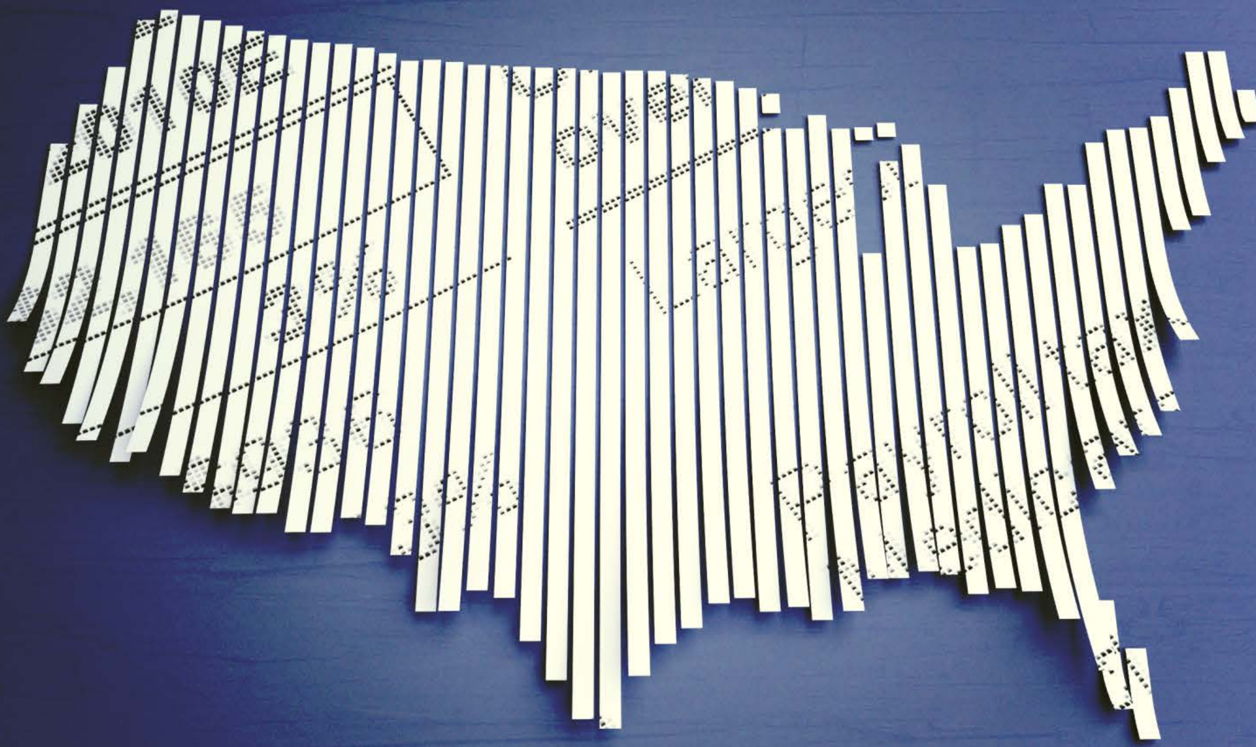


USA Inc.

A Basic Summary of America's Financial Statements

February 2011

About USA Inc.

Created and Compiled by Mary Meeker

February 2011

This report looks at the federal government as if it were a business, with the goal of informing the debate about our nation's financial situation and outlook. In it, we examine USA Inc.'s income statement and balance sheet. We aim to interpret the underlying data and facts and illustrate patterns and trends in easy-to-understand ways. We analyze the drivers of federal revenue and the history of expense growth, and we examine basic scenarios for how America might move toward positive cash flow.

Thanks go out to Liang Wu and Fred Miller and former Morgan Stanley colleagues whose contributions to this report were invaluable. In addition, Richard Ravitch, Emil Henry, Laura Tyson, Al Gore, Meg Whitman, John Cogan, Peter Orszag and Chris Liddell provided inspiration and insights as the report developed. It includes a 2-page foreword; a 12-page text summary; and 460 PowerPoint slides containing data-rich observations. There's a lot of material – think of it as a book that happens to be a slide presentation.

We hope the slides in particular provide relevant context for the debate about America's financials. To kick-start the dialogue, we are making the entire slide portion of the report available as a single work for non-commercial distribution (but not for excerpting, or modifying or creating derivatives) under the Creative Commons license. The spirit of connectivity and sharing has become the essence of the Internet, and we encourage interested parties to use the slides to advance the discussion of America's financial present and future. If you would like to add your own data-driven observations, contribute your insights, improve or clarify ours, please contact us to request permission and provide your suggestions. This document is only a starting point for discussion; the information in it will benefit greatly from your thoughtful input.

This report is available online and on iPad at www.kpcb.com/usainc

In addition, print copies are available at www.amazon.com

Foreword

George P. Shultz, Paul Volcker, Michael Bloomberg, Richard Ravitch and John Doerr

February 2011

Our country is in deep financial trouble. Federal, state and local governments are deep in debt yet continue to spend beyond their means, seemingly unable to stop. Our current path is simply unsustainable. What to do?

A lot of people have offered suggestions and proposed solutions. Few follow the four key guideposts to success that we see for setting our country back on the right path:

1) create a deep and widely held perception of the reality of the problem and the stakes involved;

2) reassure citizens that there are practical solutions;

3) develop support in key constituencies; and

4) determine the right timing to deliver the solutions.

USA Inc. uses each of these guideposts, and more; it is full of ideas that can help us build a better future for our children and our country.

First, Mary Meeker and her co-contributors describe America's problems in an imaginative way that should allow anyone to grasp them both intellectually and emotionally. By imagining the federal government as a company, they provide a simple framework for understanding our current situation. They show how deficits are piling up on our income statement as spending outstrips income and how our liabilities far exceed nominal assets on our balance sheet. *USA Inc.* also considers additional assets – hard to value physical assets and our intangible wealth – our creativity and energy and our tradition of an open, competitive society.

Additionally, the report considers important trends, pointing specifically to an intolerable failure to educate many in the K-12 grades, despite our knowledge of how to do so. And all these important emotional arguments help drive a gut reaction to add to data provided to reinforce the intellectual reasons we already have.

Second, *USA Inc.* provides a productive way to think about solving our challenges. Once we have created an emotional and intellectual connection to the problem, we want people to act and drive the solution, not to throw up their hands in frustration. The authors' ingenious indirect approach is to ask what a turnaround expert would do and what questions he or she would ask. The report describes how we first stumbled into this mess, by failing to predict the magnitude of program costs, by creating perverse incentives for excessive behavior, and by missing important trends. By pointing to the impact of individual responsibility, *USA Inc.* gives us reason to believe that a practical solution exists and can be realized.

Third, the report highlights how powerful bipartisan constituencies have emerged in the past to tackle great issues for the betterment of our nation, including tax reform, civil liberties, healthcare, education and national defense. Just as presidents of both parties rose to the occasion to preside over the difficult process of containment during the half-century cold war, we know we can still find leaders who are willing to step up and overcome political or philosophical differences for a good cause, even in these difficult times.

Finally, the report makes an important contribution to the question of timing. Momentum will follow once the process begins to gain support, and *USA Inc.* should help by stimulating broad recognition and understanding of the challenges, by providing ways to think about solutions, and by helping constituencies of action to emerge. As the old saying goes, “If not now, when? If not us, who?”

With this pioneering report, we have a refreshing, business-minded approach to understanding and addressing our nation’s future. Read on…you may be surprised by how much you learn. We hope you will be motivated to help solve the problem!

Table of Contents

Summary

Imagine for a moment that the United States government is a public corporation. Imagine that its management structure, fiscal performance, and budget are all up for review. Now imagine that you're a shareholder in USA Inc. How do you feel about your investment?

Because 45% of us own shares in publicly traded companies, nearly half the country expects quarterly updates on our investments. But although **100%** of us are stakeholders in the United States, very few of us look closely at Washington's financials. If we were long-term investors, how would we evaluate the federal government's business model, strategic plans, and operating efficiency? How would we react to its earnings reports? Nearly two-thirds of all American households pay federal income taxes, but very few of us take the time to dig into the numbers of the entity that, on average, collects 13% of our annual gross income (not counting another 15-30% for payroll and various state and local taxes).

We believe it's especially important to pay closer attention to one of our most important investments.

As American citizens and taxpayers, we care about the future of our country. As investors, we're in an on-going search for data and insights that will help us make more informed investment decisions. It's easier to predict the future if one has a keen understanding of the past, but we found ourselves struggling to find good information about America's financials. So we decided to assemble – in one place and in a user-friendly format – some of the best data about the world's biggest "business." We also provide some historical context for how USA Inc.'s financial model has evolved over decades. And, as investors, we look at trend lines which help us understand the patterns (and often future directions) of key financial drivers like revenue and expenses.

The complexity of USA Inc.'s challenges is well known, and our presentation is just a starting point; it's far from perfect or complete. But we are convinced that citizens – and investors – should understand the business of their government. Thomas Jefferson and Alexis de Tocqueville knew that – armed with the right information – the enlightened citizenry of America would make the right decisions. It is our humble hope that a transparent financial framework can help inform future debates.

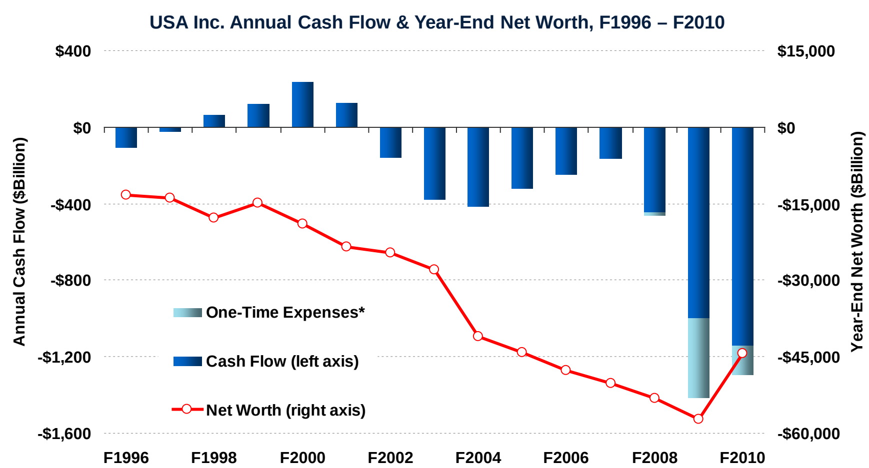
In the conviction that every citizen should understand the finances of USA Inc. and the plans of its "management team," we examine USA Inc.'s income statement and balance sheet and present them in a basic, easy-to-use format. We summarize our thoughts in PowerPoint form and in this brief text summary at www.kpcb.com/usainc. We encourage people to take our data and thoughts and study them, critique them, augment them, share them, and make them better. There's a lot of material – think of it as a book that happens to be a slide presentation.

There are two caveats. First, we do not make policy recommendations. We try to help clarify some of the issues in a straightforward, analytical way. We aim to present data, trends, and facts about USA Inc.'s key revenue and expense drivers to provide context for how its financials have reached their present state. Our observations come from publicly available information, and we use the tools of basic financial analysis to interpret it. Forecasts generally come from 3rd-party agencies like the Congressional Budget Office (CBO), the nonpartisan federal agency charged with reviewing the financial impact of legislation. Second, the 'devil is in the details.' For US policy makers, the timing of material changes will be especially difficult, given the current economic environment.

By the standards of any public corporation, USA Inc.'s financials are discouraging.

True, USA Inc. has many fundamental strengths. On an operating basis (excluding Medicare and Medicaid spending and one-time charges), the federal government's profit & loss statement is solid, with a 4% median net margin over the last 15 years. But cash flow is deep in the red (by almost $1.3 trillion last year, or -$11,000 per household), and USA Inc.'s net worth is negative and deteriorating. That net worth figure includes the present value of unfunded entitlement liabilities but not hard-to-value assets such as natural resources, the power to tax or mint currency, or what Treasury calls "heritage" or "stewardship assets" like national parks. Nevertheless, the trends are clear, and critical warning signs are evident in nearly every data point we examine.

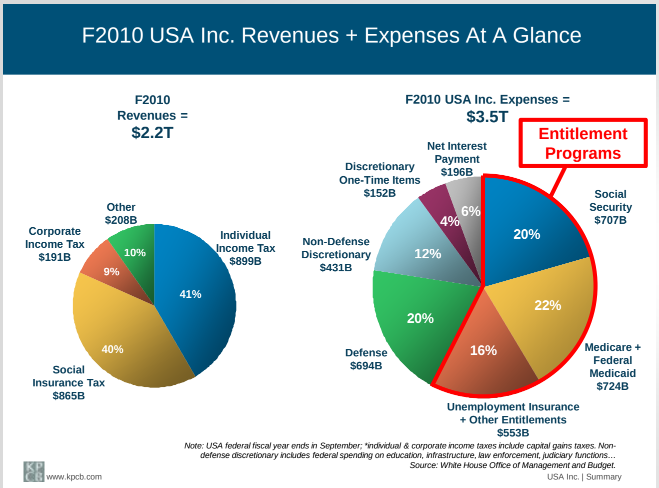
F2010 Cash Flow = **-$1.3 Trillion**; Net Worth = **-$44 Trillion**
With a Negative Trend Line Over Past 15 Years

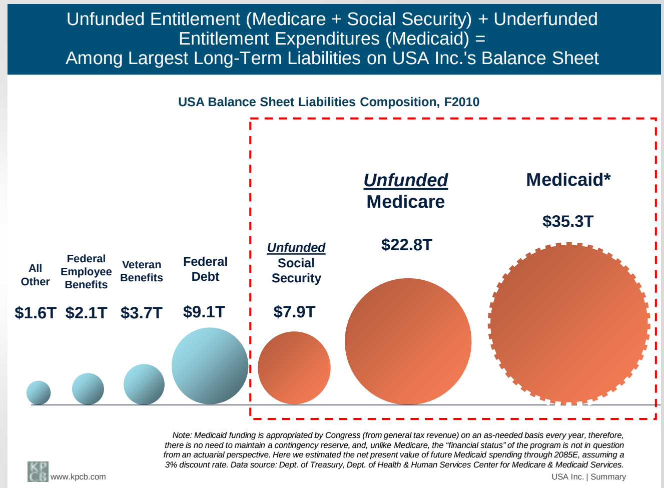


*Note: USA federal fiscal year ends in September; Cash flow = total revenue – total spending on a cash basis; net worth includes unfunded future liabilities from Social Security and Medicare on an accrual basis over the next 75 years. *One-time expenses in F2008 include $14B payments to Freddie Mac; F2009 includes $279B net TARP payouts, $97B payment to Fannie Mae & Freddie Mac and $40B stimulus spending on discretionary items; F2010E includes $26B net TARP income, $137B stimulus spending and $41B payment to Fannie Mae & Freddie Mac. F2010 net worth improved dramatically owing to revised actuarial estimates for Medicare program resulted from the Healthcare reform legislation. For more definitions, see next slide. Source: cash flow per White House Office of Management and Budget; net worth per Dept. of Treasury, "2010 Financial Report of the U.S. Government."*

www.kpcb.com USA Inc. | Summary

Underfunded entitlements are among the most severe financial burdens USA Inc. faces. And because some of the most underfunded programs are intended to help the nation's poorest, the electorate must understand the full dimensions of the challenges.





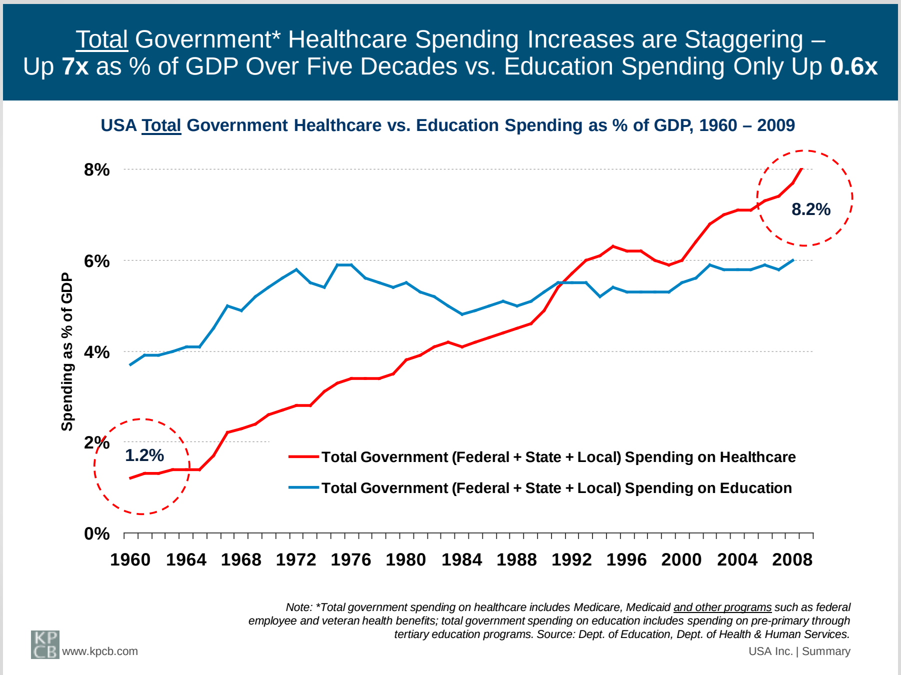
Some consider defense outlays – which have nearly doubled in the last decade, to 5% of GDP – a principal cause of USA Inc.'s financial dilemma. But defense spending is still below its 7% share of GDP from 1948 to 2000; it accounted for 20% of the budget in 2010, compared with 41% of all government spending between 1789 and 1930. The principal challenges lie elsewhere. Since the Great Depression, USA Inc. has steadily added "business lines" and, with the best of intentions, created various entitlement programs. They serve many of the nation's poorest, whose struggles have been made worse by the recent financial crisis. Apart from Social Security and unemployment insurance, however, funding for these programs has been woefully inadequate – and getting worse.

Entitlement expenses amount to $16,000 per household per year, and entitlement spending far outstrips funding, by more than $1 trillion (or $9,000 per household) in 2010. More than 35% of the US population receives entitlement dollars or is on the government payroll, up from ~20% in 1966. Given the high correlation of rising entitlement income with declining savings, do Americans feel less compelled to save if they depend on the government for their future savings? It is interesting to note that in China the household savings rate is ~36%, per our estimates based on CEIC data, in part due to a higher degree of self-reliance – and far fewer established pension plans. In the USA, the personal savings rate (defined as savings as percent of disposable income) was 6% in 2010 and only 3% from 2000 to 2008.

Millions of Americans have come to rely on Medicare and Medicaid – and spending has skyrocketed, to 21% of USA Inc.'s total expenses (or $724B) in F2010, up from 5% forty years ago.

Together, Medicaid and Medicare – the programs providing health insurance to low-income households and the elderly, respectively – now account for 35% of total healthcare spending in the USA. Since their creation in 1965, both programs have expanded markedly. Medicaid now serves 16% of all Americans, compared with 2% at its inception; Medicare now serves 15% of the population, up from 10% in 1966. As more Americans receive benefits and as healthcare costs continue to outstrip GDP growth, total spending for the two entitlement programs is accelerating. Over the last decade alone, Medicaid spending has doubled in real terms, with total program costs running at $273 billion in F2010. Over the last 43 years, real Medicare spending per beneficiary has risen 25 times, driving program costs well (10x) above original projections. In fact, Medicare spending exceeded related revenues by $272 billion last year.

Amid the rancor about government's role in healthcare spending, one fact is undeniable: government spending on healthcare now consumes 8.2% of GDP, compared with just 1.3% fifty years ago.



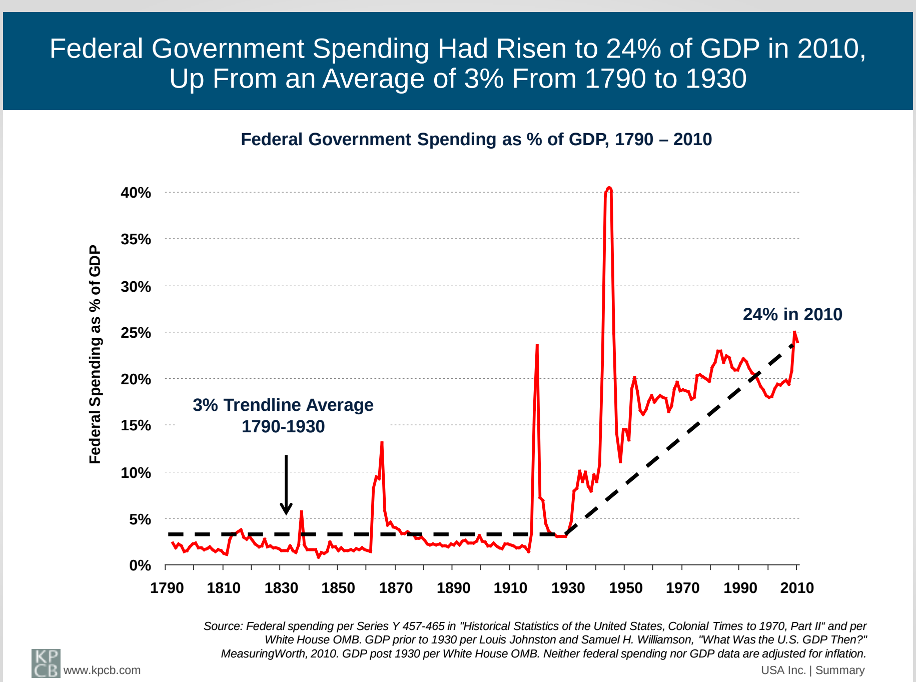
The overall healthcare funding mix in the US is skewed toward private health insurance due to the predominance of employer-sponsored funding (which covers 157MM working Americans and their families, or 58% of the total population in 2008 vs. 64% in 1999). This mixed private-public funding scheme has resulted in implicit cross-subsidies, whereby healthcare providers push costs onto the private market to help subsidize lower payments from public programs. This tends to help drive a cycle of higher private market costs causing higher insurance premiums, leading to the slow erosion of private market coverage and a greater enrollment burden for government programs.

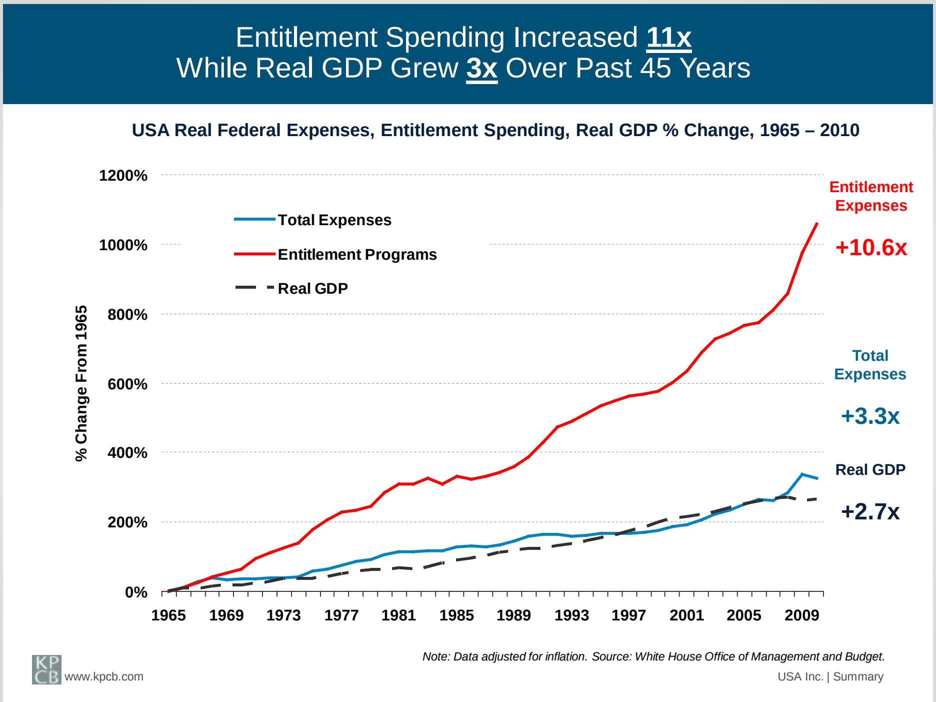
The Patient Protection and Affordable Care Act, enacted in early 2010, includes the biggest changes to healthcare since 1965 and will eventually expand health insurance coverage by ~10%, to 32 million new lives. Increased access likely means higher spending if healthcare costs continue to grow 2 percentage points faster than per capita income (as they have over the past 40 years). The CBO sees a potential $143B reduction in the deficit over the next 10 years, but this assumes that growth in Medicare costs will slow – an assumption the CBO admits is highly uncertain.

Unemployment Insurance and Social Security are adequately funded...for now. Their future, unfortunately, isn't so clear.

Unemployment Insurance is cyclical and, apart from the 2007-09 recession, generally operates with a surplus. Payroll taxes kept Social Security mainly at break-even until 1975-81 when expenses began to exceed revenue. Reforms that cut average benefits by 5%, raised tax rates by 2.3%, and increased the full retirement age by 3% (to 67) restored the system's stability for the next 25 years, but the demographic outlook is poor for its pay-as-you-go funding structure. In 1950, 100 workers supported six beneficiaries; today, 100 workers support 33 beneficiaries. Since Social Security began in 1935, American life expectancy has risen 26% (to 78), but the "retirement age" for full benefits has increased only 3%.

Regardless of the emotional debate about entitlements, fiscal reality can't be ignored – if these programs aren't reformed, one way or another, USA Inc.'s balance sheet will go from bad to worse.





Take a step back, and imagine what the founding fathers would think if they saw how our country's finances have changed. From 1790 to 1930, government spending on average accounted for just 3% of American GDP. Today, government spending absorbs closer to 24% of GDP.

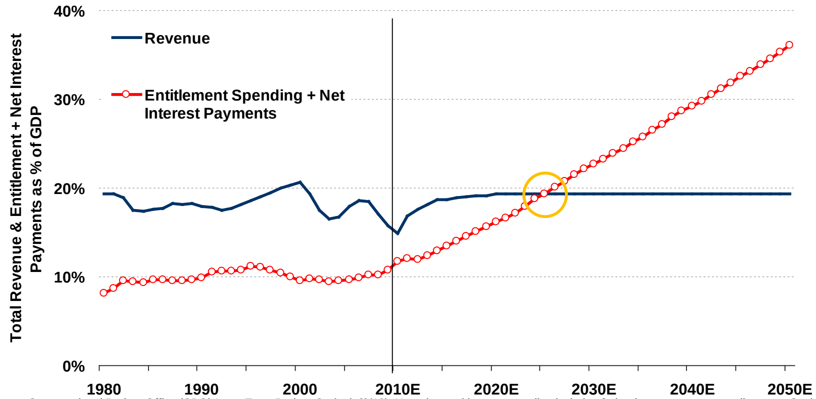
It's likely that they would be even more surprised by the debt we have taken on to pay for this expansion. As a percentage of GDP, the federal government's public debt has doubled over the last 30 years, to 53% of GDP. This figure does not include claims on future resources from underfunded entitlements and potential liabilities from Fannie Mae and Freddie Mac, the Government Sponsored Enterprises (GSEs). If it did include these claims, gross federal debt accounted for 94% of GDP in 2010. The public debt to GDP ratio is likely to triple to 146% over the next 20 years, per CBO. The main reason is entitlement expense. Since 1970, these costs have grown 5.5 times faster than GDP, while revenues have lagged, especially corporate tax revenues. By 2037, cumulative deficits from Social Security could add another $11.6 trillion to the public debt.

The problem gets worse. Even as USA Inc.'s debt has been rising for decades, plunging interest rates have kept the cost of supporting it relatively steady. Last year's interest bill would have been 155% (or $290 billion) higher if rates had been at their 30-year average of 6% (vs. 2% in 2010). As debt levels rise and interest rates normalize, net interest payments could grow 20% or more annually. Below-average debt maturities in recent years have also kept the Treasury's borrowing costs down, but this trend, too, will drive up interest payments once interest rates rise.

Can we afford to wait until the turning point comes? By 2025, entitlements plus net interest payments will absorb all – yes, all – of USA Inc.'s revenue, per CBO.

Entitlement Spending + Interest Payments Alone Should Exceed USA Inc. Total Revenue by 2025E, per CBO

Entitlement Spending + Interest Payments vs. Revenue as % of GDP, 1980 – 2050E



Source: Congressional Budget Office (CBO) Long-Term Budget Outlook (6/10). Note that entitlement spending includes federal government expenditures on Social Security, Medicare and Medicaid. Data in our chart is based on CBO's 'alternative fiscal scenario' forecast, which assumes a continuation of today's underlying fiscal policy. Note that CBO also maintains an 'extended-baseline' scenario, which adheres closely to current law. The alternative fiscal scenario deviates from CBO's baseline because it incorporates some policy changes that are widely expected to occur (such as extending the 2001-2003 tax cuts rather than letting them expire as scheduled by current law and adjusting physician payment rates to be in line with the Medicare economic index rather than at lower scheduled rates) and that policymakers have regularly made in the past.

Less than 15 years from now, in other words, USA Inc. – based on current forecasts for revenue and expenses - would have nothing left over to spend on defense, education, infrastructure, and R&D, which today account for only 32% of USA Inc. spending, down from 69% forty years ago. This critical juncture is getting ever closer. Just ten years ago, the CBO thought federal revenue would support entitlement spending and interest payments until 2060 – 35 years beyond its current projection. This dramatic forecast change over the past ten years helps illustrate, in our view, how important it is to focus on the here-and-now trend lines and take actions based on those trends.

How would a turnaround expert determine 'normal' revenue and expenses?

The first step would be to examine the main drivers of revenue and expenses. It's not a pretty picture. While revenue – mainly taxes on individual and corporate income – is highly correlated (83%) with GDP growth, expenses – mostly entitlement spending – are less correlated (73%) with GDP. With that as backdrop, our turnaround expert might try to help management and shareholders (citizens) achieve a long-term balance by determining "normal" levels of revenue and expenses:

- From 1965 to 2005 (a period chosen to exclude abnormal trends related to the recent recession), annual revenue growth (3%) has been roughly in line with GDP growth, but corporate income taxes have grown 2% a year. Social insurance taxes grew 5% annually and represented 37% of USA Inc. revenue, compared with 19% in 1965. An expert might ask:
    - What level of social insurance or entitlement taxes can USA Inc. support without reducing job creation?
    - Are low corporate income taxes important to global competitive advantage and stimulating growth?
- Entitlement spending has risen 5% a year on average since 1965, well above average annual GDP growth of 3%, and now absorbs 51% of all expenses, more than twice its share in 1965. Defense and non-defense discretionary spending (including infrastructure, education, and law enforcement) is up just 1-2% annually over that period. Questions for shareholders:
    - Do USA Inc.'s operations run at maximum efficiency? Where are the opportunities for cost savings?
    - Should all expense categories be benchmarked against GDP growth? Should some grow faster or slower than GDP? If so, what are the key determinants?
    - Would greater investment in infrastructure, education, and global competitiveness yield more long-term security for the elderly and disadvantaged?

With expenses outstripping revenues by a large (and growing) margin, a turnaround expert would develop an analytical framework for readjusting USA Inc.'s business model and strategic plans. Prudence would dictate that our expert assume below-trend GDP growth and above-trend unemployment, plus rising interest rates – all of which would make the base case operating scenario fairly gloomy.

This analysis can't ignore our dependence on entitlements. Almost one-third of all Americans have grown up in an environment of lean savings and heavy reliance on government healthcare subsidies. It's not just a question of numbers – it's a question of our responsibilities as citizens…and what kind of society we want to be.

Some 90 million Americans (out of a total population of 307 million) have grown accustomed to support from entitlement programs; so, too, have 14 million workers in the healthcare industry who, directly or indirectly, benefit from government subsidies via Medicare and Medicaid. Low personal savings and high unemployment make radical change difficult. Political will can be difficult to summon, especially during election campaigns.

At the same time, however, these numbers don't lie. With our demographics and our debts, we're on a collision course with the future. The good news: Although time is growing short, we still have the capacity to create positive outcomes.

Even though USA Inc. can print money and raise taxes, USA Inc. cannot sustain its financial imbalance indefinitely – especially as the Baby Boomer generation nears retirement age. Net debt levels are approaching warning levels, and some polls suggest that Americans consider reducing debt a national priority. Change is legally possible. Unlike underfunded pension liabilities that can bankrupt companies, USA Inc.'s underfunded liabilities are not legal contracts. Congress has the authority to change the level and conditions for Social Security and Medicare benefits; the federal government, together with the states, can also alter eligibility and benefit levels for Medicaid.

Options for entitlement reform, operating efficiency, and stronger long-term GDP growth.

As analysts, not public policy experts, we can offer mathematical illustrations as a framework for discussion (not necessarily as actual solutions). We also present policy options from third-party organizations such as the CBO.

Reforming entitlement programs – Social Security.

The underfunding could be addressed through some or all of the following mechanical changes: increasing the full retirement age to as high as 73 (from the current level of 67); and/or reducing average annual social security benefits by up to 12% (from $13,010 to $11,489); and/or increasing the social security tax rate from 12.4% to 14.2%. Options proposed by the CBO include similar measures, as well as adjustments to initial benefits and index levels. Of course, the low personal savings rates of average Americans – 3% of disposable income, compared with a 10% average from 1965 to 1985 – limit flexibility, at least in the early years of any reform.

Reforming entitlement programs – Medicare and Medicaid.

Mathematical illustrations for these programs, the most underfunded, seem draconian: Reducing average Medicare benefits by 53%, to $5,588 per year, or increasing the Medicare tax rate by 3.9 percentage points, to 6.8%, or some combination of these changes would address the underfunding of Medicare. As for Medicaid, the lack of a dedicated funding stream (i.e., a tax similar to the Medicare payroll tax) makes the math even more difficult. But by one measure from the Kaiser Family Foundation, 60% of the Medicaid budget in 2001 was spent on so-called optional recipients (such as mid- to low-income population above poverty level) or on optional services (such as dental services and prescription drug benefits). Reducing or controlling these benefits could help control Medicaid spending – but increase the burden on some poor and disabled groups.

Ultimately, the primary issue facing the US healthcare system is ever-rising costs, historically driven by increases in price and utilization. Beneath sustained medical cost inflation is an entitlement mentality bolted onto a volume-based reimbursement scheme. All else being equal, the outcome is an incentive to spend: Underlying societal, financial, and liability factors combine to fuel an inefficient, expensive healthcare system.

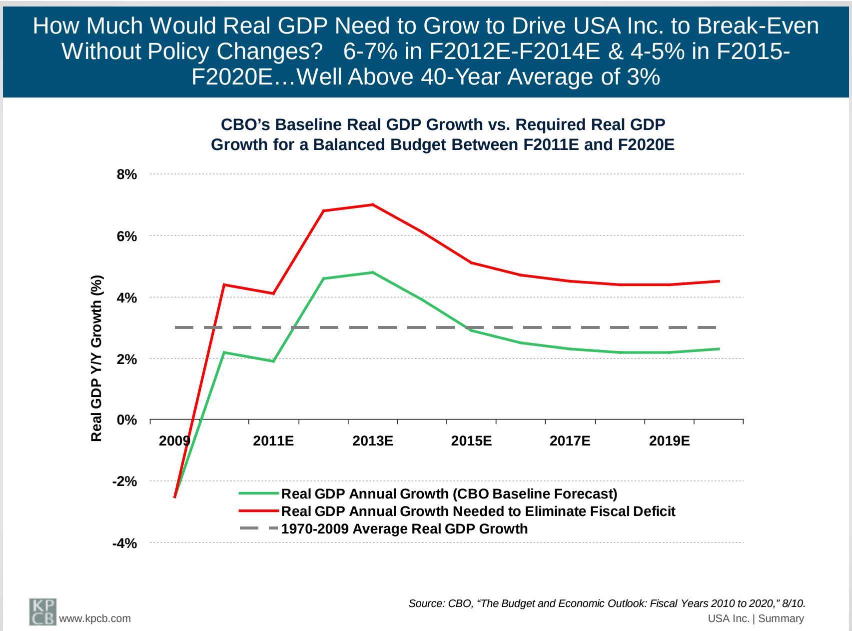
Improving operating efficiency.

With nearly one government civilian worker (federal, state and local) for every six households, efficiency gains seem possible. A 20-year trend line of declining federal civilian headcount was reversed in the late 1990s.

Resuming that trend would imply a 15% potential headcount reduction over five years and save nearly $300 billion over the next ten years. USA Inc. could also focus intensively on local private company outsourcing, where state and local governments are finding real productivity gains.

Improving long-term GDP growth – productivity and employment.

Fundamentally, federal revenues depend on GDP growth and related tax levies on consumers and businesses. Higher GDP growth won't be easy to achieve as households rebuild savings in the aftermath of a recession. To break even without changing expense levels or tax policies, USA Inc. would need real GDP growth of 6-7% in F2012-14 and 4-5% in F2015-20, according to our estimates based on CBO data – highly unlikely, given 40-year average GDP growth of 3%. While USA Inc. could temporarily increase government spending and investment to make up for lower private demand in the near term, the country needs policies that foster productivity and employment gains for sustainable long-term economic growth.



Productivity gains and increased employment each contributed roughly half of the long-term GDP growth between 1970 and 2009, per the National Bureau of Economic Research. Since the 1960s, as more resources have gone to entitlements and interest payments, USA Inc. has scaled back its investment in technology R&D and infrastructure as percentages of GDP. Competitors are making these investments. India plans to double infrastructure spending as a percent of GDP by 2013, and its tertiary (college) educated population will double over the next ten years, according to Morgan Stanley analysts, enabling its GDP growth to accelerate to 9-10% annually by 2015 (China's annual GDP growth is forecast to remain near 8% by 2015). USA Inc. can't match India's demographic advantage, but technology can help.

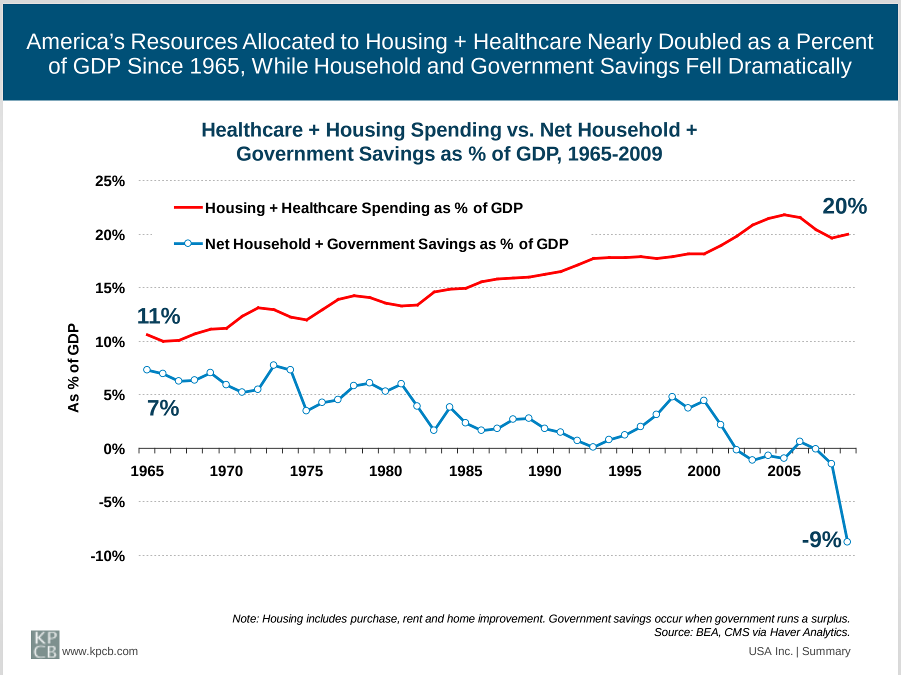
For employment gains, USA Inc. should minimize tax and regulatory uncertainties and encourage businesses to add workers. While hiring and R&D-related tax credits may add to near-term deficits, over time, they should drive job and GDP growth. Immigration reform could also help: A Federal Reserve study in 2010 shows that immigration does not take jobs from U.S.-born workers but boosts productivity and income per worker.

Changing tax policies.

Using another simple mechanical illustration, covering the 2010 budget deficit (excluding one-time charges) by taxes alone would mean doubling individual income tax rates across the board, to roughly 26-30% of gross income, we estimate. Such major tax increases would ultimately be self-defeating if they reduce private income and consumption. However, reducing tax expenditures and subsidies such as mortgage interest deductions would broaden the tax base and net up to $1.7 trillion in additional revenue over the next decade, per CBO. A tax based on consumption - like a value added tax (VAT) - could also redirect the economy toward savings and investment, though there would be drawbacks.

These issues are undoubtedly complex, and difficult decisions must be made. But inaction may be the greatest risk of all. The time to act is now, and our first responsibility as investors in USA Inc. is to understand the task at hand.

Our review finds serious challenges in USA Inc.'s financials. The 'management team' has created incentives to spend on healthcare, housing, and current consumption. At the margin, investing in productive capital, education, and technology – the very tools needed to compete in the global marketplace – has stagnated.



With these trends, USA Inc. will not be immune to the sudden crises that have afflicted others with similar unfunded liabilities, leverage, and productivity trends. The sovereign credit issues in Europe suggest what might lie ahead for USA Inc. shareholders – and our children. In effect, USA Inc. is maxing out its credit card. It has fallen into a pattern of spending more than it earns and is issuing debt at nearly every turn. Common principles for overcoming this kind of burden include the following:

1) *Acknowledge the problem* – some 80% of Americans believe 'dealing with our growing budget deficit and national debt' is a national priority, according to a Peter G. Peterson Foundation survey in 11/09;

2) *Examine past errors* – People need clear descriptions and analysis to understand how the US arrived at its current financial condition – a 'turnaround CEO' would certainly initiate a 'no holds barred' analysis of the purpose, success and operating efficiency of all of USA Inc.'s spending;

3) *Make amends for past errors* – Most Americans today at least acknowledge the problems at personal levels and say they rarely or never spend more than what they can afford (63% according to a 2007 Pew Research study). The average American knows the importance of managing a budget. Perhaps more would be willing to sacrifice for the greater good with an understandable plan to serve the country's long-term best interests;

4) *Develop a new code of behavior* – Policymakers, businesses (including investment firms), and citizens need to share responsibility for past failures and develop a plan for future successes.

Past generations of Americans have responded to major challenges with collective sacrifice and hard work. Will ours also rise to the occasion?