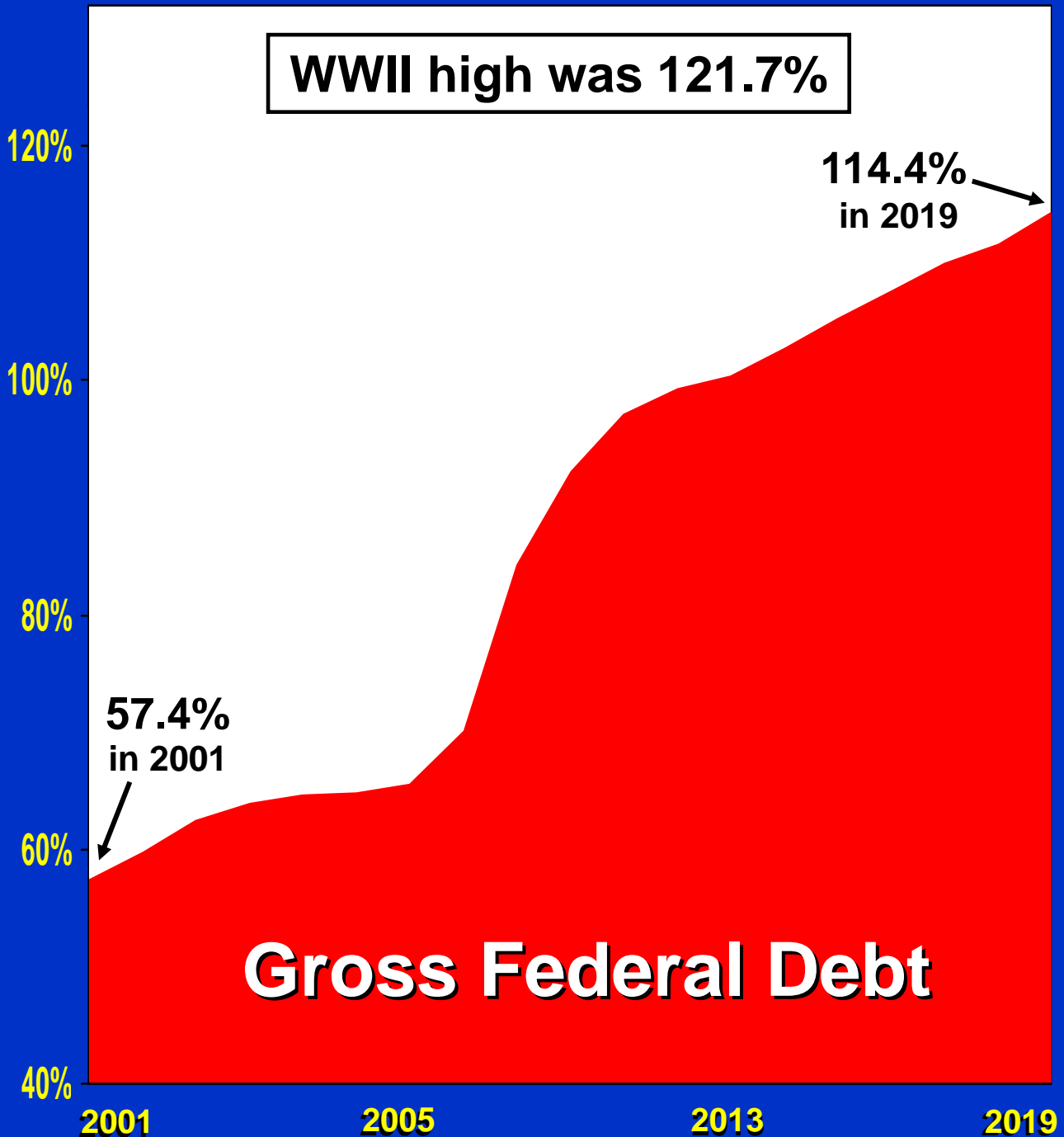
# ***Newsweek: “An Empire At Risk”***

**“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**

# Gross Debt Approaches WWII Levels

(Percent of GDP)

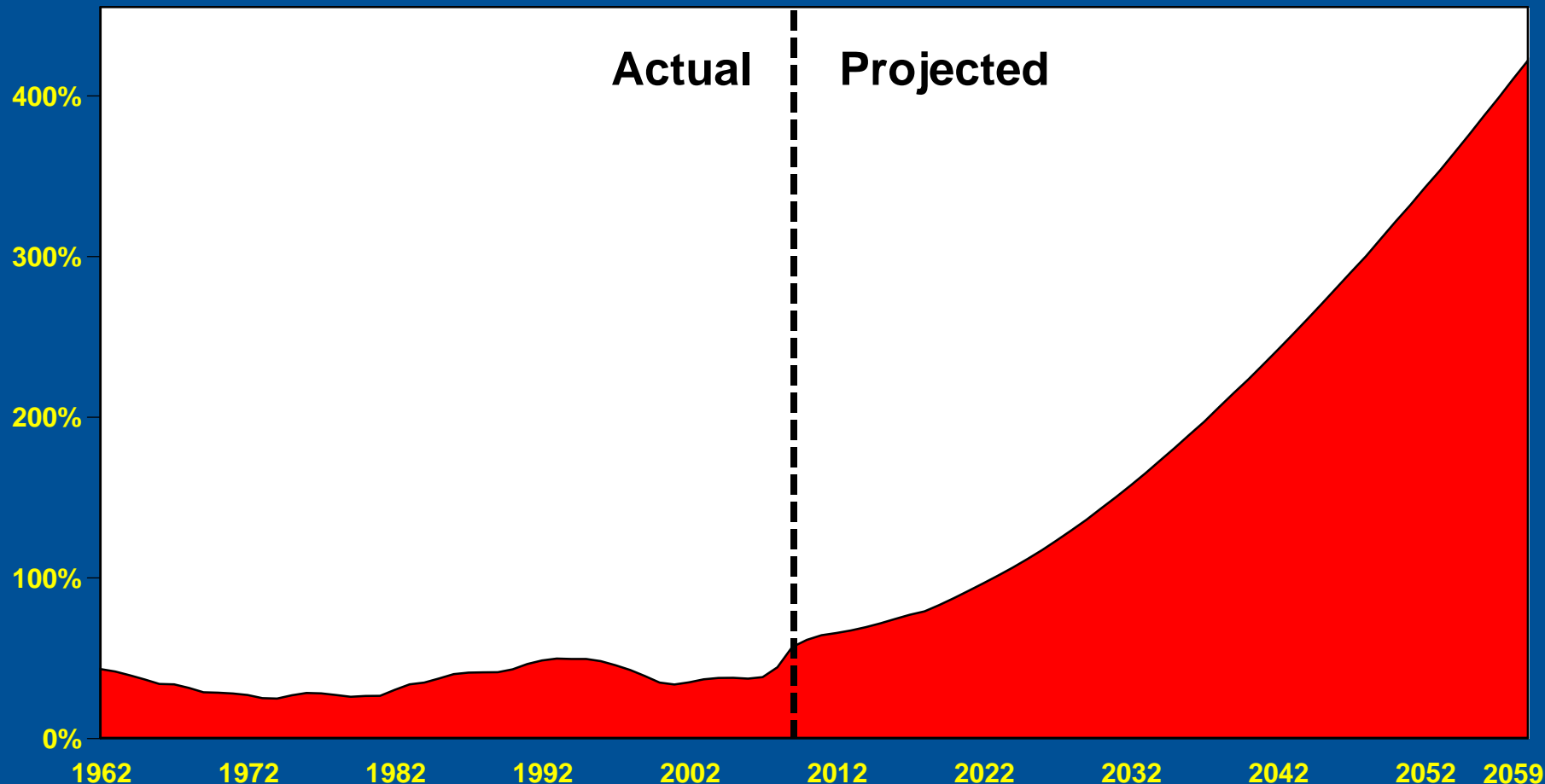


Sources: OMB, SBC, CBO

Note: Gross debt calculations by SBC staff using CBO's "The Budget and Economic Outlook: An Update," adjusted for alternative policies: extension of 2001 and 2003 tax cuts, traditional tax extenders, AMT reform, and ongoing overseas military operations.

# 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.

# **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 111<sup>th</sup> 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**