



PETER G. PETERSON FOUNDATION PROGRESS REPORT

2008 – 2011



On Cover:

(Top Row, L-R) Students studying America's fiscal challenges through a curriculum developed by Foundation grantee Columbia Teachers College; Participants at Foundation grantee Mobilize.org's Democracy 2.0 National Youth Summit in Chicago, IL; former Chairman of the Federal Reserve Paul Volcker in a video prepared for the Foundation's 2010 Fiscal Summit.

(Second Row from Top, L-R) Former OMB Director Alice Rivlin at the Foundation's 2010 Fiscal Summit; Former President Bill Clinton at the Foundation's 2011 Fiscal Summit; Participant at Foundation grantee AmericaSpeaks' "Our Budget, Our Economy" event in Philadelphia; National Economic Council Director Gene Sperling at the Foundation's 2011 Fiscal Summit.

(Third Row from Top, L-R) Participants at Foundation grantee AmericaSpeaks' "Our Budget, Our Economy" event in Portland, Oregon; Image from an educational television ad aired by the Foundation during a New Hampshire Presidential Debate; PBS senior correspondent Judy Woodruff with U.S. Senators Saxby Chambliss, Mark Warner, Mike Crapo, and Dick Durbin at the Foundation's 2011 Fiscal Summit.

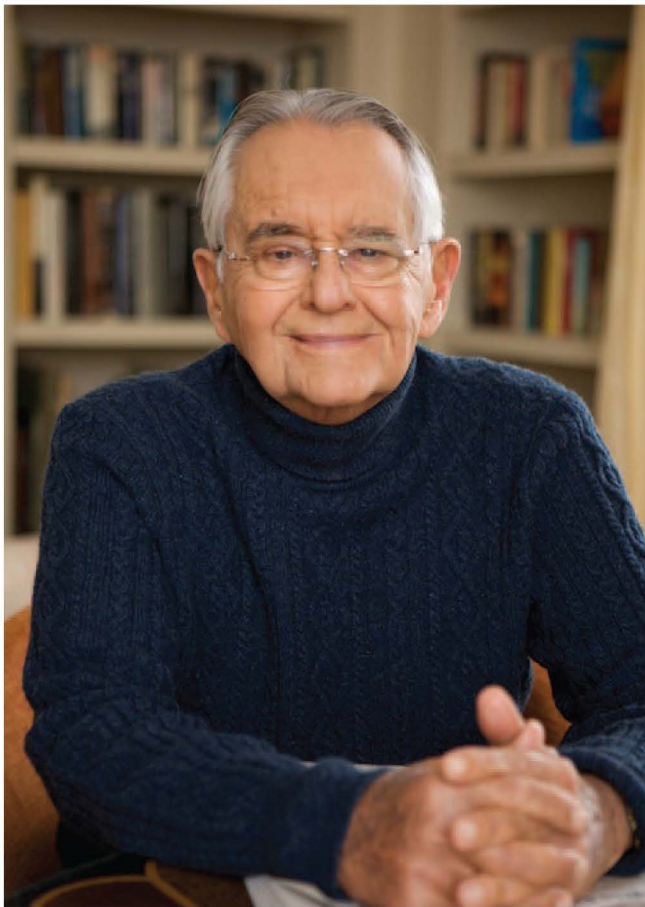
(Bottom Row, L-R) CBS's Lesley Stahl, former White House Chief of Staff Erskine Bowles, and former U.S. Senator Alan Simpson at the Foundation's 2010 Fiscal Summit; House Budget Committee Chairman Paul Ryan at the Foundation's 2011 Fiscal Summit; Participant at Foundation grantee AmericaSpeaks' "Our Budget, Our Economy" event in Philadelphia.

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A LETTER FROM THE CHAIRMAN

A lifetime of opportunity inspired our founder's mission to preserve the American Dream.



PETER G. PETERSON

I'm often asked why I decided to start a foundation focused on addressing America's long-term fiscal challenges, which I consider a primary threat to America's economic future. The simple answer is that, in my mind, I had no choice.

A few years ago, I faced the question of what to do with the bulk of my personal financial resources. I knew that I had more than enough. I also felt that the

American economic system, which had provided so much opportunity to me, was in peril. Skyrocketing levels of projected long-term debt not only raised the risk of a financial crisis, but were also threatening to stifle economic growth, choke off critically needed investments in education, skills training, infrastructure, and innovation, pass on a huge burden of debt to people in my nine grandchildren's generation, and bankrupt the social safety net programs that so many rely on. Furthermore, the inequality of income in the U.S. had reached the highest levels since 1928, threatening the ideal of fairness and opportunity for all Americans.

The American Dream is an idea instilled in me from a young age. My parents were Greek immigrants who came to this country with only a third-grade education, barely any English, and just pennies in their pockets. After settling in the small town of Kearney, Nebraska, they opened the inevitable Greek diner. It was certainly not distinguished for its cuisine, but rather for the fact that it was open 24 hours a day, 7 days a week for 25 years. My parents worked so hard all those years because they wanted my brother and me to get the best education and have the opportunity to pursue the American Dream.

In every respect, I have been the luckiest of American Dreamers. From business to government to finance, I have had opportunities that were only available in America. And I want future generations to have the opportunity to realize their own version of the American Dream.

As I saw our national leaders go year after year blithely ignoring our looming long-term deficits and debt, I knew I had to do something. I couldn't imagine waking

up in 10 or 20 years in a weakened America that had lost the American Dream, and not having tried to do something about it. The words of my former professor at the University of Chicago, George Stigler, rang in my ears: “If one has no alternative, one has no problem.” So in reality, I had no alternative but to try.

I started the Peter G. Peterson Foundation to engage with people all across America – policymakers, budget experts, business leaders, journalists, academics, and citizens of every generation ... frankly, anyone who will listen. We have had the help of some outstanding individuals, including our first CEO, former Comptroller General of the United States David Walker, who has demonstrated tireless dedication to fiscal issues.

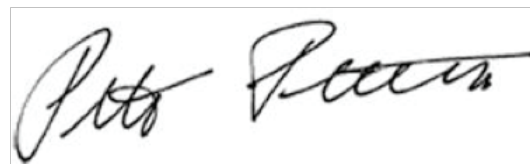
By publicizing the dismal truths about America’s long-term fiscal challenges and, even more importantly, offering a hopeful, positive vision of an America that is fiscally sound, economically secure, and brimming with opportunity, we hope to stimulate progress on solutions and ensure that our nation has the resources to build an investment and innovation economy that is globally competitive for decades to come.

The America we envision has a strong middle class, offering jobs and widely shared prosperity and giving all people, no matter where they start in life, the opportunity to climb the ladder of economic success. And as we make the tough choices required to reduce our long-term debt to sustainable levels, we, the richest of nations, must also preserve the safety net for the vulnerable.

The first three years of our Foundation’s operations have brought me great satisfaction. Our nation’s fiscal problems are serious, but I am optimistic that they

can be solved. Despite frequent political wrangling and slow progress, a consensus has emerged across the nation and across the political spectrum that we can no longer ignore fiscal reality. The American people have grown deeply frustrated with a Washington that often seems too focused on ideology and unwilling to reach across the aisle. They believe we must change course and they are eager for policymakers to enact solutions. While the impact of our fundamental budget challenges will be felt over the long term, it is imperative that we begin to address these challenges sooner rather than later. The next few years will be decisive in determining the long-term fiscal future – and therefore the economic future – of our nation.

This report provides an overview of our initiatives and grant-making since our launch in 2008. It is the first chapter in our story – one that I believe will have a successful conclusion. We look forward to regularly updating you on our progress – and to highlighting how our nation is progressing in confronting its long-term fiscal challenges and preserving the American Dream.

A handwritten signature in black ink, appearing to read "Pete Peterson", enclosed in a thin black rectangular border.

PETE PETERSON

Chairman and CEO

AMERICA'S ECONOMIC AND FISCAL CHALLENGE

To ensure a vibrant economic future, the United States must tackle its long-term fiscal challenges. We know what needs to be addressed, and we know there are many potential solutions. Now we need to build support for bipartisan action.

BY MICHAEL A. PETERSON, PRESIDENT AND COO

A healthy, growing economy is critical to improving our quality of life and maintaining the American Dream for current and future generations. Today's pressing economic challenges must be addressed, yet even larger long-term economic and fiscal challenges lie ahead.

In order for our economy to thrive in the future, we need to make wise decisions today. In any financial or economic activity, a prosperous future requires prudent investments that generate productive returns. The success of our economy rests in the hands of American workers, entrepreneurs, and businesses, all of whom need a healthy climate in which to invest, innovate, and build.

The federal government has an important role to play in maintaining such an environment.



MICHAEL A. PETERSON

However, by any measure – conservative or liberal, Republican or Democrat, supply-sider or Keynesian – the federal government's current long-term path is simply unsustainable.

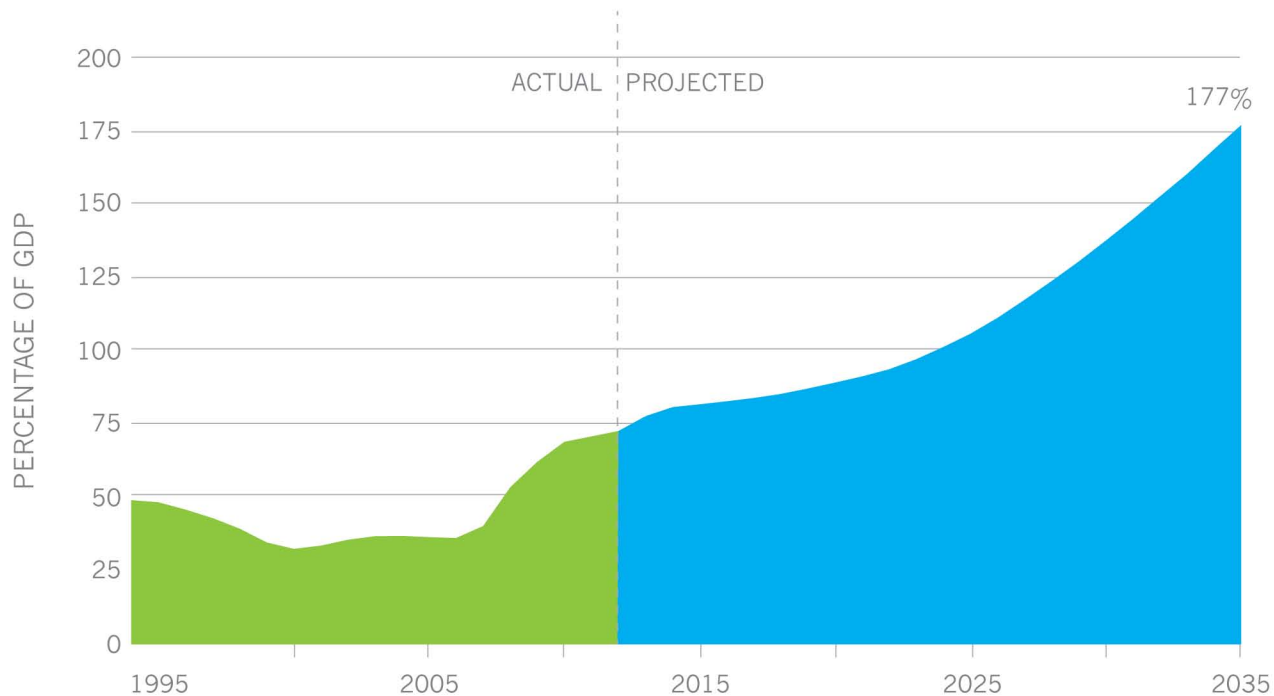
Many have called this “the most predictable economic crisis in history.” That's because the fiscal future is clouded by a perfect storm of very predictable demographic factors that pose a serious challenge to the long-term budget outlook: Baby Boomers are beginning to retire, the elderly are living much longer in retirement, and health care costs (which represent a significant government obligation) are on a dramatic rise.

In a 2010 Foundation survey of former economic policymakers from both parties, a resounding 100 percent of Republican and Democratic respondents agreed that America's long-term fiscal path is unsustainable, and 84 percent agreed that a failure to address the country's long-term structural deficits would lead to another economic crisis in the next ten years.

Why is the concern of experts so unanimous? Simply put, the federal government is on a path to borrow much more money than it can afford.

There are many ways to measure a country's fiscal health, but the best overall gauge is federal debt relative to the size of our economy (the ratio of federal debt-to-gross domestic product, or debt-to-GDP). Many economists suggest maintaining a debt-to-GDP

The debt levels projected in the near future are unprecedented.



SOURCES: Data from the Congressional Budget Office Long-Term Budget Outlook: June 2011 and June 2009; and the Office of Management and Budget, The Budget of the United States Government: Fiscal Year 2012, February 2011. Compiled by PGPF. NOTE: Reflects debt held by the public to all federal debt held by individuals, corporations, state or local governments, and foreign entities.

ratio of no more than 60 percent, and they warn of danger if the ratio stays above 90 percent.

Right now our public debt is 70 percent of GDP. That's already very high, but the real threat is in front of us: If current policies continue, the U.S. debt-to-GDP ratio is on a trajectory to grow to a staggering 180 percent of GDP within 25 years.

Like any borrowing, growing federal debt brings more interest costs. Today we are already forced to spend \$220 billion each year on interest. But on our current path, interest payments will reach a staggering \$1 trillion per year in about 10 years and by 2030 would become the largest line item in the federal budget.

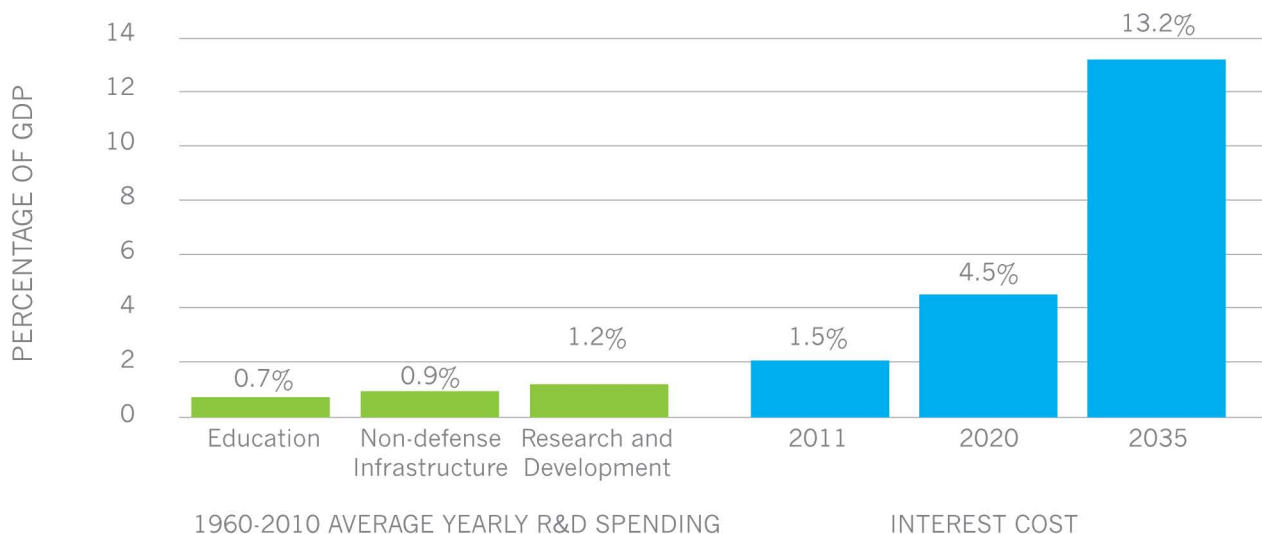
It's not difficult to understand why drowning in such large interest payments could hurt an economy, even

one as successful as ours. These payments make it virtually impossible for us to invest as much in our future, and will increasingly "crowd out" education, skills training, R&D, infrastructure, and other public and private investments that make our economy strong and our nation competitive. An economy cannot remain healthy and produce good jobs and wages if we are spending much more on interest than we are on investing in our future.

And the social safety net itself could be jeopardized – programs like Social Security and Medicare are bound to be cut without compassion in a fiscal crisis.

Given the very real impact of our national debt on our economy and our people, improving America's long-term budget outlook must be an urgent priority for our nation.

By 2035, projected interest costs on the debt will be more than four times what the federal government has historically spent on education, research and development, and infrastructure combined.



Sources: Data from the Office of Management and Budget, *Budget of the United States Government: FY 2012*, Feb. 2011, Gagnon & Hinterschweiger, *The Global Outlook for Government Debt over the Next 25 Years: Implications for the Economy and Public Policy*, PIIIE, June 2011. Compiled by PGPF.

THE SOLUTIONS

The good news is that our fiscal challenges can be overcome. A variety of initiatives, including the Simpson-Bowles commission, other task forces, and our foundation’s policy projects, have all shown that this problem can be solved, and that if we do it soon, it can be done with fairness and compassion.

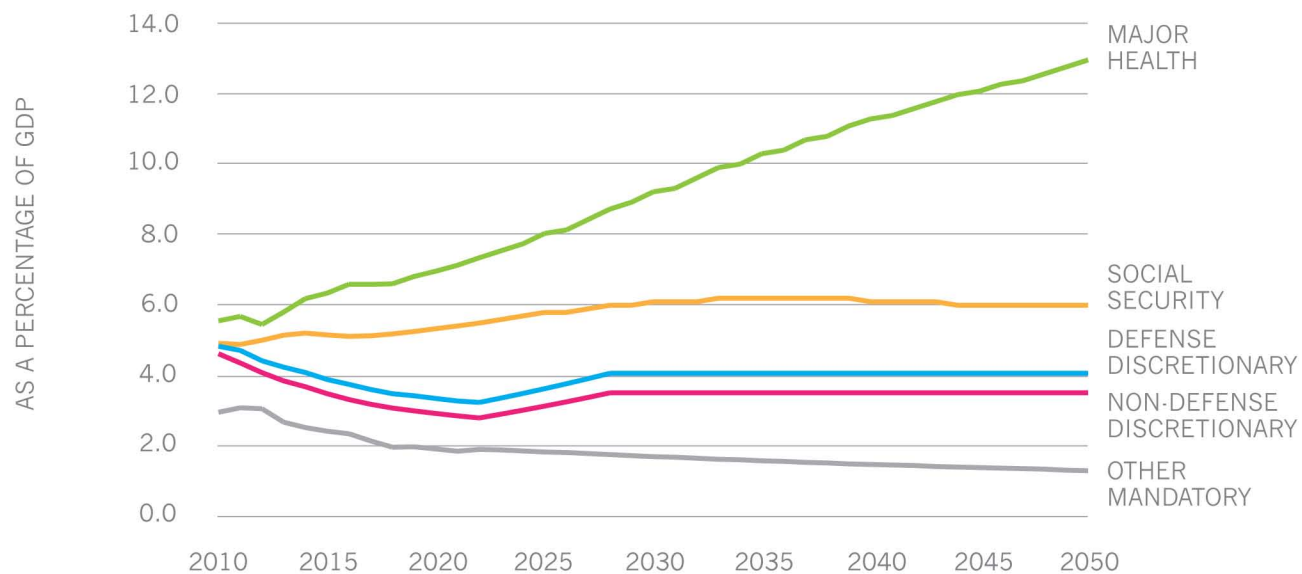
A credible fiscal plan must pass a simple test: does it stabilize debt-to-GDP at an affordable level over the long term? Various fiscal reforms can claim to reduce annual deficits by certain amounts, but in order to put the U.S. on a sustainable path we must stop the growth in debt.

To achieve this objective, a successful fiscal plan must be comprehensive and address the fundamental drivers of our long-term debt.

One is health care. Bringing more value to health care spending is absolutely essential, given that health care costs represent a major share of increasing federal expenditures. Today, we spend twice as much per capita as other advanced nations, yet our health outcomes are often no better. Making the overall health care system more efficient, while making changes to Medicare and Medicaid, is key to our economic and fiscal future. Gradually changing other entitlement programs like Social Security to make them secure and solvent for the long term is also an important component of fiscal reform.

Defense spending needs scrutiny, too. Today, we spend more on defense than the next 17 countries combined. We need to ensure that we fully address the threats of the 21st century, while acknowledging that our national security is highly dependent on our economic security and fiscal health.

The projected major driver of federal spending over the next several decades is the dramatic rise of spending on health care.



Source: Data from the Congressional Budget Office, *The Long-Term Budget Outlook: June 2010, alternative*. Compiled by PGPF.
NOTE: "Federal Health Care Programs" include Medicare, Medicaid, CHIP, and exchange subsidies.

And any politically realistic and lasting bipartisan fiscal solution will require that revenues be on the table – as the Bowles-Simpson commission and others have recommended, paring back tax expenditures can not only contribute to deficit reduction, but can make it possible to lower tax rates and create a simpler tax code that is more conducive to growth.

Some say that now is not the time to deal with our long-term fiscal challenges, due to the current fragile recovery. But this is not an either/or proposition. Putting a long-term fiscal plan in place that goes into effect once the economy recovers is a sensible way to deal with recovery and sustainability at the same time. And taking this action now for the long term can also strengthen today's economic recovery by boosting confidence at home and abroad that the U.S. is finally getting its fiscal house in order. Confidence would be a valuable form of stimulus that our economy needs, but hasn't yet gained.

By committing ourselves to stabilizing the debt, we can lay a foundation for long-term growth, greater economic independence, and equitable solutions to the economic challenges facing generations of Americans. We can shape a positive vision of our nation's future and take the steps necessary to realize it.

This inaugural report chronicles our efforts to educate the public, build consensus in Washington, and mobilize Americans to take action and help lead the nation toward a sustainable fiscal future.

BUILDING CONSENSUS
ON POLICY SOLUTIONS:
REACHING AGREEMENT
ON FISCAL SOLUTIONS WILL
REQUIRE TOUGH CHOICES
AND BOLD BIPARTISAN
COMMITMENTS. THROUGH
EDUCATION, ANALYSIS, AND
ACTION IN WASHINGTON AND
BEYOND, THE FOUNDATION
IS WORKING TO BUILD A
BIPARTISAN CONSENSUS
AROUND LONG-TERM FISCAL
SUSTAINABILITY.

CONVENING POLICYMAKERS AND EXPERTS TO ADDRESS THE FISCAL CHALLENGE

The Peterson Foundation's annual Fiscal Summits convene the nation's top leaders and experts to find common ground on solutions to America's long-term fiscal and economic challenges. The conversation began in 2010, when we focused on building awareness about the urgency of our fiscal challenges, and it continued in 2011, when our grantees brought specific solutions to the table.

The 2010 Fiscal Summit was held a day after the first meeting of the National Commission on Fiscal Responsibility and Reform, and it demonstrated that political leaders and economists on both sides of the political aisle recognize the urgency of our fiscal challenges.

Participants included former President Bill Clinton, former U.S. Senator Judd Gregg, former Director of the Office of Management and Budget Peter Orszag, former Secretary of the Treasury Robert Rubin, former Chairmen of the Federal Reserve Paul Volcker and Alan Greenspan, and National Commission on Fiscal Responsibility and Reform co-chairs Erskine Bowles and former U.S. Senator Alan Simpson. There was general agreement that long-term structural imbalances are a serious economic threat facing the nation and that it is imperative to address these imbalances sooner rather than later, while our options are more economically and politically palatable. Contributors identified rising health care costs as the most significant component of long-term structural deficits and urged reforms to the current system. They also discussed all of the revenue and spending options on the table, including reforms to entitlements, tax expenditures, and defense.

As part of the Summit, the Foundation released the results of a groundbreaking survey of senior economic



(TOP-BOTTOM) FORMER WHITE HOUSE CHIEF OF STAFF ERSKINE BOWLES AND FORMER U.S. SENATOR ALAN SIMPSON DISCUSS THE WORK OF THE NATIONAL COMMISSION ON FISCAL RESPONSIBILITY AND REFORM.



(LEFT) FORMER OMB DIRECTOR PETER ORSZAG RESPONDS TO QUESTIONS ABOUT HEALTH CARE'S IMPACT ON THE NATION'S FISCAL SITUATION. (RIGHT) FORMER FEDERAL RESERVE CHAIRMAN ALAN GREENSPAN LAYS OUT THE EFFECTS OF INCREASING DEBT.

officials from the previous eight presidential administrations and Congressional leaders from the past 30 years. An astounding 84 percent of Republican and Democratic respondents agreed that a failure to address the country's long-term structural deficit challenges would lead to another economic crisis in the next ten years. Seventy-four percent of respondents also broadly agreed that solutions must include both spending cuts and tax increases, and 89 percent believed that a plan to address long-term deficits should be agreed to within one to two years.

On May 25, 2011, the Peterson Foundation hosted its 2011 Fiscal Summit: Solutions for America's Future, in Washington, D.C. The forum featured leading thinkers and policymakers, including Obama administration officials, members of Congress, budget experts, journalists, and business leaders, who offered a range of views about solving the nation's long-term fiscal challenges.

The Summit was the culmination of the Foundation's Solutions Initiative, a grant program supporting six organizations across the ideological and generational spectrum to develop plans with specific solutions to the nation's projected long-term debt and deficits. In addition to the plan presentations, program highlights included:

- A conversation with former President Bill Clinton on the positive economic effects of debt reduction

and the need for both parties and their supporters to seriously consider ideas advanced by the other;

- Interviews with House Budget Committee Chairman Paul Ryan and National Economic Council Director Gene Sperling on their visions of reform, particularly in regard to Medicare;
- An interview with Indiana Governor Mitch Daniels on lessons he learned in building public support to address deficits on a state level;
- A panel discussion with U.S. Senators Saxby Chambliss, Mike Crapo, Dick Durbin, and Mark Warner about their efforts to craft a bipartisan plan to address our long-term challenges through the "Gang of Six" and
- A discussion of Americans' attitudes about deficit reduction and appetite for change with former U.S. Senator Alan Simpson, *New York Times* columnist David Brooks, Honeywell CEO David Cote, Demos Vice President of Policy and Programs Tamara Draut; and *The Atlantic's* business and economics editor Megan McArdle.

Both of the annual Fiscal Summits were televised via C-SPAN to a national audience of politically engaged Americans. They reflect the Foundation's commitment to engaging a broad range of stakeholders in a practical dialogue on the nation's fiscal challenges and driving action to resolve them.



(TOP LEFT) FORMER CHAIRMAN OF THE FEDERAL RESERVE PAUL VOLCKER DISCUSSES THE IMPORTANCE OF FINDING LONG-TERM SOLUTIONS THAT ADDRESS BOTH SPENDING AND REVENUE. (TOP RIGHT) FORMER SECRETARY OF THE TREASURY ROBERT RUBIN DESCRIBES THE EFFECTS OF OUR UNSUSTAINABLE DEFICITS AND DEBT ON PUBLIC AND PRIVATE INVESTMENT. (BOTTOM) FORMER OMB DIRECTOR ALICE RIVLIN AND ECONOMIC POLICY INSTITUTE PRESIDENT LAWRENCE MISHEL DISCUSS POTENTIAL SOLUTIONS TO THE NATION'S ECONOMIC AND FISCAL CHALLENGES.



(TOP LEFT) *NEW YORK TIMES* COLUMNIST DAVID BROOKS DISCUSSES THE CULTURAL AND POLITICAL CHALLENGES OF FINDING A SOLUTION TO THE DEBT. (TOP RIGHT) INDIANA GOVERNOR MITCH DANIELS DISCUSSES HIS EXPERIENCE WITH FISCAL REFORM ON A STATE LEVEL. (BOTTOM) MODERATOR JUDY WOODRUFF DISCUSSES THE DEFICIT REDUCTION EFFORTS OF THE “GANG OF SIX” WITH U.S. SENATORS SAXBY CHAMBLISS, MARK WARNER, MIKE CRAPO, AND DICK DURBIN.



(TOP) FORMER PRESIDENT BILL CLINTON DISCUSSES THE IMPORTANCE OF FISCAL SUSTAINABILITY TO AMERICAN COMPETITIVENESS IN AN INTERVIEW WITH PBS' GWEN IFILL. (BOTTOM LEFT) HOUSE BUDGET COMMITTEE CHAIRMAN PAUL RYAN LAYS OUT HIS DEFICIT REDUCTION PLAN. (BOTTOM RIGHT) NATIONAL ECONOMIC COUNCIL DIRECTOR GENE SPERLING DISCUSSES THE OBAMA ADMINISTRATION'S PERSPECTIVE ON FISCAL REFORM.

BLUEPRINTS FOR FISCAL ACTION FROM ACROSS THE IDEOLOGICAL SPECTRUM

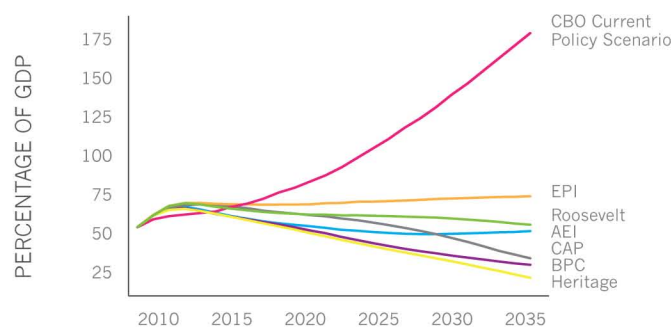
Washington and the public generally accept the need to reduce projected long-term debt and deficits – the next step is to develop credible plans for reaching that goal. The Peterson Foundation’s Solutions Initiative provided grants to six public policy research organizations across the ideological and generational spectrum to present their vision of how to put America on a sustainable long-term fiscal path.

In January 2011, the Peterson Foundation launched the Solutions Initiative, a grant program that convened six organizations from across the ideological and generational spectrum to develop solutions to the nation’s projected long-term debt and deficits.

The Foundation awarded grants to six leading public policy organizations – the American Enterprise Institute, the Bipartisan Policy Center, the Center for American Progress, the Economic Policy Institute, The Heritage Foundation, and the Roosevelt Institute Campus Network – and asked them to develop and present their vision to address our fiscal challenges. The groups were given independence and discretion to define the fiscal goals and craft comprehensive plans to achieve them. We then asked the nonpartisan Tax Policy Center and other experts to score and compare what the various plans would achieve in 2021 and 2035.

After considering the many tradeoffs that go into producing a budget, the organizations produced plans reflecting their individual philosophies. Importantly, *they all significantly reduced debt-to-GDP* projections when measured against an extended version of the Congressional Budget Office baseline. By 2035, the plans would reduce debt levels to between 30 and 80 percent of GDP.

SOLUTIONS INITIATIVE PROJECTED DEBT LEVELS



Even though the grantees demonstrated significant differences over the size and role of government, their plans showed a remarkable consensus on several key priorities. Most importantly, all of the grantees acknowledged that America’s current fiscal path is unsustainable and recommended policies that would reduce the projected federal debt. Additionally, they agreed that we must preserve a social safety net for those who need it, and that we cannot continue to subsidize the well-off the way we currently do. Lastly, they concurred that so-called tax expenditures – tax deductions, exclusions, and credits that act as disguised spending and cost the federal government \$1.3 trillion each year – are fertile ground for reform that greatly simplifies the system, and lowers tax rates for corporations and individuals.



POLICY EXPERTS FROM SOLUTIONS INITIATIVE GRANTEE ORGANIZATIONS DISCUSS THEIR DEFICIT REDUCTION PLANS WITH *WALL STREET JOURNAL* EDITOR DAVID WESSEL. (L-R: WESSEL; ALAN VIARD, AMERICAN ENTERPRISE INSTITUTE; JOE MINARIK, BIPARTISAN POLICY CENTER; MICHAEL ETTLINGER, CENTER FOR AMERICAN PROGRESS; JOHN IRONS, ECONOMIC POLICY INSTITUTE; STUART BUTLER, THE HERITAGE FOUNDATION; ZACHARY KOLODIN, THE ROOSEVELT INSTITUTE CAMPUS NETWORK)

The Solutions Initiative grantees presented their plans together at the Foundation's 2011 Fiscal Summit, explaining their respective approaches to resolving the nation's debt and deficit challenges and highlighting areas of agreement and disagreement. Later in the year, we worked with our Solutions Initiative partners to convene a series of bipartisan briefings for members of Congress and their staffs, so they could better understand the detailed policies within the plans.

The fact that a broad range of experts agree on the fiscal imperative underscores that consensus is possible, even if individual approaches to solving America's fiscal challenges differ.



ADDRESSING THE HEALTH CARE CHALLENGE

Individuals and experts from across the political spectrum agree that America's rapidly rising health care costs are unsustainable. The Peterson Foundation is working with organizations including the Institute of Medicine and the Center for American Progress to drive health care solutions that deliver better value by improving quality and lowering costs.

According to the Congressional Budget Office, total private and public health care spending in the United States is projected to soar more than 50 percent by 2035, consuming 27 percent of GDP. The U.S. currently spends twice as much per capita as most other advanced nations on health care. But despite these massive resources, U.S. health outcomes are generally no better and sometimes worse than outcomes in other advanced countries. For example, the U.S. is 31st in infant mortality and 27th in life expectancy. Not only are we failing to achieve good results, but our huge levels of spending threaten the fiscal sustainability of the nation.

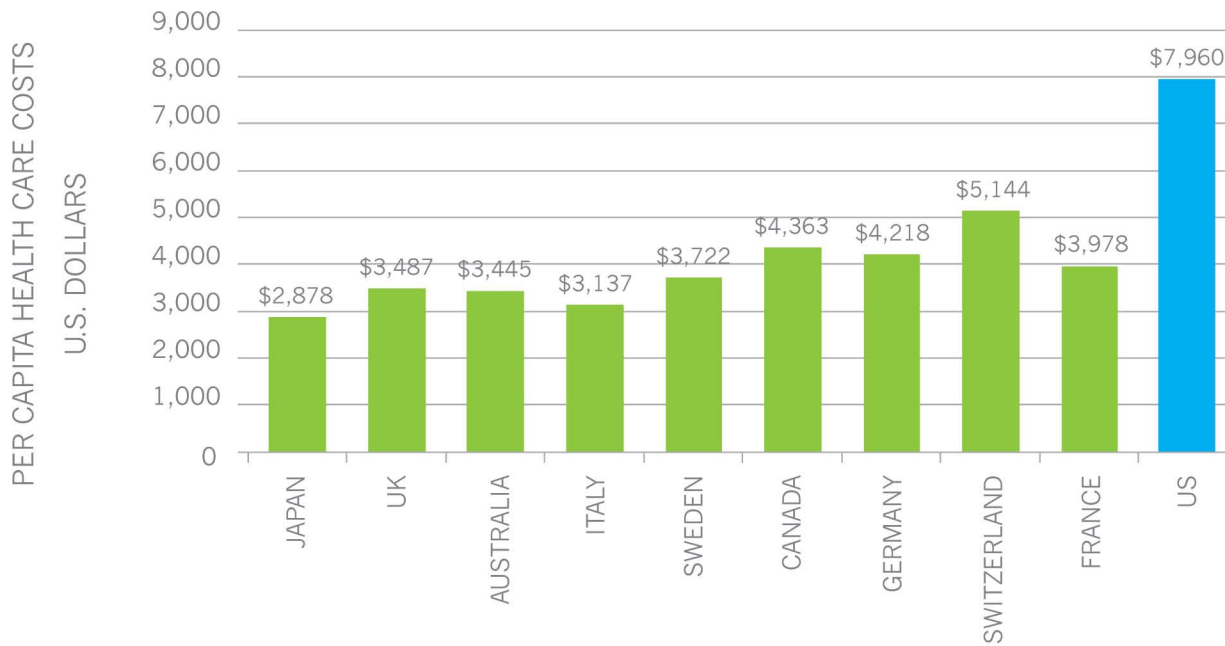
In 2009, the Peterson Foundation joined with the Institute of Medicine (IOM) to bring together medical professionals, hospital administrators, economists, consumer representatives, and insurers to identify the elements of the health care system that provide the most value, reduce inefficiency, and deliver proven care. A resulting report, *The Healthcare Imperative: Lowering Costs and Improving Outcomes*, presents options for reducing U.S. health care expenses by 10 percent in 10 years, while improving the quality of care. Suggested strategies include making the health care system more patient-centered, reforming payment systems, and increasing transparency and accountability. The report was shared with leading experts, practitioners, and stakeholders throughout the health care sector.

The Foundation has worked extensively with a number of other organizations to help improve the American health care system. In November 2008, we collaborated with Emory University's Institute for Advanced Policy Solutions to establish the Center for Entitlement Reform, charged with outlining the factors responsible for rising entitlement costs. In July 2009 and May 2010, the Foundation issued grants to the Institute for Healthcare Improvement to sponsor symposia on health care costs and delivery.

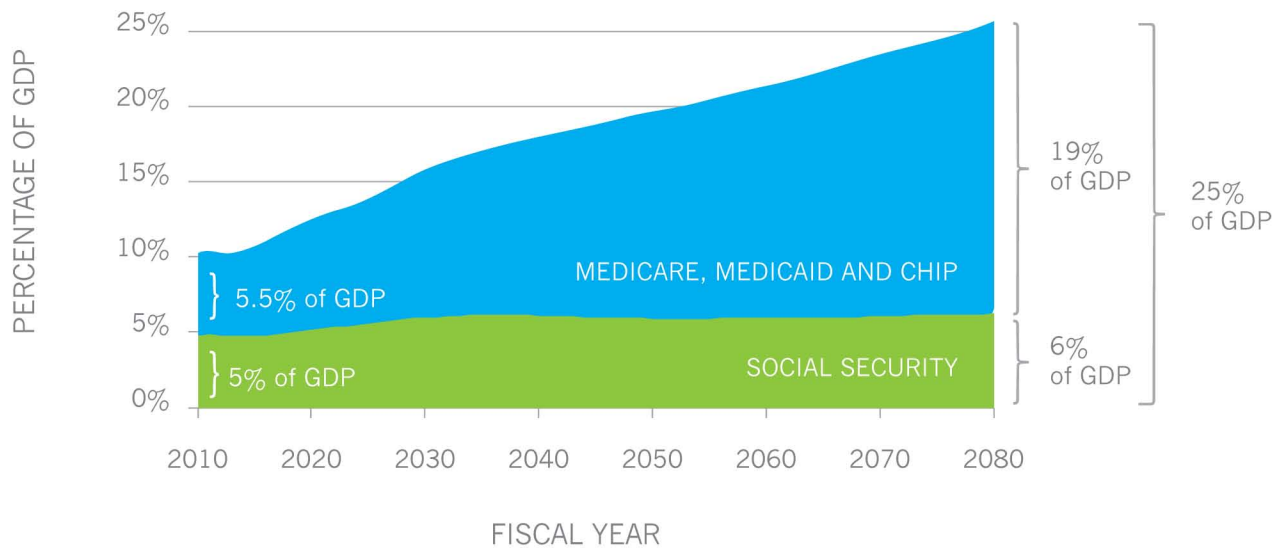
A 2010 grant to the Center for American Progress funded an exploration of payment reforms to reduce overall health care costs by shifting away from the fee-for-service payment model that encourages over-consumption of health care by patients and over-treatment by doctors and hospitals. The Foundation also worked with the Center for Practical Bioethics to form the Coalition to Transform Advance Care, a consortium of leading organizations, led by former AARP CEO William Novelli, that empowers patients and their families and engages health care providers in efforts to improve care for people who are seriously ill and dying.

Health care will continue to be a central focus of the Foundation's work – a new initiative is being planned to focus directly on this key element of our fiscal challenge.

Currently, Americans spend about twice as much per capita on health care as other OECD countries with no appreciable difference in health outcomes.



Health care entitlement programs are projected to more than triple as a percentage of GDP under current policies.



SOURCE: Data from OECD. Compiled by PGPF. NOTE: Per capita health expenditures in 2009, unless otherwise noted. Comparison uses Purchasing Power Parity, which adjusts exchange rates to assume identical price of goods in different countries. SOURCE: Data from the Congressional Budget Office, The Long-Term Budget Outlook: June 2010, alternative simulation. Compiled by PGPF.

ALIGNING NATIONAL SECURITY WITH ECONOMIC SECURITY

A healthy U.S. economy is the foundation on which our national security is built – a sustainable budget and a strong defense go hand-in-hand. The Peterson Foundation is convening top defense experts to align the U.S. defense budget with 21st century national security threats and strategies.

Defense spending accounts for nearly 20 percent of the U.S. budget and nearly five percent of the nation's gross domestic product – more than twice what many other advanced nations spend as a percentage of GDP. In fact, the United States devotes more resources to defense than the next 17 highest-spending nations *combined*.

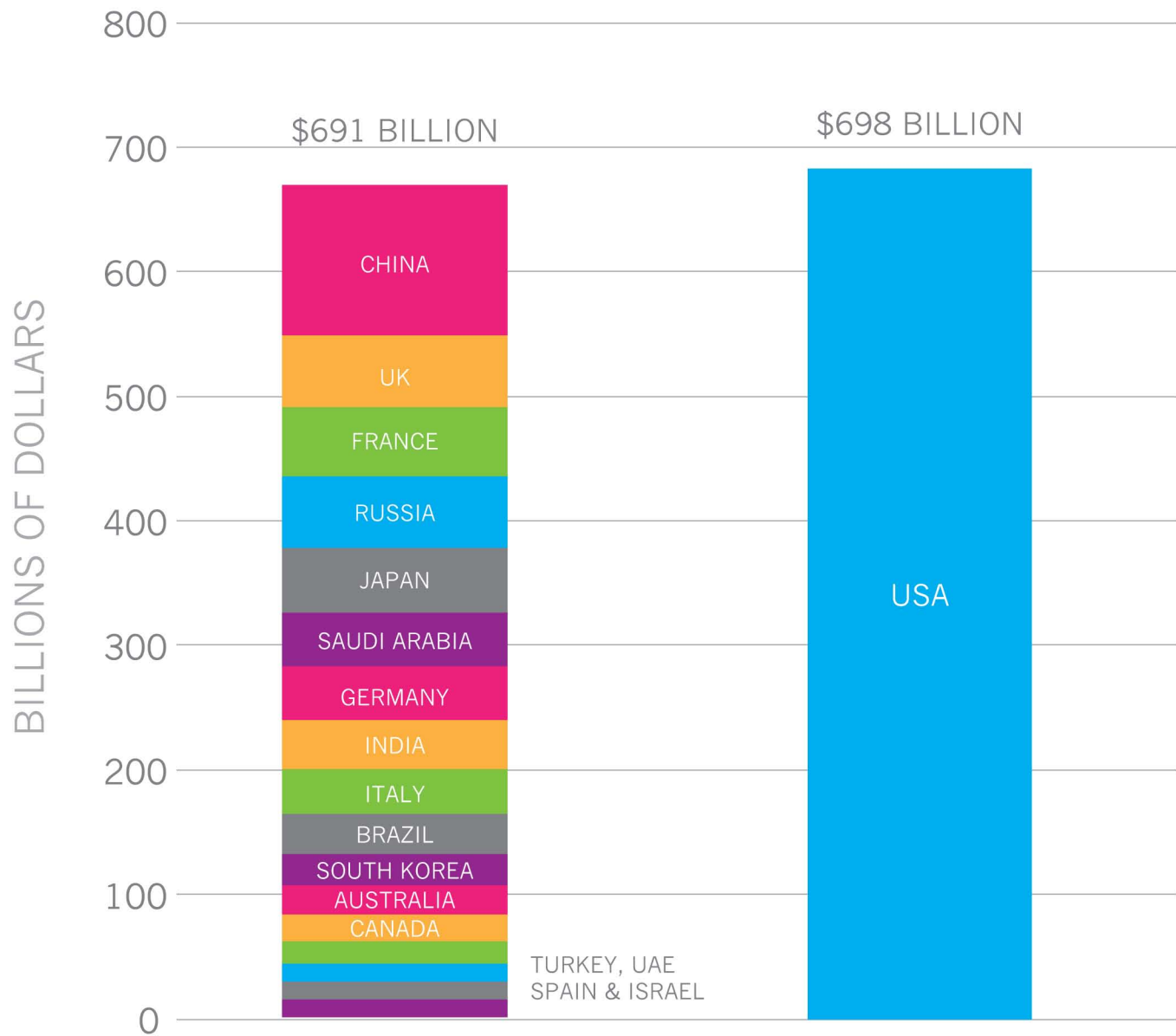
Despite the significance of the defense budget, defense spending often escapes close fiscal and strategic scrutiny. Policymakers need to ask: Are today's spending priorities appropriate to the security threats of the 21st century? The United States faces a landscape of new threats and meeting them will require a comprehensive review of national security that addresses today's challenges, not yesterday's.

Furthermore, to marshal the resources necessary to adequately defend America's national interests and keep Americans safe, our nation must be on sound fiscal and economic footing. In today's global economy, our national security depends directly on our economic security. Admiral Mike Mullen, former Chairman of the Joint Chiefs of Staff, has said, "The single greatest threat to our national security is our debt." He also noted, "The [Pentagon] budget has basically doubled in the last decade, and in doubling, we have lost the ability to prioritize, to make hard decisions, to do tough analysis, to make trades."

How can America navigate the dual challenges of military preparedness and, at the same time, major fiscal constraints? One clear answer is for our nation to frame a new national security strategy. To do so, we need a clear understanding of the risks facing us in the 21st century. With these risks and the related costs in mind, we can develop the strategy and missions to counter and reduce them. And with the strategy in hand, we can begin to make sensible and coherent reductions in the defense budget.

With this in mind, the Peterson Foundation has joined with the Henry L. Stimson Center to gather distinguished national security experts to begin working on a new defense strategy for the U.S. Barry Blechman, co-founder of Stimson, is serving as Project Director and Leslie Gelb, former Assistant Secretary of State for Political and Military Affairs and President Emeritus of the Council on Foreign Relations, is serving as a consultant to the Foundation. The project will produce a report that, based on the group's assessment of current interests and threats, offers strategies and force structures to keep America safe, while acknowledging that our national security requires us to be on a sustainable fiscal path.

The U.S. spent more on defense in 2010 than the countries with the next 17 highest defense budgets combined.



SOURCE: Data from Stockholm International Peace Research Institute, SIPRI Military Expenditure Database. Compiled by PGPF.
 NOTE: Dollar figures are in billions of 2010 constant U.S. dollars.

BUILDING MOMENTUM FOR POLICY ACTION

Working with key Washington advocates such as the Committee for a Responsible Federal Budget, the Peterson Foundation keeps the pressure on for sustainable fiscal policy through collaborative projects such as The Moment of Truth Project and the Peterson-Pew Commission on Budget Reform.

Seeking to spur action on America's challenges following their work on the President's National Commission on Fiscal Responsibility and Reform, co-chairs Erskine Bowles and Alan Simpson founded The Moment of Truth Project in March 2011. Building on our initial support of the Commission's work, the Peterson Foundation, along with other organizations, provided funding for The Moment of Truth.

When a bipartisan majority, including several elected officials, voted for the Fiscal Commission's final report (entitled *The Moment of Truth*), it served as a clear indication that bipartisan agreement on a comprehensive long-term deficit reduction plan is possible. Making it a reality requires leadership and tough choices from the President and members of Congress, as well as continued support for reforms among the voting public.

The Moment of Truth Project has continued to build momentum for comprehensive long-term reform, with key commissioners testifying before Congress and engaging the President, administration officials, and Congressional leaders, including the bipartisan group of six U.S. senators, commonly referred to as the "Gang of Six." Importantly, the Moment of Truth Project is speaking to the public, explaining the facts about our fiscal challenges, answering questions, and laying out the possible paths to a solution.

In addition, to encourage a deeper examination of how the federal budget process impacts America's fiscal outlook, the Foundation, in conjunction with the

Pew Charitable Trusts, provided funding to establish the Peterson-Pew Commission. The Commission convened federal budget and fiscal policy experts, including former directors of the Congressional Budget Office and the Office of Management and Budget, and former chairmen and ranking members of the House and Senate Budget Committees. They released two comprehensive reports: the first, *Red Ink Rising*, offered a six-step plan for stabilizing our national debt; the second, *Getting Back in Black*, provided a set of specific, detailed reforms to the federal budget process, including adopting fiscal targets, instituting triggers in case goals are not met, and increasing transparency. Both reports have been influential in persuading policymakers to focus on the bigger budget picture, incorporating ideas for significant budget process reforms to bring stability and credibility to the nation's finances.

Recognizing that state budgets are also facing serious challenges, the Peterson Foundation supported the launch of the State Budget Crisis Task Force, led by former New York lieutenant governor Richard Ravitch and former Federal Reserve Chairman Paul Volcker. The goal of the Task Force is to ensure that state structural budget gaps and fiscal challenges are discussed publicly, covered by the national media, and considered in both state and federal budget debates. The Task Force is conducting research in five study states – California, Illinois, New York, Texas, and Virginia – to advance understanding of the issues impacting state budgets and help to improve budgeting and transparency.

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.

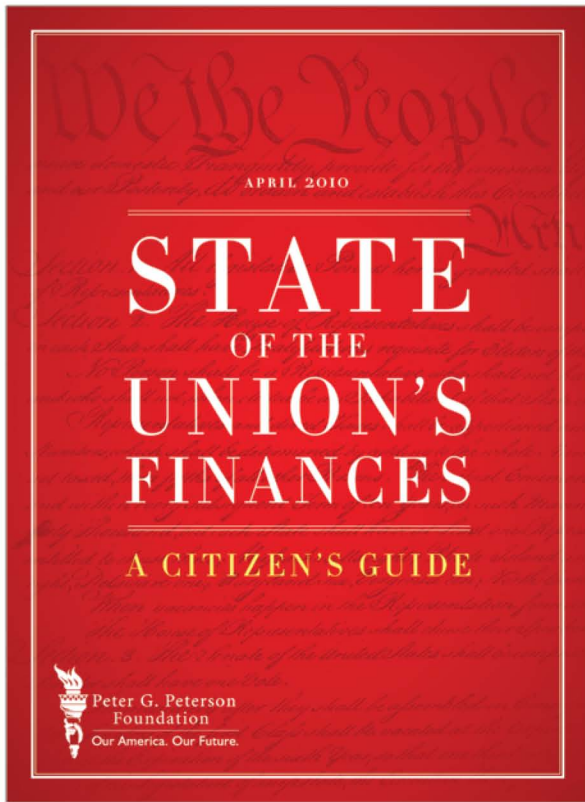
The State of the Union's Finances, first released in July 2008, is a plainspoken guide to the federal government's finances. Using figures, charts, and graphs, this accessible report explains how long-term structural deficits, escalating debt levels, and burgeoning interest payments pose a threat to 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.

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.

(FACING PAGE) PAGES FROM THE FOUNDATION'S *STATE OF THE UNION'S FINANCES*, A GUIDE TO THE FEDERAL GOVERNMENT'S FINANCES, ITS LONG-TERM FISCAL CHALLENGES, AND POTENTIAL SOLUTIONS.



OUR GROWING FISCAL CHALLENGE

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.

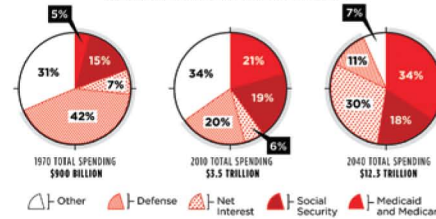
Changing Composition of Spending

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 2009 DOLLARS)



SOURCES: Data derived from the Office of Management and Budget, *A New Era of Responsibility: The 2011 Budget, Historical Tables* and the Congressional Budget Office, *Preliminary Analysis of the President's Budget: March 2010*. Calculated by PGPF.

OUR GROWING FISCAL CHALLENGE

FIGURE 9.

INTEREST COSTS ARE PROJECTED TO EXCEED...

BUDGET CATEGORY	IN YEAR*
Medicaid spending, 1.7% of GDP	2012
Defense spending, 3.6% of GDP	2017
Medicare spending, 3.9% of GDP	2018
Social Security, 5.4% of GDP	2022
All other spending, 5.4% of GDP**	2022
Total Revenues, 18.1% of GDP	2046

*Assumes interest rate of 5.4 percent. If interest rates rise, projected interest costs will exceed program costs earlier than shown.

**Projections are constant share of GDP after 2020.

SOURCES: Data from the Congressional Budget Office, *Preliminary Analysis of the President's Budget: March 2010* and Government Accountability Office *The Federal Government's Long-Term Fiscal Outlook: January 2010 Update*. Compiled by PGPF.

unsustainable, 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 as 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.

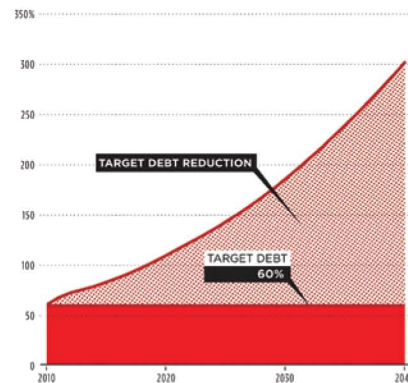
SOLUTIONS

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 12.

A SUSTAINABLE DEBT TARGET

(PERCENT OF GDP)



SOURCES: PGPF calculations based on data from the Congressional Budget Office, *Budget and Economic Outlook: FY 2010 to 2020*, January 2010.

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 also focus on a much larger yet less visible threat: the \$56 trillion in liabilities and unfunded retirement and health care obligations, and the dangerous over-reliance 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 urge creation of an 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 navigate 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 debt issue, health care reform (56%) and cutting taxes (51%) rank much lower as a priority.

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.

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.

See the facts for yourself at www.KnowtheDebtFacts.com.

Peter G. Peterson Foundation
Our America. Our Future.



(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.

(FACING PAGE) THE MOVIE POSTER FOR *I.O.U.S.A.*, THE FOUNDATION'S CRITICALLY ACCLAIMED DOCUMENTARY ON AMERICA'S FISCAL SITUATION.

WATCH CLIPS FROM
I.O.U.S.A.

FROM THE PRODUCERS OF **WORDPLAY** AND THE STUDIO THAT BROUGHT YOU **SUPERSIZE ME**

I.O.U.S.A.

ONE NATION. UNDER STRESS. IN DEBT.



"MAY BE TO THE U.S. ECONOMY WHAT
AN INCONVENIENT TRUTH WAS TO THE ENVIRONMENT"
-REUTERS

"THE MOST UNEXPECTEDLY FRIGHTENING MOVIE AT SUNDANCE"
-KENNETH TURAN, LOS ANGELES TIMES

FOR SALE
FORECLOSURE
INQUIRE WITHIN

THE PETER G. PETERSON FOUNDATION IN ASSOCIATION WITH ROADSIDE ATTRACTIONS PRESENTS AN AGORA ENTERTAINMENT PRODUCTION
IN ASSOCIATION WITH O'MALLEY CREADON PRODUCTIONS "I.O.U.S.A." A FILM BY PATRICK CREADON AND CHRISTINE O'MALLEY COMPOSER PETER GOLUB
EXECUTIVE PRODUCER BRIAN DAKES WITH DOUG BLUSH PRODUCED BY "EMPIRE OF DEBT" BY WILLIAM BONNER AND ADDISON WIGGIN ASSOCIATE PRODUCERS THEODORE JAMES AND KATE INCONTRERA
EXECUTIVE PRODUCERS ADDISON WIGGIN WRITTEN BY PATRICK CREADON CHRISTINE O'MALLEY AND ADDISON WIGGIN PRODUCED BY CHRISTINE O'MALLEY SARAH GIBSON AND OPEN SKY ENTERTAINMENT
DIRECTED BY PATRICK CREADON
WWW.IOUSATHEMOVIE.COM

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.

(FACING PAGE) HIGH SCHOOL STUDENTS STUDY THE NATION'S FISCAL CHALLENGES THROUGH A CURRICULUM DEVELOPED BY COLUMBIA TEACHERS COLLEGE WITH A GRANT FROM THE FOUNDATION.



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.

ABOUT THE FOUNDATION:
TO LEARN MORE ABOUT
THE PETER G. PETERSON
FOUNDATION, AMERICA'S
FISCAL CHALLENGES,
AND HOW YOU CAN TAKE
ACTION TO HELP SOLVE
THEM, PLEASE VISIT OUR
WEBSITE, JOIN US ON
FACEBOOK, OR CHECK OUT
OUR YOUTUBE PAGE

WWW.PGPF.ORG

WWW.FACEBOOK.COM/PGPFFOUNDATION

WWW.YOUTUBE.COM/PGPFFOUNDATION

LIST OF GRANTEES

Fiscal Year 2009

THE ALTARUM INSTITUTE

To support the June 2009 conference for scholars, health policy experts, and media to examine and increase awareness of key health challenges that are linked to America's fiscal crisis. (\$35,000)

AMERICASPEAKS

To support providing citizens with a greater opportunity for civic engagement around critical issues and deliberation over complex fiscal policy issues. (\$50,000)

AMERICA'S PROMISE - THE ALLIANCE FOR YOUTH

To support the development of a youth curriculum to expand the teaching of financial literacy to middle and high school students across the country. (\$1,000,000)

BE THE CHANGE, INC.

To support the ServiceNation Presidential Candidates Forum and Summit and a national Day of Action to increase national service opportunities and strengthen civic culture. (\$250,000)

THE BROOKINGS INSTITUTION

To support the Budget for National Priorities Project, an accessible analysis of the country's fiscal situation that documents the problem and features possible solutions. (\$50,000)

CENTER FOR THE STUDY OF THE PRESIDENCY

To support a comprehensive net assessment to help guide the new President in developing a strategic roadmap for addressing and confronting the nation's most urgent challenges. (\$700,000)

COMMITTEE FOR ECONOMIC DEVELOPMENT

To support the enlistment of senior corporate executives and next generation business leaders in fiscal reform efforts, online outreach, and events focused on long-term fiscal challenges. (\$1,000,000)

THE COMMON GOOD INSTITUTE

To support the development and operation of an online policy forum, "NewTalk," that will enable experts to engage in conversation about the most pressing domestic issues facing America's future, including our economic and fiscal challenges. (\$45,000)

CONCORD COALITION

To support the Fiscal Wake-Up Tour, a series of town hall meetings conducted across the country designed to engage and educate the public on the nation's long-term fiscal outlook. (\$1,500,000)

EMORY UNIVERSITY

To support the creation of the Center for Entitlement Reform, a research center that analyzes factors responsible for increased federal entitlement spending and formulates new approaches for achieving better health care value. (\$600,000)

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

To support the development of Budgetball, a "fiscal sport" for use in promoting financial and fiscal literacy among college students. (\$325,000)

To support the implementation of Budgetball on college and university campuses across the United States and a 2009 "Budgetball on the Mall" event in Washington, D.C. (\$458,671)

NATIONAL ACADEMY OF SCIENCES

To support the Institute of Medicine's efforts to draw attention to opportunities to improve value and reduce the costs of health care in the United States through public meetings at the National Academies and a publication summarizing their discussion and findings. (\$945,000)

NATIONAL ACADEMY OF SOCIAL INSURANCE

To support a national conference to promote and facilitate improving social insurance programs and the health care financing system and encourage fiscal responsibility and economic growth. (\$35,000)

NETWORK FOR TEACHING ENTREPRENEURSHIP

To support the development of curricula for elementary and secondary school students in low-income areas to increase financial literacy. (\$295,000)

NEW AMERICA FOUNDATION

To support the Peterson-Pew Commission on Budget Reform at the Committee for a Responsible Federal Budget to evaluate and make recommendations to improve the federal budget process. (\$1,250,000)

Fiscal Year 2010

NUCLEAR THREAT INITIATIVE

To support the establishment of the World Institute for Nuclear Security, a new international organization to help nuclear security practitioners implement more effective and efficient programs to secure nuclear materials. (\$3,000,000)

PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS

To support a study and roundtable on the magnitude and impact of growing global public debts and identify possible implications for the world economy and the United States. (\$100,000)

To support efforts to broaden public understanding of globalization and the risks of short-sighted economic and fiscal policies. (\$50,000)

PROPUBLICA, INC.

To support the ProPublica Prizes for Investigative Governance, honoring outstanding work in investigative reporting by governmental bodies in the United States. (\$49,000)

PUBLIC AGENDA FOUNDATION, INC.

To support the expansion of "Students Face Up to the Nation's Finances," an initiative designed to engage college students across the nation on America's fiscal challenges. (\$500,000)

THE STATE OF THE USA, INC.

To support the development of measures for assessing key fiscal conditions and trends in the United States that will allow Americans to assess the nation's progress on pressing issues. (\$400,000)

TRANSATLANTIC FUTURES, INC.

To support the development of multimedia content designed to provide innovative ways to address economic and social challenges threatening America's future. (\$40,000)

AMERICASPEAKS

To support a national discussion on the fiscal future of the United States in 20 cities across the nation and provide citizens with an opportunity to consider options to address long-term budget challenges. (\$2,337,470)

AMERICAN SOCIETY FOR PUBLIC ADMINISTRATION

To support the 2009 ASPA Annual Conference to provide participants an opportunity to learn about public administration and recent developments in federal, state and local fiscal affairs. (\$15,000)

To support the 2010 ASPA Annual Conference to provide participants an opportunity to learn about public administration and recent developments in federal, state and local fiscal affairs. (\$30,000)

COLUMBIA UNIVERSITY

To support a one-year fellowship at the *Columbia Journalism Review* to comment on the content and quality of media coverage of fiscal issues. (\$49,000)

COMMITTEE FOR ECONOMIC DEVELOPMENT

To support the enlistment of senior corporate executives and next generation business leaders in fiscal reform efforts, online outreach, and events focused on long-term fiscal challenges. (\$603,616)

CONCORD COALITION

To support efforts to educate the public about the causes and consequences of federal budget deficits, the long-term challenges facing America's unsustainable entitlement programs, and how to build a sound foundation for economic growth. (\$1,337,428)

To support the Youth Action Conference to engage Millennials in a discussion of fiscal issues. (\$46,560)

HOPE STREET GROUP

To support the Bipartisan Working Group on Health Care Reform to address health care policies and disseminate findings in an effort to engage thought leaders in the areas of health care policy and cost containment. (\$10,000)

INSTITUTE FOR HEALTHCARE IMPROVEMENT

To support the symposium, "How Do They Do That? Low-Cost, High-Quality Health Care in America," to learn from the experiences of high-value health care systems. (\$40,000)

Fiscal Year 2011

MOBILIZING AMERICA'S YOUTH, INC.

To support Mobilize.org's Democracy 2.0 Campaign and the 2009 "Millennial Return on Investment Summit," which explored the numerous financial issues facing America and the Millennial Generation's role in addressing them. (\$240,000)

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

To support the 2010 "Budgetball on the Mall" event in Washington, D.C. to promote financial and fiscal literacy among college students. (\$226,621)

PARTNERSHIP FOR PUBLIC SERVICE

To support a conference exploring the need for joint efforts by government and foundation leaders to improve the operational capacity and effectiveness of government. (\$35,000)

PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS

To support research on the international dimensions of the fiscal imbalances of the United States, including an appraisal of key creditor countries' international economic positions and policies. (\$390,000)

TEACHERS COLLEGE, COLUMBIA UNIVERSITY

To support the development of a new, comprehensive social studies and mathematics curriculum to help high school students across the United States understand the facts, significance, and consequences of America's fiscal challenges. (\$2,447,596)

WNET

To support "Our Unsustainable Future," a special year-long media initiative to address the critical fiscal issues that will determine the outcome of America's future. (\$1,000,000)

AMERICAN ENTERPRISE INSTITUTE

To support the development of comprehensive and specific solutions to address the nation's long-term fiscal challenges, as part of the Peter G. Peterson Foundation Solutions Initiative. (\$200,000)

AMERICAN SOCIETY FOR PUBLIC ADMINISTRATION

To support the 2011 ASPA Annual Conference to provide participants an opportunity to learn about public administration and recent developments in federal, state and local fiscal affairs. (\$30,000)

BIPARTISAN POLICY CENTER

To support the establishment of the Debt Reduction Task Force to develop a long-term budget plan to reduce projected federal debt and place the United States on a sustainable fiscal path, which was incorporated into the Peter G. Peterson Foundation Solutions Initiative. (\$200,000)

To support post-launch activities of the Debt Reduction Task Force's development and dissemination of its long-term budget plan to reduce projected federal debt. (\$200,000)

CENTER FOR AMERICAN PROGRESS

To support the development of comprehensive and specific solutions to address the nation's long-term fiscal challenges, as part of the Peter G. Peterson Foundation Solutions Initiative. (\$200,000)

To support studies of health care cost containment strategies, including payment bundling and accountable care organizations. (\$355,919)

CENTER FOR PRACTICAL BIOETHICS

To support the development of a business plan for the Coalition to Transform Advanced Care (C-TAC), a new organization focused on improving end-of-life care. (\$220,000)

COMEBACK AMERICA INITIATIVE

To support a new initiative over a three-year period to address federal fiscal issues by engaging the public and assisting policymakers on a nonpartisan basis to help solve America's long-term fiscal challenges. (\$3,100,000)

CONCORD COALITION CORP.

To support efforts to educate the public about the causes and consequences of federal budget deficits, the long-term challenges facing America's unsustainable entitlement programs, and how to build a sound foundation for economic growth. (\$1,408,900)

CONCORD COALITION CORP.

To support the Fiscal Solutions Tour, a follow-up to the Fiscal Wake-Up Tour that is designed to engage the public, the media, and policymakers in dialogue about our nation's future and potential solutions to the current fiscal challenges that we face. (\$75,000)

To support the creation of the Peter G. Peterson Foundation Fiscal Internship Program, to establish and support an internship program in 2010 for undergraduate and graduate students. (\$60,000)

To support the 2011 Peter G. Peterson Foundation Fiscal Internship Program. (\$47,000)

ECONOMIC POLICY INSTITUTE

To support the development of comprehensive and specific solutions to address the nation's long-term fiscal challenges, as part of the Peter G. Peterson Foundation Solutions Initiative. (\$200,000)

THE HERITAGE FOUNDATION

To support the development of comprehensive and specific solutions to address the nation's long-term fiscal challenges, as part of the Peter G. Peterson Foundation Solutions Initiative. (\$200,000)

HOPE STREET GROUP

To support the Bipartisan Working Group on Health Care Reform to address health care policies and disseminate findings in an effort to engage thought leaders in the areas of health care policy and cost containment. (\$48,500)

INSTITUTE FOR HEALTHCARE IMPROVEMENT

To support the "How Will We Do That?" symposium to examine how to build low-cost, high-quality health care in communities across the United States. (\$269,371)

NABE FOUNDATION OF THE NATIONAL ASSOCIATION FOR BUSINESS ECONOMICS

To support the NABE Foundation's work with NABE's 2011 Economic Policy Conference, a national event addressing the nexus of economics, business, and policymaking. (\$35,000)

NEW AMERICA FOUNDATION

To support the Peterson-Pew Commission on Budget Reform at the Committee for a Responsible Federal Budget to advance responsible fiscal policy and budget process reform through outreach and engagement toward policymakers, opinion leaders, media, and the public. (\$500,000)

To support the Moment of Truth Project at the Committee for a Responsible Federal Budget to advance responsible fiscal policy and budget process reform through outreach and engagement efforts. (\$300,000)

NUCLEAR THREAT INITIATIVE

To support the Connecting Organizations for Regional Disease Surveillance (CORDS) initiative, which links regional disease surveillance networks to improve global capacity to respond to infectious diseases, and the Nuclear Materials Security Index, a benchmarking project of nuclear materials security conditions on a country-by-country basis. (\$1,000,000)

PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS

To support research that examines global aggregate public debt projections under likely scenarios through 2030, discusses the implications of these issues for the United States, and investigates the potential long-term impact across global economies. (\$225,000)

PROJECT HOPE

To support a *Health Affairs* conference and publication of case studies on innovative projects addressing health care costs and quality. (\$50,000)

RICE UNIVERSITY

To support a conference examining the historical economic effects of debt crises, the looming fiscal crisis in the United States, and potential solutions. (\$25,000)

THE FRANKLIN AND ELEANOR ROOSEVELT INSTITUTE

To support the Roosevelt Institute Campus Network's development of comprehensive and specific solutions to address the nation's long-term fiscal challenges, as part of the Peter G. Peterson Foundation Solutions Initiative. (\$200,000)

HENRY L. STIMSON CENTER

To support an analysis of alternative defense strategy and mission choices as part of the Budgeting for Foreign Affairs and Defense program. (\$500,000)

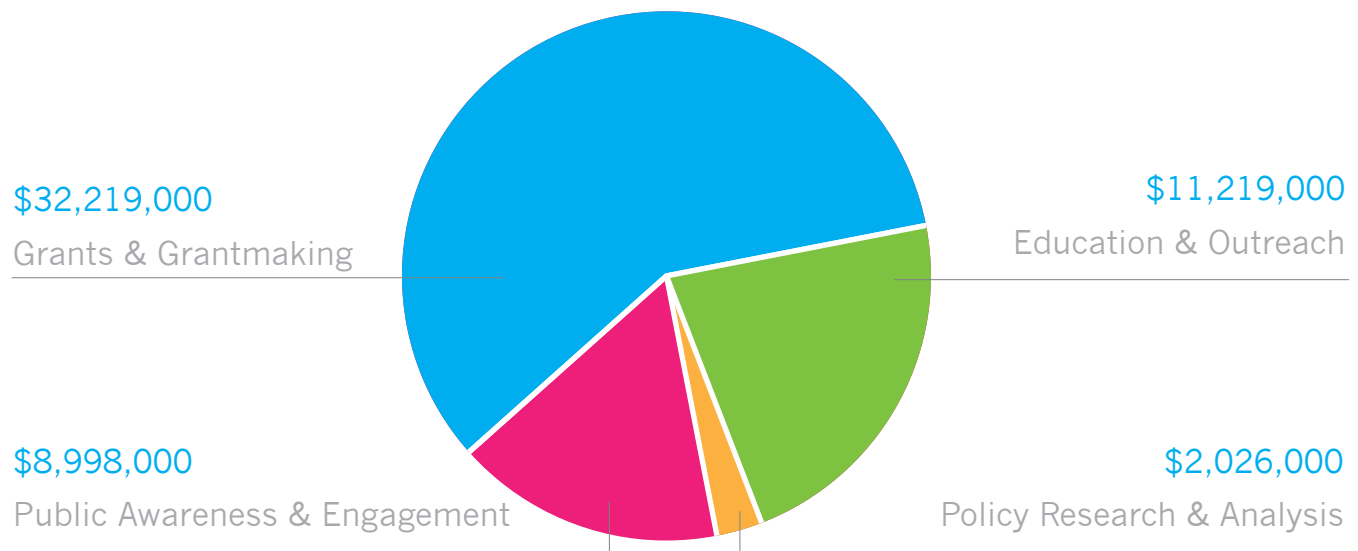
FINANCIAL OVERVIEW

In the Foundation's first three years of operations, total expenditures were approximately \$68.2 million, including \$54.5 million in program expenditures and \$13.7 million in supporting services. A breakdown of program expenditures is shown in the chart below.

The Foundation's total unrestricted assets reached \$471.8 million by the year ended March 31, 2011 due primarily to cumulative funding of \$458.0 million from its founder. The Foundation's annual financial statements have been audited by Mitchell & Titus, LLP, a member firm of Ernst & Young Global Limited.

Total Program Expenditures (2008-2011)

\$54,462,000



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Peter G. Peterson
Foundation

Our America. Our Future.