

A Toolkit for Conducting Intergenerational Dialogues about the National Debt, Federal Finances, and Tough Choices

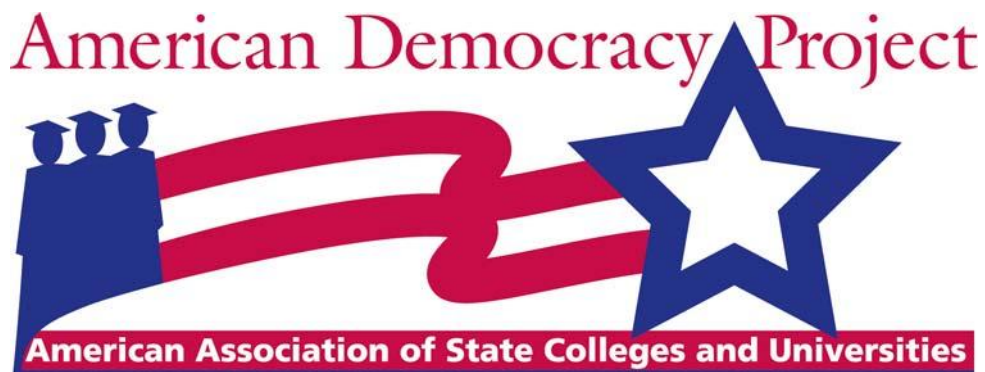


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INTRODUCTION

9 June 2010

Dear Colleagues,

A vitally important topic for discussion among college educators and students is how America's \$13 trillion-and-rising national debt and continuing deficits will impact the future of this generation of college students. Usually in these conversations, the following questions are considered: How can institutions of higher education help students think about the long-term, societal risks associated with the skyrocketing national debt and deficits? What are citizens' responsibilities in addressing this issue? How can collegiate programs help students and community members become more informed and engaged as citizens about this set of issues?

Given the intergenerational equity issues involved, perhaps the most important question is: How can colleges and universities provide safe places for intergenerational dialogues between students and their elders about critical issues?

One opportunity is to host an intergenerational dialogue about the many issues related to the national debt and deficits—including Social Security, health-care spending, defense and domestic spending, tax and revenue policies, and debt service. "America's Future: A Guide to Intergenerational Dialogues about the National Debt and Deficit" is a resource for planning and implementing such an event on campuses. The tool kit grew out of the America's Future initiative, a partnership between the American Association of State Colleges and Universities (AASCU)'s American Democracy Project (ADP) and Public Agenda. The goal of the America's Future initiative is to educate AASCU students about the looming crisis associated with growing government debt, while exploring ways in which they can interact with policy makers to end this dangerous financial irresponsibility. Faculty members in this initiative assist students in exploring this complex group of issues, as well as in developing potential solutions and ways of addressing the risks posed by America's debt crisis. This tool kit provides a way to extend and facilitate this work.

We hope you find this guide useful in engaging community members, faculty members, and students in equitable, educational, and respectful discussions about the nation's debt burden and its causes and potential consequences.

Sincerely,

Andrew Yarrow, project co-coordinator
Cecilia M. Orphan, American Democracy Project, AASCU

If you need additional information or resources, please contact AASCU's American Democracy National Project Manager, Cecilia Orphan, at orphanc@asacu.org, or Andrew Yarrow, andrew.l.yarrow@gmail.com.

Engaging Across the Ages: Intergenerational Dialogues about America's Fiscal Future and Priorities

Project Description and Goals

While efforts have been made to engage young people in discussions about the dangers of our nation's rapidly growing debt, the parlous state of federal finances, and the long-term fiscal outlook, few concerted efforts have been made to bring together young and older Americans—stakeholders with considerable interests in the outcomes of federal financing decisions and entitlement reforms. Organizing and conducting critical and path-breaking intergenerational dialogues will not only raise awareness and stimulate discussion between those in their 20s (or younger) and those over 65. Equally important, they will help demonstrate that reforming our nation's finances and achieving fiscal sustainability need not be cast in terms that pit one generation against another. Instead such efforts should reinforce the interdependence of all generations and the vital importance of young and old approaching complex fiscal issues with understanding and broad agreement.

Public Agenda, the American Democracy Project (ADP) of the American Association of State Colleges and Universities, and the Kettering Foundation will design and implement intergenerational dialogue, using already developed materials, to activate networks of younger and older citizens and groups to inform and engage them in the nation's fiscal issues. To be organized on some ADP's 220 campuses and the Kettering Foundation's 40-50 National Issues Forum Institute campuses beginning in the fall of 2010, the dialogues will unite older adults, who bring wisdom and experience, and young people, who will apply energy and contemporary vision to solving complex problems that jeopardize their economic future and the security of their parents and grandparents.

This project is the outgrowth of three successful projects and partnerships: Public Agenda's Students Face Up to the Nation's Finances project to teach and initiate dialogues about America's national debt and federal finances on campus throughout the United States; the ADP-Public Agenda America's Future partnership, which has brought intense student engagement to 10 ADP campuses since the fall of 2008; and Public Agenda's work with Generations United on two intergenerational dialogues in Massachusetts and Pennsylvania in 2009.

This expanded intergenerational dialogues project—drawing together ADP, the Kettering Foundation, and Public Agenda—will engage young and older adults to bring a wider set of voices into the fiscal and political problem-solving discussion. Guided by the essential need for intergenerational cooperation, and each organization's commitment to public engagement and citizenship building, Public Agenda, ADP, and Kettering will facilitate discussion among college-age and 20-something youth and those 65 and older. This will help identify areas of

intergenerational consensus and where there needs to build greater understanding and consensus. Given the controversial health care legislation underway in Congress, and the prospect of contentious debates about Social Security reform in the near future, this timely program will help policymakers consider the perspectives, values, and needs of all generations.

Core intergenerational dialogue activities include:

- Organizing 12 dialogues in 12 locations, involving 20-40 people in group exercises using the organizational networks of GU, Public Agenda's long track record as a leader in conducting public engagement forums, and the technical assistance of prospective partners.
- Developing, analyzing, testing, and refining dialogue process and content.
- Integrating dialogue participants from these dialogues with Public Agenda's *Facing Up to the Nation's Finances* youth and faculty participants.
- Publishing several articles or op-ed related to the work and results of intergenerational dialogues. (See attached articles.)
- Synthesizing dialogue findings into a comprehensive final written report.
- Developing and implementing a strategy for outreach to policymakers for dissemination of the project's findings.
- Development of an interim report for dissemination to policymakers, media, and the public mid-way through the project.

Expected Outcomes

This project will increase the scope of engagement on fiscal dialogues in four major ways:

- Showcase areas of consensus across ages to begin more effectively resolving issues about the solvency of Social Security and the problems of cost, equity, and access to health care in the United States.
- Create a network of active citizens and groups who are working in multiple ways to raise awareness to help the nation tackle its fiscal challenges. These intergenerational supporters will become a solid base that helps promote the larger goal of facilitating and sustaining nationwide citizen engagement in discussions of our nation's fiscal challenges.
- Advance state and national policymaker and thought leader awareness of the public's attitudes across generations as well as their readiness and support for policies to reduce America's fiscal imbalances.

Timeline

The proposed, open-ended partnership will be launched on college campuses in the fall of 2010, with recruitment of campuses beginning April 15, 2010, continuing through ADP's June conference, up to the beginning of the 2010-2011 academic year.

Intergenerational Dialogues About America's Fiscal Future Refute Kids vs. Canes Conflict

What do terms such as intergenerational equity and intergenerational interdependence mean when thinking about the future of America's federal finances and overall economy? Intergenerational equity and related terms are increasingly bandied about as federal debt and unfunded liabilities top \$55 trillion—a sum putatively to be bequeathed to-and down - future generations. They also come up in increasingly pessimistic views of politicians, pundits, and Americans of all ages that today's children and youth may well be the first generation in U.S. history to have lower living standards and fewer opportunities than their parents.

While such views may be warranted, they can connote—and often are meant to connote—intergenerational conflict, America's economy as a zero sum game, young versus old in the scramble for diminishing resources, and a sort of fiscal Malthusianism. However, discussions of intergenerational equity usually ignore the concept of intergenerational interdependence.

All generations of Americans are bound together through family ties and other networks. When we deprive a particular generation of needed resources, we end up hurting entire families, communities, and the larger economy.

So, we should reframe the discussion: Instead of just talking about cuts in entitlement spending—which do need to be made—we also should talk about investing in children and young people. If we're so concerned about "our children" and America's future, they—and our nation—can't have a very bright one unless we devote considerably more resources to ensure that young Americans get a good education, have decent health care, strong families, safe communities, a healthy environment, worthwhile job opportunities, an economic jump-start to help them thrive in perilous times, and the assurance that some safety net (aka Social Security and old-age health care) will be there for them far down life's road. Just as we don't want to beggar America's children, we can't beggar our grandparents. Before Social Security, older Americans faced widespread poverty. Social Security (and Medicare and health care in general) require major reforms, but income and health security for many elderly Americans need to be strengthened.

Most young people care about their aging family members and the elderly as much as politicians and pundits claim to care about children. Similarly, most older Americans are not "greedy geezers," and care about their grandchildren and the nation's children in general. The young don't want to put "granny" on the streets any more than older Americans want to deprive our children of the resources to thrive. As one nation, we should invest enough to help people of all ages thrive—particularly those at both ends of life who cannot do so independently.

Intergenerational equity and debates about deficits and federal spending need to be seen as "we're all in this together." In the realm of public finances, intergenerational equity is about sustainability, sharing resources, spending both humanely and with economic prudence, and providing the basics for Americans from birth to death. This isn't about a "cradle to grave" welfare state or creating new kids' entitlements. It's about re-balancing—not only our allocation of resources between the elderly and children, the haves and the have-nots; but also our talk of "intergenerational equity" as more for children, not just less for those 65 and older. And, of course, Americans between 18 and 65 also have needs that we are not meeting.



Younger and older participants discuss Social Security reform at the Worcester State College Intergenerational Dialogue.

When pressed, younger and older Americans get it. It's just not the message they generally hear from Washington or some of their peers, whose sub rosa text is "kids versus canes."

In a pilot project of intergenerational dialogues that Public Agenda and Generations United recently conducted in Worcester, Massachusetts, through the Intergenerational Urban Institute of Worcester State College and the Penn State Intergenerational Program in

Pennsylvania—and hope to bring to many more communities—20-somethings and over-70-somethings found common ground on underlying values: Our government should live within its means (i.e., fiscal responsibility), but should also provide good opportunities and secure lives for Americans of all ages. As one young Massachusetts woman said: "We were surprised to find that although we were all from different age demographics, for the most part we agreed on the problems and some of the changes that have to take place."

Indeed, the concerns of young and old dovetailed in the comments of a 22-year-old and a retiree at Penn State. Student Ann Mesavage expressed worries about her ability to save for the future, while retiree Ed Klevans said he was concerned about the legacy being created for his five grandchildren. But both agreed that Americans need to come together—now—to create an economically sustainable future. All ages also found common ground about the importance of investing in and taking care of people of all ages in a fiscally responsible manner.

These intergenerational groups grasped the moral issues and principles underlying fiscal responsibility and intergenerational equity. Most important, their dialogue did not simply reflect young Americans' concerns about the fiscal future as a burden imposed on them by older generations. Rather, younger and older citizens realized they have common interests in reforming the nation's finances.

Not only are such intergenerational dialogues essential to change the terms of debate about public finances, the economy, and America's future; but they also highlight the more general importance of bringing together young and old. The notion that young, old, and middle-aged live in different worlds and can't productively communicate with each other is worse than a fallacy. It is a recipe for misunderstanding, division, conflict, and a world in which yet another element of our common humanity is discarded. Dialogues such as those we conducted are critical to build understanding, respect, and a sense of common purpose among people throughout their entire lives.

As one Worcester dialogue participant said: "We can't have two generations put up against each other; we need to promote generations working together."



Written by Andrew L. Yarrow, vice president and Washington director of Public Agenda, for Generations United: *Together*. Yarrow is author of "Forgive Us Our Debts: The Intergenerational Dangers of Fiscal Irresponsibility" and "100 Years of American Child Policy." He can be contacted at ayarrow@publicagenda.org

By Roxana Martinez, Forgive Us Our Debts – The Intergenerational Dangers of Fiscal Irresponsibility by Andrew L. Yarrow explores issues surrounding the national debt, why it's rising, its impact on Americans, what the government borrows, and what it

takes to pay it back. Federal programs such as Medicare and Social Security are discussed in the context of how they contribute to the country's growing debt. According to Yarrow, deficits and debt are crowding out spending on needed investments in science, environment, infrastructure, and other domestic discretionary programs and could have serious consequences for the nation's future economic security. This book is available at most major book distributors.

Intergenerational Dialogues Moderator and Recorder Guide

Moderating Small Group Discussions

On the most basic level, the task of the moderators is to make sure that participants understand what they are there to discuss, understand the ground rules, and stay reasonably focused and on schedule. Beyond this, they work to make the conversation as highly participatory, constructive and productive as possible.

Successful moderators are comfortable with the goal of an open deliberation without a predetermined outcome. It is essential to the credibility of the process that moderators be neutral regarding the substance of the conversations and avoid appearing biased. The moderators do, of course, have a responsibility to facilitate a civil, productive, collaborative discussion among participants, but not to lead people toward “correct” answers.

If you have especially strong views or think of yourself as an expert on this topic, you should not be a moderator.

Moderator Tips: Golden Rules & Red Flags

- **Remember, you are there to help other people feel comfortable voicing their opinions and to make sure everyone has a chance to be heard.**
- **Encourage participants to talk to each other, not to you.**
- **If one or more perspectives are not getting a fair hearing, ask if someone in the group can make a case for that view.**
- **Help the group to identify and summarize common ground as the discussion moves forward but don't force it.**
- **Good moderators listen actively, rarely speak, and help create a safe environment for the exchange of ideas.**
- **Good moderators will help keep people on schedule and will make sure that everyone's ideas are recorded.**
- **You are not there to share your views, act as the group “expert,” or force the conversation to go in a particular direction.**
- **Don't speak after each comment or let any one participant dominate the discussion.**
- **Moderators keep track of participants' names and use them when guiding discussion.**

Moderators look for opportunities to keep the conversation stimulating and on track by:

- Encouraging people (without being pushy) to participate and share their views.
- Preventing especially assertive individuals from dominating the discussion.
- Digging beneath the surface by asking participants to share why they feel the way they do.
- Making sure that the group understands each point that all participants make is understood.
- Highlighting tensions among differing perspectives.
- Occasionally summing up what's just been said.
- Making sure that people stay on topic and that all aspects of the larger topic are addressed.
- In a neutral manner, occasionally introducing important arguments and points that are being overlooked.
- Periodically, remind people how much time is left.

The Recorders' Job

The recorder makes sure that everyone's main ideas are captured in writing. Everyone in the group should be able to see and read the notes as they are being written, so it is best to use a flip-chart and thick marker or pen. Each new page of notes should be posted on the walls, if possible, so that everyone can refer back to ideas that were raised.

If you have illegible handwriting, you should not be the recorder

As the conversation moves through different phases (see agenda, below), recorders should start new sheets with clear headings (e.g., pros and cons of various approaches, common ground, areas of disagreement). It can save time for the recorder to label sheets with such headings in advance so that recorders have more time to keep up with ideas during the discussion and organize them effectively. Recorders should work to keep their notes organized so that they can be easily understood later.

Effective recorders are good listeners and have a knack for capturing the essence of what people are saying. Although it is not possible or desirable to record comments word for word, recorders must capture the sense of what is being said. A good recorder will not speak except to ask for clarification so that he or she can be sure to accurately document people's ideas.

Some practical tips for recorders:

- Recorders will be writing on flip charts so the group can see the document being created. Each recorder should be sure to identify his or her group by topic and/or participants and number the pages.
- It is not necessary to identify who made which comment; just record their perspectives and ideas.
- Write large and legibly.

Agenda

(Approximately 2 hours)

	Registration
20 minutes	Short Opening Session (Welcome, purpose, video, break into small groups)
1 hour	Small group dialogues (6-10 participants w/ trained moderator and recorder – Introductions, Discussion, and Interim summary: what can government do: what can we do individually, prioritizing recommendations, Participant evaluation)
10 minute break	
30 minutes	Short Closing Session (small group report out, next steps and final remarks)

Small Group Dialogues

One hour of small group discussion organized around the discussion guides, but feel free to be flexible. Each group will focus on one of the following topics:

- *American Health Care Costs and Other Challenges* – Our health care system is broken, and health care costs are out of control. How can we best contain these costs, while maintaining quality and access to care?
- *Social Security, the Budget, and an Aging Population* – Social Security is in trouble, and no consensus has emerged on how to fix it. What should be done to ensure retirement security while achieving fiscal responsibility?
- *Making Sure our Government Uses our Money Wisely* – Bringing the federal debt under control will require tough decisions about how government makes funding decisions. What should our leaders do to earn the public’s trust that they will prioritize and manage public dollars responsibly?
- *Can We Bring More Fairness to the Tax System and Make Revenues Match Spending?* – In order to address America’s growing federal debt and threats to the nation’s fiscal future, we must examine not just how we spend public money, but also how we collect money. Is the

tax system fair and efficient, and does it raise enough money to pay for our national priorities?

Overview

A) Preliminaries: Welcome/Introductions/Ground rules (10 minutes)

B) Discussing the Issues and Possible Solutions: Review the Discussion Guide and Hold a Stimulating Discussion (35 minutes)

C) Prioritizing Solutions and Conclusion (15 minutes)

The Session in Detail

A) Preliminaries, (10 Minutes)

1. Welcome and Overview: Goals for the session

Moderator makes a few brief, opening remarks welcoming everyone and explaining what the groups are all about. You should cover:

Describe your role and the recorder's role.

The purpose of the dialogue groups:

"We're here to have an intergenerational conversation on Social Security. [...] That's what these dialogue groups are all about: working as a team to understand the national debt and ways for it to be addressed."

Today, we'll begin with introductions and ground rules and then start talking about our topic.
Any questions?

2. Intros: Each person gives their name, a little background about themselves, and says just a word or two about ways in which the issue touches them directly.

Every person introduces themselves by sharing their name and a few facts about themselves.

3. Ground Rules:

Explain to people that a few simple ground rules will help them keep the conversation productive and on track. The following ground rules work well. Feel free to put them in your own words. Recorders should have them written in advance on a flip chart and display them for the group.

- Share the time: “Let’s work together to make sure everyone has good opportunities to participate. To do that, let’s try to keep our statements at a reasonable length so no one inadvertently monopolizes the time.”
- Disagree respectfully: “In this conversation we are free to agree and to disagree with one another. If we disagree, let’s do it respectfully, keep it on the level of each person’s ideas, and avoid any personal attacks.”
- Manage cell phones: “Let’s make sure that all cell phones are turned off (or if you’re on call for emergencies, on vibrate) for the duration of our time together.”
- “Any questions or anything to add?”

B) Discussing the Issues and Possible Solutions (1 hour)

1. Review Discussion Guide:

Give participants time to read through the discussion guide. Read the guide out loud if necessary.

2. Discuss the Issues and Options: Let participants briefly describe their positions, and then move into open discussion on ways to make progress on the issue

Moderators: Explain that the group will compare perspectives on this topic and deepen its understanding, as a foundation for working on solutions in the next session.

Early on, you might need to be a little more active in getting the conversation going, but soon people will be responding to each other’s comments. As long as they do so respectfully and constructively, this is a good thing and you should encourage it.

The moderator’s job is to help everyone participate and make sure no one dominates the discussion, make sure people’s statements are clearly understood, and look for ways to deepen the conversation from time to time. A few optional questions that can help deepen the conversation are:

- Why do you think that is? [Asking “why” is often helpful, especially early on.]
- Have you had personal experience with what you’re talking about?
- How does your point relate to what _____ just said, which sounds like a very different take on the same theme?

To start the discussion, see what everyone knows and where they stand.

Sample language for beginning the discussion:

- “Having read all the approaches, please express your initial opinions about the topic.” Then go around the table and ask participants to explain their beliefs.
- “OK, now which one of the approaches in the guide seems most attractive to you and why?” (But encourage people to point out appealing points in other approaches.)
- Record opinions and main ideas.
- If there is overwhelming support for one choice, or if nobody voted for one choice, ask why that is.
- Keep track of time. Make sure everyone’s main ideas are being recorded.
- Urge people to explain further why they found certain ideas more or less appealing than others.

3. Interim Summary

Interim summary discussion of common ground, areas of disagreement, questions

Sample Language for Interim Summary

“During this first part of our discussion

- What were our most important areas of common ground?”
 - Record common ground ideas
- What disagreements do we have that we should continue to talk through?”
 - Record areas of disagreement
- What are the questions, concerns, or subjects that require more thought and discussion?”
 - Record questions and concerns

As the group explores different priorities and ideas for action, new questions, concerns, or disagreements may emerge. Make sure these are recorded as well.

C) Prioritizing Solutions and Conclusion

Action we should take on two levels—by government and by individuals

1. What specific action steps can government take to address the issues discussed?

Sample Language:

- “Given our discussion, let’s talk what some of our top policy priorities should be?”

- Record priorities

2. What can each of us do, as individual citizens and as members of professions, organizations, or networks, to make a difference on this issue?

Ask each person to speak

Sample Language:

- “Now, let’s talk about what we as citizens can and should do address these issues.”
 - Record ideas for personal or community action

3. Final Comments

4. Prepare the group to present its ideas for the larger group during the closing session.

- What were our most important areas of common ground?
- What concerns or disagreements did we have?
- What were the outstanding questions or areas we identified that require more study?
- What were the things that we identified as top priority actions to help solve these problems?

Social Security, the Budget, and an Aging Population Discussion Guide

Social Security, the federal program providing income security for retirees, the disabled, and their survivors, is one of the most effective government programs in U.S. history. Unfortunately, it's also in trouble and no consensus has emerged, either in Washington or among the public at large, on what approach the nation should take to fix it. The good news, however, Social Security reform is more do-able, and there is more potential for bipartisan consensus on reform, than on reforms of health care or tax policy.

Social Security benefits are the backbone of the nation's income security system, and are central to what is often called "social insurance"—the transferring and pooling of risks by an entity, generally the government, that is legally required to provide certain benefits. Social Security benefits are paid monthly to more than 50 million people, including about 31.7 million retired workers, 4.6 million widows and widowers, 7.1 million disabled workers, 3.1 million children, and approximately 800,000 adults who have been disabled since childhood.

Social Security was originally designed to provide one leg of a "three-legged stool" for retirement security, backed up with personal savings and employer pension programs. Increasingly, Americans have come to depend on Social Security. People generally are saving and investing less (even counting 401(k) and IRA plans), are less able to rely on their investments being successful, are carrying more debt, and are less likely to have employer-provided pensions than they were several decades ago. Federal statistics show that more than 40 percent of those 65 and older would fall below the poverty line without their Social Security check. That is part of the great success of Social Security: It has dramatically reduced poverty among, and provided a cushion of income security for older Americans, people with disabilities and their children, and surviving spouses and children of workers who have died.

The Demographic Clock is Ticking

A big question looming over the program is whether it can be sustained as baby boomers enter their retirement years and put an unprecedented strain on the system. It is also often asked: **Is Social Security going bankrupt?** Technically, the answer is no, but paying for benefits could become an overwhelming strain on government in the absence of reforms. And, will benefits have to be cut significantly for future generations?

A crucial factor is the ratio of current workers to retirees. Contrary to what people sometimes think, Social Security does not create individual retirement accounts from the social security (FICA) taxes that are withheld from people's paychecks. Rather, it was designed so that *the current workforce pays for the benefits of current retirees*. This can be seen either as

reinforcing intergenerational bonds or as burdening current workers with the retirement-benefit costs of older Americans. This “pay as you go” system works fine when there are significantly more workers than retirees. But what happens when there are fewer workers paying into the system than there are retirees drawing down on the fund? Current projections show that by 2030, there will be only two workers for every one retiree.

The first baby boomers became eligible for Social Security in 2008. By the time the entire baby boom generation retires during the next two decades, America's elderly population will double from its current size to about 80 million, and the ratio of people drawing Social Security benefits to those working and paying into the fund will fall to 2-to-1. The board of trustees that oversees the Social Security system projects that the program's expenditures will exceed income in around 2016. The Social Security Trust Fund provides a cushion against these needs, but by about 2040, the trust fund will be exhausted as well and the system will only be able to cover about three-quarters of the benefits promised. With a national debt that is already \$12 trillion (plus \$7 trillion in implicit fiscal exposures for future Social Security benefits--we cannot afford to simply borrow money to cover the shortfall.

This guide will help you consider the kinds of hard choices that the nation will need to make to ensure the long-term stability of Social Security and the federal budget. It lays out three sets of alternative approaches. These are merely intended to be discussion starters. You should not think that you need to adopt every idea under one approach or another. You can mix and match ideas from different approaches, and toss other ideas into the mix. *What do you think are the best courses of action to meet the challenges facing the Social Security system and the federal budget, and why? This background piece doesn't address the impact of failing businesses and banks on vulnerable people, including children of deceased workers, people with disabilities, and older adults who have seen their savings wiped out.*

Option 1: Maintain our Commitments through a Combination of Benefit Cuts and Tax Increases

Our government should keep Social Security intact so that all Americans can have a stable retirement. Even if it requires raising taxes significantly, or slashing spending on other government programs, the promise of income security in retirement years for every American must be honored. It is immoral and unthinkable to arbitrarily reduce benefits to older Americans because of the financial pressures created by the size of the baby boom generation. Many experts see restoring solvency to “Social Security” as a fairly simple “math problem,” in which a combination of small tax increases, benefit cuts, and increases in the retirement age could preserve the program as it is.

We should:

- Increase taxes dedicated to Social Security—to keep the Social Security program solvent.
- Increase the Social Security payroll tax cap, so that earned income above \$102,000 a year is taxed.
- Change the formulas for how benefits are calculated, reducing benefits for those who need them least.
- Have state and local government workers pay Social Security taxes.
- Gradually raise the retirement age for those who are healthy and able-bodied to 70 (or index to rising life expectancy) to control costs, or index the retirement age to rising life expectancy.
- We'll also need to decide which federal programs to cut in order to ensure that there's enough money to support the Social Security, or else the sales tax will be unreasonably large. For instance, we might decide to cut federal education programs (leaving it to state and local government to pick up the slack), or cut back on military spending.
- Slightly increase individual and/or employer Social Security taxes.

Arguments for:

- Providing for individuals as they age, children of deceased workers, and people with disabilities is one of the fundamental responsibilities of government.
- Everyone who has paid into Social Security, regardless of their income, deserves to get the benefits of the program and to have a secure retirement at public expense.
- Social Security already keeps millions out of poverty, is very important now since the nation's economy is facing a downturn not seen since the 1920s and will be even more important in the future. Americans don't save enough or lose their savings because of economic events over which they have no control, fewer companies offer pension plans, and unemployment rates are skyrocketing in many areas of the country.
- Keeping people out of poverty yields long-term benefits. Ensuring that survivors of deceased workers, including children, can continue to go to school, receive health care, eat well, and stay in their homes – yields a more educated and productive future workforce. When older adults have income security, their working-age children spend less time out of work and have more time to raise their own children.

Arguments against:

- Providing for vulnerable citizens is not one of the fundamental responsibilities of government. The income security of retirees, people with disabilities, and children of deceased workers is the primary responsibility of those individuals, along with their families.
- Unless we rethink how we handle Social Security, the costs will become unreasonably high in the years ahead, resulting in taxes that are too high, cuts in other important programs that are too severe, or a national debt that is much too large.

- It doesn't make sense for wealthy retirees get benefits at the nation's expense—as they do under the current system—while so many Americans struggle to make ends meet.
- Social Security is important, but not to the point where we sacrifice other important needs. Economic growth and vital services might get sacrificed if we have to raise taxes or cut spending elsewhere to maintain Social Security.

Option 2: Make Social Security Affordable by Focusing on Those Who Need it Most

To avoid difficult choices in the years ahead hikes in taxes and reductions in other government programs, we must start to think of Social Security in new ways.

Most importantly, we should change Social Security's retirement benefits from a universal program that every worker is entitled to when he or she reaches a certain age, to a targeted one aimed at people who would otherwise be living in poverty during old age. In other words, the program should be reserved for lower-income people who would not be able to live securely in later life without it. Social Security should not provide extra income to those who are fortunate enough to be relatively well-off and are able to fund their own retirement.

We should:

- Make Social Security benefits dependent on one's income, reducing benefits for the wealthy.
- Gradually raise the retirement age at which people are eligible for Social Security benefits, for the able bodied, now that people are living and working so much longer than used to be the case.

Arguments for:

- We can only make Social Security affordable by making some fundamental changes in how it operates. Incremental changes in things like the retirement age or the size of cost-of-living increases will not be enough.
- While this approach is a dramatic change from the past, it does preserve Social Security's essential mission of providing income security for older adults, survivors or deceased workers, and people with disabilities (or does it?).
- Well-to-do retirees don't really need Social Security – this focuses the program on the people who need it most.

Arguments Against:

- Linking benefits to retirees' income will undermine support for Social Security, with many upper-income people likely to question why they're paying taxes for a system that won't pay them benefits. It also punishes those who have worked hard and been financially prudent.
- Should insert some language about the stigma associated with means-testing and how this impedes people from getting help and accessing programs and services.
- This solution avoids the fundamental question of why government is handling something that individuals should be doing for themselves. Whatever your income, it's foolish to trust the government to completely take care of your retirement; you're better off handling it yourself.
- People have made plans for retirement based on the system as it is today. We can't just suddenly change the rules on people.

Option 3: Make Retirement Security More of a Personal Responsibility

We need a dramatic rethinking of Social Security. Americans -- whose savings rates had fallen to zero before the current financial crisis, and many of whom are plagued by personal debt -- need to save more for retirement and for other lifetime needs. We need a system of mandatory personal savings accounts, which make individuals much more responsible for their own financial security, even though Social Security would be retained to provide some benefits. Personal savings accounts either could wholly or partly replace the current system, putting responsibility for retirement security where it should be, on each of us individually.

True, some people will make out better than others under this plan, because some people are better savers and investors than others. But if they do their homework and invest prudently, they ought to be able to retire in an acceptable fashion.

Therefore, we should:

- Create personal retirement accounts that require individual saving as a supplement (or alternative to) to Social Security. These would be a default option for Americans, enabling them to opt out. Savings up to a certain annual threshold could be tax deductible.
- Lower-income Americans' personal retirement accounts would be publicly subsidized with government funds to create a more level playing field, and/or Social Security benefits for low-income Americans could be enhanced.
- Allow individuals to decide how to invest their Social Security taxes, possibly through an approved list of mutual funds.

Arguments for:

- This approach emphasizes personal responsibility and limited government, basic values America has embraced throughout its history. The income security of retirees, people with disabilities, and children of deceased workers is the primary responsibility of those individuals, along with their families.
- Many people feel better handling their own financial affairs rather than trusting that the government can be relied on to do it for them, and they should be allowed to do so.
- Despite the current financial crisis, historically, investments in stocks and mutual funds have yielded higher returns.

Arguments against:

- This approach undermines our commitment to community and belief in government's role in taking care of vulnerable citizens – basic values America has embraced throughout its history.
- Under a self-financed retirement system lower-income retirees, survivors of deceased workers and people with disabilities would suffer disproportionately, as would those who do not have access to or understand information about personal finances and investing in the stock market and do not have the income to hire someone to help them. Others are simply bad planners or have bad luck. The result would be more personal tragedies and greater societal problems.
- The costs for the transition from the current system to one based on personal savings accounts will cost billions of extra dollars (because we'll still need to pay Social Security for current retirees while we transition to the new system). While this strategy might help bring down the national debt years from now, in the meantime it will drive it much higher.
- Providing for the elderly, people with disabilities and survivors of deceased workers should be a community responsibility. We've made promises that people are depending on for their security.

The economy has just tanked, and in many cases, people who invested in the stock market through private accounts have seen their savings completely disappear. Many workers who relied on their pension plans are now struggling to adapt to new rules their companies have had to implement in order to survive (auto industry, for example). Many employers are no longer matching the contributions of their employees to 401k plans. All this shows why we can't rely on private investment to take care of everyone's retirement needs. The government has to play a major role.

America's Health Care Challenge: How Can We Best Contain Costs, Increase Access and Maintain Quality? Discussion Guide

Health care reform dominates the news and public debate, and it is an enormously complex issue, which has many people in both parties saying things, some true, some misleading. This discussion guide is intended to help you understand the issue and the many choices for possible reform. Choice 2 reflects aspects of the health care reform bill signed by President Obama in March 2010 but there is still a need for considerable further reform, especially to reduce the exploding costs of health care to government, private businesses, and individuals.

America's overall health care bill has risen to about \$2.4 trillion, 16 percent of our total economy (and twice what we spend on food). Spending has been rising much faster than overall inflation -- by about 7 to 8 percent a year and far outpacing economic growth. By 2017, our collective doctor's bill is projected to be \$4.1 trillion, and by 2040, overall health care spending is on track to double as a proportion of gross domestic product, accounting for more than one-third of all the goods and services that the United States produces.

Nearly half of the nation's current health care spending is paid for by the government through federal programs that cover more than one-third of the U.S. population—particularly those who are most in need—and have transformed health care for retirees, the disabled and low-income Americans (Medicaid receives more than 60 percent of its funding from the federal government, with states paying the rest). These programs include:

- Medicare (45 million Americans, aged 65 and over, including more than 7 million Americans under the age of 65 with disabilities)
- Medicaid (about 59.5 million low-income Americans; 29.5 million children, 15 million adults, and 14 million elderly or disabled adults)
- The State Children's Health Insurance Program (SCHIP) for children who do not qualify for Medicaid but whose families cannot afford private health insurance (11 million, under the reform signed by President Obama in February 2009)
- The military, veterans' and civil service employees' health care systems (26 million) -- dramatically improving health and well-being for countless Americans.

Additionally, tax breaks to corporations to subsidize employer-sponsored health plans cost the government about \$225 billion.

Budget experts from across the political spectrum agree on two points: One is that the biggest long-term problem for our nation's federal finances is the astronomical rise in public and private sector health care spending, which will require huge federal funding increases for

Medicare as the baby boom generation retires. The other point of agreement is that controlling federal health expenditures cannot be divorced from reforming our nation's overall health care system, which is prone to inflation and among the world's most expensive.

The Obama Administration and Republican and Democratic Members of Congress, business and health-care groups, and the American people pushed health care reform to the top of the nation's political agenda in 2009 and 2010. That is why, even after the health care reform bill's passage, this complex set of issues is not only timely but so vitally important to our nation's fiscal future and the overall economic future of America and its citizens.

So far, we've been able to support Medicare through a combination of employee and employer Medicare taxes and additional government revenues from the general tax base. We've also increased federal and state Medicaid spending, in part by cutting other spending. Unfortunately, several powerful trends spell potentially enormous financial problems for Medicare and Medicaid over the next 20 years. Medicare and Medicaid, together with Social Security, now consume about 40 percent of federal spending. But this would rise to 100 percent by 2040 if these programs are not reformed *or* overall taxes and spending are not dramatically increased. The looming costs of Medicare over the coming decades, if reforms are not enacted, are a staggering \$30 to \$40 trillion.

Soaring Medicaid costs have also squeezed state finances, making it harder to spend on schools, roads and other local needs, and although the 2009 stimulus funds have helped states, we are seeing increased federal spending. Cost growth has adversely affected U.S. businesses' global competitiveness and has consumed a larger portion of employee compensation, leaving less room for wage growth. And individuals' health care expenditures—while only 15 percent of the nation's total outlays for health—have risen sharply and are a prime cause of household debt and bankruptcy.

There are many reasons for America's exploding health-care costs. Individuals and health care providers largely don't know or pay the real bill for health care, because most costs are paid for by private insurance or government. Some of the reasons for rising health care costs include the development of consumers' demand for care for which they don't know the real costs (i.e., insurance or government covers most of the costs), doctors' defensive medicine leading them to order more tests and follow-ups, new medical technologies and drugs, an aging population, curtailing of health care benefits by employers, and malpractice litigation. This combination of public and private health care also has built-in inefficiencies. Administrative costs are five times higher than the average in Europe and Japan, and the United States lacks the tools, such as a national database of patient records and best practices for treatment, that might reduce red tape.

President Obama's signing the health care reform bill marked a big reform initiative, yet—as many Republicans and Democrats have said—the legislation is imperfect and health care in

the United States still faces many challenges. The quality of care can vary widely. While the United States does have some of the world's best health care, our nation consistently falls behind more than 30 others in the quality of health outcomes for its people, according to the World Health Organization. On the one hand, our life expectancy has expanded enormously—from about 46 in 1900 to nearly 80 today—yet along with infant mortality and other health indicators, it lags behind many other countries that spend much less per person.

Any further change in our health care system raises fundamental questions that are as much about values as they are about money or public policy. Should we consider "rationing" health care by limiting total annual government health spending and focusing on the most essential care? Countries like Great Britain and Canada ration care as part of their national health systems, but is that appropriate for the U.S.? Should we expect people to take greater responsibility for their own good health? Should we reward those Americans who engage in healthier behavior and are more diligent about receiving preventive care?

While there is little consensus about solutions, if there is agreement about anything among Democrats and Republicans, and businesses and individuals, it is that at least something about America's patchwork system of health care is broken.

This guide suggests three different approaches to the challenges facing the health care system and the nation's budget:

- Using free market competition to maximize personal choice while achieving greater efficiency
- Building on our existing public and private programs to fix many major problems without the risks of radical change, as the members of Congress passed last month
- Creating a national health care system to make sure everyone is covered.

These are merely intended to be discussion starters. You do need to adopt every idea under one approach over another. You can mix and match ideas from different approaches and toss other ideas into the mix. *What do you think are the best courses of action to meet the challenges facing America's health-care system and why?*

Option One: Use free market competition to maximize personal choice while making the system more efficient

The main problem with America's health care system is that costs keep going up. The best way to solve this is to reduce regulation and use free market competition to help more Americans get health insurance at a lower cost. Individuals should take greater responsibility for both their personal health and their health care. We should also embrace managed care, which tracks expenses and, for a time during the 1990s, slowed cost increases. By moving further in the

direction of managed care and adopting medical savings accounts, which encourage individuals to save and shop around for health care, we'll be able to bring down costs and cover more people. Overall, we should minimize the government's role in health care and let the private sector do as much as possible.

What Should Be Done?

- Require that all Americans who aren't already covered to buy their own insurance (or make this the default option, enabling people to opt out), but let them make their own choices in the marketplace.
- Offer tax credits and tax-free medical savings accounts to make it easier for lower-income, unemployed, and self-employed Americans to buy individual coverage.
- Allow private insurers to create basic, high-deductible policies that would cover the most common problems and make coverage affordable for small businesses and individuals through government subsidies and tax deductions. People would still be insured against catastrophic illnesses, but would have to pay more out of pocket for other health services.
- Encourage more employers to provide coverage through HMOs and other forms of managed care to ensure competition.
- Encourage small businesses to join together in insurance pools to negotiate for better rates.
- Encourage the use of lower-cost generic drugs and allow people to buy approved drugs from Canada and Europe. Charge patients more if they insist on brand-name drugs.
- Work with industry and all interested parties to reduce costs.

Arguments for:

- This approach emphasizes personal responsibility and choice, private competition and limited government, basic values America has embraced throughout its history.
- The free market is the best way to keep health costs down, and if the health care system becomes more efficient, we can provide more services for more people, without spending more money.
- The only way to control costs is by allowing insurers, health care professionals and patients to make decisions about what they really want and need. That means empowering patients to set aside money tax-free for medical care and allowing them to seek out cheaper alternatives, like drugs from other countries.
- If Americans paid a larger share of health care, they would be more likely to limit their consumption of care.

Arguments against:

- Under managed care, decisions about treatment are often made based on what's cheapest, not necessarily the best.

- This will require people to make critical, complicated choices when they're sick and at their most vulnerable.
- This approach undermines our commitment to community and belief in government's role in taking care of low-income children, older adults and people with disabilities - basic values America has embraced throughout its history.
- The economy has just tanked, and millions of people have lost their jobs and their health care. Government programs like Medicare, Medicaid and the State Children's Health Insurance Program provide a critical safety net in a damaged economy.

Option Two: Expand on the current system to fix many major problems without the risks of radical change

With the enactment of the landmark, yet controversial health care legislation of early 2010, America has made some strides toward health care reform. However much more could be done to make health care more secure, affordable and cut costs. We already have many high-quality physicians, medical centers and insurance plans that cover most Americans. We can just extend these programs, public and private, to cover more people. We should require employers and individuals to have health insurance and offer them financial incentives to make it affordable. The federal government now is ensuring more broad-based access to health care. If we expand eligibility for those plans and make insurance companies compete more with each other on price and quality, we'll be able to cover more uninsured people, improve quality, and cut costs with the least disruption to those already covered. Reducing costs in order to not break the budget is now the priority for health care reform.

What the 2010 Legislation Does:

- Require employers with 15 employees or fewer to offer health coverage to all their workers, even low-wage and part-time employees. Offer tax incentives to businesses to cover the cost.
- Require all Americans to purchase health insurance, with government providing subsidies to low and moderate income Americans (to those earning up to three or four times the poverty level—from \$32,500 for an individual to \$88,000 for a family of four).
- Develop health insurance pools or cooperatives, so that individuals, those working for small businesses, and the self-employed can choose among an array of insurance companies more actively competing with each other. Some federal subsidies and tax incentives could be provided.
- Extend the Children's Health Insurance Program cutoff age from 18 to 25.
- Dependents' coverage will cover an employee's dependent children until age 26.

- Expand Medicaid eligibility to 133 percent of the federal poverty level (\$14,500 for an individual and \$29,000 for a family of four) so that it covers more Americans funding and raise the income cutoff to cover the working poor.

Possible Supplements:

- Add a “public option” to include the uninsured.
- Make insurance “portable” so people can keep the same policy if they change jobs, rather than be totally dependent on what their employer provides.
- Open up the federal employee health insurance program to allow individuals to buy coverage at favorable rates.

Arguments for:

- By expanding existing programs and employer-provided insurance we can cover most of the uninsured.
- This is the least disruptive way of attacking the problem - it won't require massive changes in how the health care system operates or how people get their insurance.
- People will still be able to pick their own doctors and health plans and get the same quality of care.
- This makes our most vulnerable citizens, children and older adults, a priority. This helps children grow up to be healthy, productive adults and ensures frail, older Americans get the care they need.

Arguments against:

- This will be expensive at a time when the federal government already has budget deficits and we may still not be able to insure everyone.
- Medicare is already at risk and will likely go broke as it deals with aging baby boomers. Adding more people to Medicare will just cause the program to collapse more quickly.
- This will do nothing to control health care costs, which are rising at an outrageous rate, and may well increase overall health costs rather than reduce them.
- Requiring employers to provide coverage will be expensive, and even if the government helps with the cost, we'll still impose a huge paperwork burden on businesses.

Option 3: Focus on cost-containment through government policy, market reforms and increasing personal responsibility.

While all Americans should have access to decent health care, America needs to take huge steps, on many fronts, to reduce our \$2.4 trillion annual health care bill. This is burdening individuals and businesses, reducing living standards and profits, and it could bankrupt federal and state governments, which pay for Medicare, Medicaid, SCHIP, military, civil service, and veterans' care.

What Should Be Done?

- Impose stricter government controls on the prices that health care providers can charge.
- Tie the new health insurance system into existing government programs to promote good nutrition, mental health awareness and exercise.
- Legislative efforts to require the government to negotiate lower prescription drug prices, and use medical-care commissions to force Medicare and Medicaid to stay within annual budgets.
- Increase the Medicare eligibility age to 67 or 70.
- Make high-deductible health insurance policies the norm (with subsidies for poorer Americans), so that people take more personal and financial responsibility for what care they choose to get.
- The government ought to pay for people's health insurance, not care.
- Raise Medicare and/or income taxes and Medicare fees, or repeal existing tax cuts.
- Market mechanisms need to be fostered, if necessary by government regulators, so that there is greater competition among health-care providers, to drive down costs.
- Comparative data on the effectiveness of different treatments and procedures, and on health-care providers should be made much more widely available to Americans so that they can "shop around" for the best care at the lowest price.
- Americans should be able to buy insurance across state lines, making the market more competitive
- Tort reform is necessary to reduce medical malpractice lawsuits that drive up doctors' and hospitals'—and ultimately patients' costs (whether they are paid for out of pocket, by their employer's insurance company, or by the government).
- Create an electronic medical records system to reduce the huge "paperwork" inefficiencies of our current system of health care.

Arguments for:

- Market mechanisms do not currently work for health care, because of so many market failures: People do not have accurate price information, because third-party payers (insurance companies and government) pick up so much of the tab), or good comparative information on effectiveness. There is insufficient competition among large health-care and pharmaceutical companies, as well as among hospitals and physicians, to provide good care at lower prices. There are no incentives for Americans to limit their use of health care. The threat of lawsuits forces providers to practice defensive medicine, meaning more costly tests and procedures. Health care consumption is driven more by emotional factors than consumption of other goods and services.
- Competition on cost and quality could bring better care at lower prices.
- As a free-market system, America philosophically should bring market mechanisms more to bear, instead of relying on a current system that allows corporate oligopolies and government to set prices and consumers to be relatively insensitive to price, because of third-party payers, making potentially unlimited demand fail to bring any downward market pressure on prices.
- Reducing overhead and paperwork costs for health care—now far higher than in most industries—can be achieved by 21st-century record-keeping systems. Patients, doctors, and hospitals will only have to deal with one database rather than dozens of private companies and government agencies, all with different rules.
- Any new taxes will be offset by the savings earned.

Arguments against:

- Under this plan, a government bureaucracy tells you what health care is effective and has access to your medical records.
- This may require tax increases.
- If annual limits are set to Medicare and Medicaid budgets, Americans may have to wait “in line” for care (or have their care “rationed”), as citizens do in countries such as Britain and Canada.
- People receiving bad care will find it harder to sue for damages.

Can We Bring More Fairness to the Tax System AND Make Revenues Match Spending? A Primer on Taxes and Other Sources of Federal Revenue

For a lot of Americans, the very thought of taxes produces a headache. Partly it's the complication of filing and partly it's the fear of having to make out a check to the "U.S. Treasury" on April 15. While it may not be the most fun topic, any discussion of how to address America's growing federal debt and threats to the nation's fiscal future must examine not just how we spend money, but also how we collect money. Is it fair? Is it efficient? Does it raise enough money to pay for our national priorities?

Most Americans, including experts and leaders from across the political spectrum, agree that significant reforms are needed. The system is complex and cumbersome, with the average American spending 26 1/2 hours a year filing his or her taxes¹. The total cost of complying with tax laws has been estimated to be \$265 billion a year². And while complaints about the unfairness and complexity of the tax system have been with us for a long time, the mismatch between the revenue generated by federal taxes and the cost of the government programs makes tax reform especially urgent. Unfortunately, there is little agreement on what reforms should be instituted.

In recent decades, there have been many efforts to cut, increase, and change how we pay taxes and collect other revenues. The U.S. tax code is now more than 66,000 pages long³, and contained in those pages is a living history of competing priorities and beliefs about the economy and how various tax policies would affect the actions of the people and corporations who must abide by it.

If getting the federal budget closer to being in balance is a simple matter of bringing spending and revenues into closer alignment, then we owe it to ourselves to have a clear understanding of the revenue side of the equation. The Students Face Up to the Nation's Finances discussion guides on Government Accountability, Social Security, Medicare/Medicaid, and other major areas of federal spending and setting national priorities are designed to help advance discussion on how to attain both fiscal responsibility and a government that is fairly financed and provides for our nation's needs. This primer aims to provide some background and begin asking some questions about how we

"Taxes are the price we pay for a civilized society."

—Justice Oliver Wendell Holmes

¹ National Taxpayers Union, "Tax-Filing Burdens Worsen, with Little Respite in Sight, Citizen Group's Annual Study Finds" April 15, 2008, available at www.ntu.org/main/press_release.php?PressID=1004&org_name=NTU.

² Tax Foundation "The Rising Cost of Complying with the Federal Income Tax," January 10, 2006, available at www.taxfoundation.org/publications/show/1281.html.

³ Cato Institute, "The Simple (Tax) Life," April 17, 2006, available at www.cato.org/pub_display.php?pub_id=6345

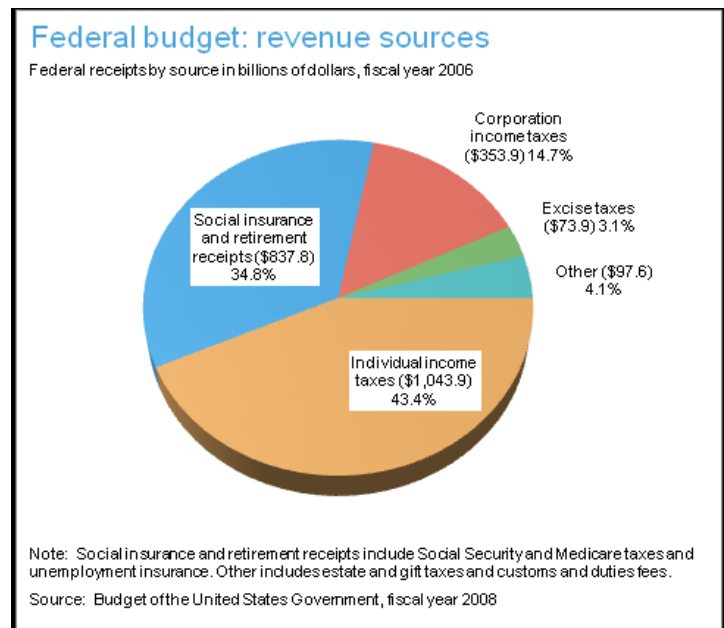
raise the revenue that pays for whatever federal programs Americans believe are important.⁴

Ultimately, the goal of tax reform is to raise sufficient government revenues in the most fair, simple, and efficient manner.

What Are the Sources of Federal Revenue?

On one level, understanding the federal debt is simple: the government consistently spends more than it takes in. If we don't want to continue paying huge sums to service interest on the debt (The United States is currently paying about \$260 billion a year of the federal budget on interest on the debt⁵), we need to either cut spending, raise more revenue or both. Most experts believe that, even if we dramatically cut spending – which has no historical precedent anyway – the U.S. government would still need to raise *more* in revenues to meet the growing fiscal demands posed by the retirement of the baby boom generation.

The federal government collects about \$2.6 trillion in tax revenues⁶. For most of the past half century, tax revenues have averaged about 18.25 percent of GDP (Gross Domestic Product – the grand total of our nation's financial output). But that percentage fell during the Bush Administration⁷.



Individual Income Taxes

Nearly half of the federal budget comes from individual income taxes. Income tax rates have fallen fairly dramatically since World War II when the top tax bracket was 94 percent, meaning that if you earned over \$200,000 (which was a lot of money back then), the government took 94 percent of what you received above that. By 1981, the top rate was 70 percent. President Reagan's tax cuts brought the top bracket down to 50 percent. President George W. Bush cut

⁴ The authors of this primer would like to thank the authors of "Where Does the Money Go? Your Guided Tour to the Federal Budget Crisis" (HarperCollins, 2008). That book's chapter on taxes helped shape the structure of this primer and greatly informed the content.

⁵ "Table 3.2 — Outlays by Function and Subfunction: 1962–2013", Budget of the United States Government FY 2009, available at <http://www.gpoaccess.gov/usbudget/fy09/hist.html> or

"Table 15.4 — Total Government Expenditures by Major Category of Expenditure: 1948–2007", Budget of the United States Government FY 2009, available at <http://www.gpoaccess.gov/usbudget/fy09/hist.html>

⁶ "Table 2.1 — Receipts by Source: 1934–2013", Budget of the United States Government FY 2009, available at <http://www.gpoaccess.gov/usbudget/fy09/hist.html>

⁷ "Table 2.3 — Receipts by Source as Percentages of GDP: 1934–2013", Budget of the United States Government FY 2009, available at <http://www.gpoaccess.gov/usbudget/fy09/hist.html>

taxes in 2001 and 2003, and the top tax bracket is now 35 percent.⁸ Some 18 million Americans earn so little that they don't even need to file a tax return (less than \$15,650 for married couples), while another 33 million end up paying nothing at all.⁹ With certain tax credits for children for example, some receive money back even though they are too poor to owe income taxes. The tax changes enacted under President Bush are set to expire December 31, 2010, so the battle over whether to keep them is already underway.

Social Security and Medicare Taxes

Social Security and Medicare take nice little chunks out of your take-home pay – those dreaded FICA (Federal Insurance Contributions Act) deductions on your pay stub. About a third of the money the government spends comes from Social Security and Medicare taxes, unemployment taxes, and retirement payments made by federal employees. Individuals who earn over a certain amount (\$102,000 in 2008) pay no Social Security taxes on income over that level. Because of this, Social Security taxes are often considered “regressive” since they tend to hit nearly everyone on the lower end of the income scale while letting the people who earn the big bucks off the hook at a certain point. Corporations also pay FICA (see below).

Corporate Taxes

Taxes paid by corporations have fallen from about 30 percent of federal revenues in 1946 to about 14 percent today.¹⁰ According to a recent study by the Government Accountability Office, two-thirds of U.S. businesses paid no federal income taxes between 1998 and 2005. And about 68 percent of foreign companies doing business in the United States avoided corporate taxes over the same period.¹¹

There are two big reasons fewer and fewer corporations are paying taxes to the federal government. One is that corporations quite logically take full advantage of the current tax laws that allow them to take deductions for expenses like R&D, capital investments and untold other legal incentives; and also to minimize taxable income by claiming no profit or having incurred losses from prior years and tax credits that eliminated any tax liability. A second reason why corporations are paying fewer taxes is that more and more corporations are being registered as “S” corporations, which do not pay any income taxes (or FICA taxes). Instead, the corporation's

⁸ Tax Policy Center, Individual Income Tax Brackets, 1945-2007, www.taxpolicycenter.org/TaxFacts/TFdb/Content/PDF/individual_rates.pdf, accessed May 20, 2007.

⁹ Tax Policy Center, Nonfilers and Filers With Modest Tax Liabilities, 2003, www.taxpolicycenter.org/TaxFacts/TFDB/TFTemplate.cfm?Docid=283, accessed May 20, 2007.

¹⁰ “Table 2.1 — Receipts by Source: 1934–2013”, Budget of the United States Government FY 2009, available at <http://www.gpoaccess.gov/usbudget/fy09/hist.html>

¹¹ United States Government Accountability Office, “Comparison of the Reported Tax Liabilities of Foreign-and U.S.- Controlled Corporations, 1998-2005,” July 2008.

income or losses are divided among and passed through to its shareholders (the shareholders must then report the income or loss on their own individual income tax returns).

Since revenues from corporations constitute a far smaller percentage of federal revenue than 50 years ago, many suggest that corporate taxes are ripe for increasing.

On the other hand, corporate tax rates for normal “C” corporations in the United States – which, unlike “S” corporations, pay FICA taxes and have their profits taxed both when it is produced by the corporation and when it is received by the shareholder as dividend – remain among the highest in the developed world (Corporate income tax rates for annual taxable income over \$75,000 ranges from 34 percent to a high of 39 percent, depending on the amount of annual taxable income).¹² Some argue that corporate income that is taxed both when the corporation produces it and when it is distributed through dividends constitutes “double taxation,” while others say that our high corporate tax rate compared to other countries hurts U.S. competitiveness, and therefore corporate taxes should be lower or abolished.

Excise Taxes

About 2.5 percent of the money the government spends comes from excise taxes, mainly on alcohol, tobacco, airline tickets and gas. That little 2.5 percent added up to \$65 billion in 2007.¹³ In this area, many people try to advance more far-flung ideas, such as legalizing drugs and heavily taxing their profits. Or less radical ideas like a carbon tax on corporations emitting greenhouse gasses, which would both increase revenues and have the effect of decreasing carbon-emitting pollution. So-called “sin taxes” are an often-popular idea in discussions on raising revenues, partly because they can discourage people from smoking, drinking and other things that are bad for their health. But these kinds of taxes also run into a great deal of resistance in the legislative process since the corporations that profit from these legitimate businesses lobby hard against higher taxes that decrease sales.

Other Revenue

Government also earns about a quarter-trillion dollars by providing goods and services to the public at a price, ranging from the Postal Service to power from the Tennessee Valley Authority.¹⁴

¹² Internal Revenue Service, Publication 542 (Rev. February 2006).

¹³ “Table 2.1 — Receipts by Source: 1934–2013”, Budget of the United States Government FY 2009, available at <http://www.gpoaccess.gov/usbudget/fy09/hist.html>

¹⁴ Ibid.

The rest of what government spends is obtained by borrowing – nearly \$500 billion in 2008 by selling Treasury securities, plus another \$200 billion or so borrowed from other government accounts, most notably the Social Security Trust Fund.

Gaining Clarity on the Goals of Tax Reform

Conservatives and liberals alike believe that tax reform is necessary. Bringing the federal budget into balance with spending cuts alone is extremely unlikely for both economic and political reasons, and so significant changes to our tax system – increasing taxes, expanding the tax base, strengthening tax-collection enforcement, and/or adding new taxes – must be discussed as an important option to secure the nation’s fiscal future.

As noted in the introduction, the basic goal of reform is to raise sufficient government revenues in the most fair, simple, and efficient manner. While any tax reform would likely mean higher taxes for some families or on certain kinds of economic transactions and less for others, most tax reformers aim to keep the overall level of taxation “neutral” – that is not increasing or decreasing the amount of taxes in the United States.

Beliefs about whether to raise taxes to deal with budget problems often depend largely on whether we believe government programs and services are useful and helpful. Essentially, we ask ourselves whether what we’re getting is worth paying for. But people also argue about whether taxes pay for themselves, whether they harm or benefit the economy, and whether who pays what is fair.

“The nation should have a tax system that looks like someone designed it on purpose.”

—former Treasury Secretary William Simon

Does Cutting Taxes Actually Generate More Tax Revenue?

Some prominent leaders argue that tax cuts actually bring more money into the U.S. Treasury. Vice President Cheney has said lower taxes are “a powerful driver of investment, growth, and new jobs for America’s workers,” which in turn produce more tax revenue.¹⁵ But well-respected economists like N. Gregory Mankiw, who chaired President Bush’s Council of Economic Advisers, estimates that cuts in capital gains taxes (paid on profits from selling property or stocks) generate revenue only covering about half their costs. And Douglas Holtz-Eakin, who worked in the Bush White House and for Congress, puts the “replacement value” for cutting personal taxes at 22 percent for the first five years and 32 percent in the following five.¹⁶

¹⁵ Vice President Dick Cheney, speech to the Conservative Political Action Conference, Omni Shoreham Hotel, Washington, D.C., March 1, 2007.

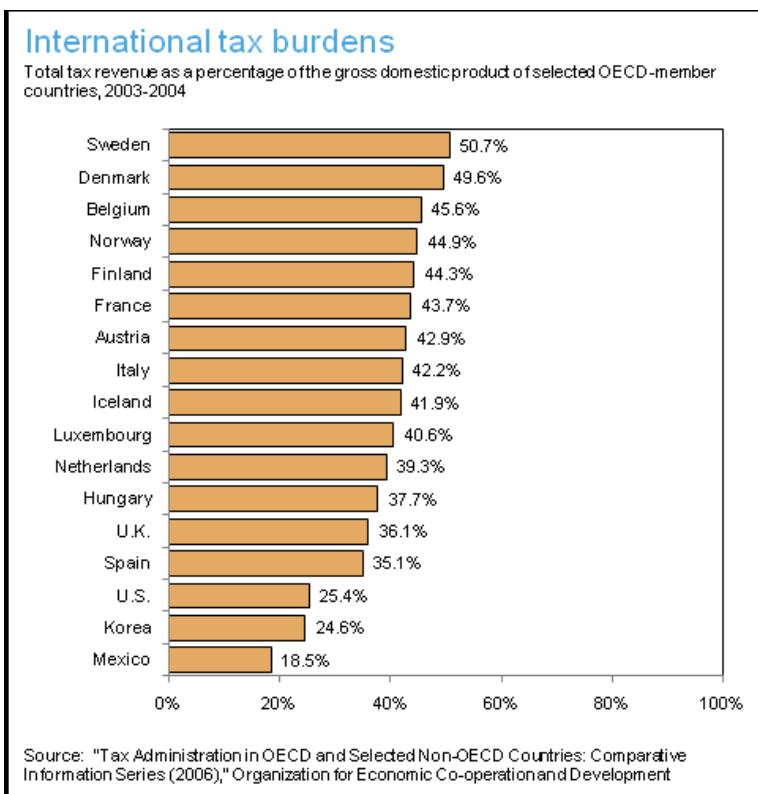
¹⁶ Douglas Holtz-Eakin, Congressional Budget Office, “Analyzing Economic and Budgetary Effects of a 10 Percent Cut in Income Tax Rates,” December 1, 2005, and Gregory Mankiw’s analysis at http://economics.harvard.edu/faculty/mankiw/files/dynamicscoring_05-1212.pdf.

Will tax increases harm the economy?

Many fear that raising taxes too much may upset the stock market and lead investors to look for opportunities in other countries. This line of thinking has it that excessive taxes sap the enthusiasm of entrepreneurs, inventors and others who take risks. But others argue that federal income taxes were significantly higher in the 1950s and 60s and the U.S. economy had plenty of very good years back then. Some economists and policymakers point out that when the government uses tax money to invest in education, research, highways, air traffic control and other services, this can help the economy. There's also the argument that the government itself buys goods and services, which is also good for the economy. Others question whether strong economic growth, spurred by low taxes, really means anything if the benefits aren't shared broadly.

Another big wrinkle in the tax issue is whether, if we raise taxes, we can do it in ways that are fair. We all bring our own values to the table on this one. Conservatives typically believe that individuals should be able to keep as much of what they earn as possible, and that government's call on our tax dollars should be very, very limited. Liberals typically believe that government has done many good things with taxes (Social Security is a favorite example), and that wealthier Americans who have benefited the most from our economic system should help pay for services that not only help and protect the poor and middle-class but also build a better economy for the future.

Hardly anyone wants to pay taxes, and most of us think there is someone else somewhere who should be paying more, so we don't have to pay as much. But when Americans engage in discussion on this topic, most say that they want a system that allows for robust economic growth that rewards hard work and creativity, and one that also helps disadvantaged individuals and families achieve.



What Are the Major Tax Reforms Being Advocated?

These are some of the major areas of tax reform discussed most often among government leaders and policy experts:

Letting the 2001 Tax Cuts Expire

Letting the tax cuts enacted in 2001 expire in 2011 and returning to the tax rates of 2000 would yield about 2 percent of GDP a year – that's \$250 billion dollars – for the federal government. Ending the 2001 tax cuts only for those earning more than \$200,000 annually would yield somewhat less, but would reduce deficits by as much as \$1.1 trillion over a decade.¹⁷ Neither of these would bridge the gap between current spending and revenues necessary to cover that spending.

Raising Income Taxes Across the Board

This is one of the simplest and probably least palatable options to the majority of Americans. Just increasing income taxes by about 50 percent – without changing spending on Medicare/Medicaid, Social Security, national defense and domestic discretionary spending – would bring the budget into balance in the next 15-20 years. But keeping up with ballooning Medicare and Social Security costs associated with America's aging population would require even greater revenue generation after the 15-20 year mark.

Increasing Payroll Taxes on Some or All Workers

There are a number of options being discussed in this area. The Social Security payroll tax, including the small portion allocated to Medicare, could be increased by 1 or 2 percentage points, a new Medicare tax could be added, and the payroll tax cap could be eliminated, to bring more revenues to both programs. This option would more directly and disproportionately affect lower- and middle-income earners in comparison to increasing revenues from corporations and estates, discussed below. Currently, workers who earn more than \$102,000 are not assessed payroll taxes on income over that amount. Simply assessing payroll taxes on income over \$102,000 at the same rate as all other income could close between half and all of Social Security's long-range imbalance.

Raising Taxes on Corporations or Particular Types of Corporations

Raising corporate taxes could hurt U.S. competitiveness in the global economy. The official U.S. corporate tax rate of 35% is higher than in many countries and is arguably double taxation of some income. However, (as discussed in detail above) the federal government

¹⁷ Robert Rubin, "Attention Deficit Disorder," New York Times, May 13, 2005; International Monetary Fund, "Fiscal Policies and Priorities for Long-Run Sustainability," IMF, Jan 7, 2004.

receives a far smaller percentage of its revenues from corporations than it did 50 years ago and many of America's largest corporations avoid paying any taxes. That is something that small businesses often are unable to do. Many corporations actually benefit from the tax code through what some call "tax expenditures" and others call "corporate welfare." Some argue that such tax expenditures are a way of encouraging economic growth by helping business, whereas others say these are unnecessary handouts to business and violate free-market principles.

Returning to Higher Taxes on Estates

Even though the estate tax continues to be hotly debated, it currently only affects only the wealthiest few thousand of the two million Americans who die each year. There is a vast array of financial instruments that help wealthy families avoid estate taxes – the most common being a "living trust." Relatively few estates will be subject to the estate tax even if it returns to the 55 percent level for estates over \$1 million upon the expiration of the Bush Administration tax cuts in 2011, although most experts believe the threshold will be set higher.

When property values were rapidly increasing, the estate tax began to hit more Americans. Some have called for completely abolishing the estate tax, which would cost about \$1 trillion in lost revenues over a decade.¹⁸ Those in favor of maintaining or increasing the estate tax say it mitigates the accumulation of wealth by inheritance and encourages hard work in every generation, and helps contribute to a more progressive taxation system. Those against the estate tax say that it constitutes a double taxation (already taxed when earned and then taxed again when inherited) and that it is a disincentive to those who work hard and want to leave money to their children and grandchildren.

Ditch the Current Tax System and Move to a National Sales Tax

Getting rid of most of the current tax code and completely starting over is an option. However, raising several trillion dollars in revenues from several hundred million Americans inevitably is going to involve a fair degree of complexity. One of the most frequently discussed alternatives to the current income tax system is a national sales tax, otherwise known as a consumption tax.

The federal government could impose a tax on what individuals and businesses buy instead of what they earn – like state and local governments do with sales taxes and like nearly 100 other countries do with consumption or "value-added taxes" (VATs). Under a national retail sales tax, a single tax rate would apply to all businesses or households. Under a VAT, each business would pay tax on the difference between its sales and purchases, thus capturing the incremental value at each stage of production. A consumption tax could be regressive and disproportionately affect lower- and middle-income Americans. However, it is much more efficient

¹⁸ Congressional Budget Office, Budget Options, February 2007, available at <http://www.cbo.gov/ftpdocs/78xx/doc7821/02-23-BudgetOptions.pdf>

to collect and difficult to avoid. Advocates say it would encourage savings and it would better reflect people's ability to pay (the rationale being that a person who is unable to pay the tax on a sale will simply not buy the product, whereas a tax on income levies the tax regardless of the person's life circumstances and competing financial demands).

Whereas today's income tax raises about \$1.25 trillion a year, a 10 percent consumption tax could raise \$750 billion dollars, with far fewer administrative and compliance costs than the income tax. A VAT or national sales tax of 15 to 23 percent could bring in the amount currently raised through income and payroll taxes and would enable us to eliminate those taxes. It should be noted, however, that the consumption tax rate would have to rise to meet the rising costs associated with rapidly growing Medicare, Medicaid, and Social Security expenditures if spending reforms do not take place.

To address the regressive nature of consumption taxes, some have proposed a consumption tax exempting those earning below a certain inflation-indexed amount, such as \$100,000, from paying income tax, eliminating 90 percent of tax returns, with the wealthy still paying an income tax in addition. Certain goods, such as groceries, education, and basic health care, could be exempt, or a refundable low-income tax credit could cushion the burden.

Manufacturers and retailers, who want to encourage consumption, generally oppose consumption tax plans.

Ditch the Current Tax System and Move to a Flat Tax

The current income tax system has a graduated rate of taxes so that the more you earn, the higher percentage of your income you pay in taxes. Many are now advocating to simplify tax collection with a "flat tax." One much-discussed flat tax plan, called the Hall-Rabushka tax, would have a single tax rate of 19 percent for all workers.

Oponents say that a flat tax would benefit the wealthy and be regressive. But some advocates say a flat tax could be made more progressive and fairer to lower-income Americans by expanding the Earned Income Tax Credit. (Currently, a tax filer who earns under a certain amount of money each year and has a child can qualify to receive a "credit" of up to \$2,853, or up to \$4,716 for multiple children. This makes the EITC one of the largest anti-poverty programs in the United States.) However, just to replace existing revenues, experts have estimated that a flat tax would have to be set at between 21 and 30 percent. In order to bring in more revenue to pay for the growing costs of the aging population, a flat tax rate would have to be higher than 30 percent – and the highest rate in the current graduated tax system is only 35 percent.

End "loopholes," Incentives and Deductions in the Tax Code

The more than 100 special deductions, exemptions and credits in the tax code are popularly referred to as "loopholes," and amount to about \$1 trillion in lost revenues for the

federal government each year. Many argue that treating all forms of income equally and not giving deductions and exceptions for all kinds of activities that the government tries to encourage could not only go a long way toward simplifying the process of collecting taxes but also make tax avoidance much more difficult.

But these loopholes, deductions and incentives – broadly categorized as “tax expenditures” – have vocal constituencies and many are very popular, making reform potentially difficult. They include the exclusion for employer-based health care that exempts corporations and individuals from paying taxes on the value of employer-provided health insurance; the exclusion of pension contributions and savings; and the deductions for mortgage interest and state and local taxes. Others range from what many call “corporate welfare,” or tax subsidies to corporations and farmers, and offshore tax havens, which alone cost \$100 billion a year, to individuals’ deductions for mortgage interest and charitable contributions. While tax expenditures mostly benefit wealthier Americans, parts of popular deductions could be retained by capping the mortgage interest deduction at, say, \$250,000 to benefit middle-class and lower-income homeowners.

Strengthen Enforcement and Tax Collection

About a decade ago, the IRS had earned a reputation of heavy-handedness and several measures were enacted that decreased the agency’s aggressiveness. Studies indicate that strengthening tax enforcement could net a significant portion of the \$300 billion in owed taxes that are lost each year because of “noncompliance.” With many Americans admitting to cheating on taxes, and with IRS budgets and audits cut in recent years, experts believe that if enforcement were beefed up, at a modest cost of a few billion dollars, the IRS could collect \$100 billion more.

Miscellaneous New Taxes

Efforts to increase federal revenue could include various new taxes. There are lots of ideas floating around from far corners of the political universe. We could increase “user fees,” such as tolls on highways, fees to pay for air-traffic control and our air-transportation system, admission fees for national parks, and charges for use of national lands. Environmentalists, among others, favor introducing a carbon tax, a BTU tax, or higher gas taxes that could reduce greenhouse gases and other pollution, and fuel consumption and dependence on foreign oil, while raising new revenues. “Sin” taxes, despite their potential to raise only limited levels of revenues – could be raised and broadened to include more goods and services. Beyond taxes on tobacco and alcohol, we could tax junk foods and soft drinks (helping to reduce obesity), as well as some “luxury” consumption. And then there is the idea of legalizing and taxing drugs like marijuana, a fringe proposal, but one that is very popular in certain circles. Other ideas in this realm include “luxury taxes” on items like very expensive cars, boats, furs, etc. A luxury tax is

basically a large sales tax leveled on certain items that are somewhat arbitrarily determined to be nonessential.

Addressing the Alternative Minimum Tax

One of the biggest tax issues being discussed these days is the Alternative Minimum Tax. The AMT was designed to ensure that all high income earners pay taxes regardless of their eligibility for deductions or other creative tax shelters. The AMT was not indexed to inflation when it was created in 1969 (expanded in 1986 and set at 26-28%), eliminating many deductions and credits for those with incomes between \$150,000 and \$415,000. More and more upper-middle class families are finding themselves having to pay the AMT. There is broad political support for increasing the income threshold below which taxpayers would be exempt from the AMT and reduce its rate. These changes, however, would greatly reduce the amount of revenues coming into the federal government. But without changes to the AMT laws, the burden of the AMT will increase from a few million taxpayers to an estimated 33 million by 2010 and 42 million by 2015.¹⁹ A total repeal of AMT would mean a loss of revenue for the federal government estimated to be between \$800 billion and \$1.5 trillion over 10 years. A recent Brookings Institution-Urban Institute Tax Policy Center study said that it would cost the Treasury considerably less to repeal the ordinary income tax system than the Alternative Minimum Tax.²⁰

Questions to Consider

- Given the current system that relies primarily on income tax revenue, does a “progressive” tax system – where those who earn more pay higher rates of taxes – make sense?
- Would a system that relies on taxes on consumption make more sense or be more fair?
- Should tax reform efforts focus on trying to make the system fairer or to bring in more revenue? Or must both happen at the same time to make reform worthwhile?
- While experts say that the realities of economics and politics dictate that getting the federal budget closer to balance will require both cuts in spending and increased revenue generation, which do you think would be the most productive and fair for the whole of American society? Or do you agree with the experts that both need to happen?
- If corporations are really made up of people, do taxes on corporate income and the dividends those corporations distribute to shareholders constitute double taxation?

Certain taxes are designed to encourage or discourage specific activities. Are you in favor of efforts to try to use the tax system to encourage or discourage certain activities? If so, what are

¹⁹ Leonard E. Burman, William G. Gale and Jeffrey Rohaly, “The Expanding Reach of the Individual Alternative Minimum Tax.” *Journal of Economic Perspectives*, updated May 2005.

²⁰ Leonard E. Burman, William G. Gale and Jeffrey Rohaly, “The Expanding Reach of the Individual Alternative Minimum Tax.” *Journal of Economic Perspectives*, updated May 2005.

your priorities? And would those taxes significantly change the amount of revenue coming in to the federal government?

Making Sure our Government Uses our Money Wisely Discussion Guide

Because of the global financial crisis, U.S. government spending is up sharply, and is likely to rise even more with the stimulus package intended to strengthen the U.S. economy. Indeed, the U.S. government is expected to spend at least \$3.5 trillion in 2009. That is about one-quarter of the nation's economy. But how do we know if it will be wisely spent?

Nearly two-thirds of federal government spending is “mandatory”—for entitlement programs such as Medicare, Social Security, and Medicaid, as well as interest on the national debt—that is determined by law, not congressional appropriations. The other 37 percent of the federal budget is spent on “discretionary” programs, with more than half of that (21 percent) going to defense. The Congress votes on 12 appropriations bills each year to fund thousands of government initiatives – from the State Department and federal law enforcement to education and the environment – which the President signs into law each year.

Everyone's heard stories of the government wasting taxpayer money—whether on “pork barrel” spending, programs that don't work, and cost overruns on defense and other federal contracts. However, “pork” (or earmarks) -- when members of Congress add spending bills for pet projects to an existing piece of legislation -- accounts for just 1 percent of the budget. In addition, while we could do a much better job curtailing government waste, similar problems exist in the private sector. Waste is infuriating, but budget experts generally agree it's not the cause of the government's budget problems..

The government pays for this spending through a variety of types of revenues. Income taxes are the largest source of revenues, but “payroll” taxes (what most people think of as Social Security taxes) are a close second, and most taxpayers pay more in payroll taxes than in income taxes. Business taxes, excise taxes, tariffs, and income from government activities also contribute to federal revenues. However, the U.S. government has faced large and growing shortfalls, which are covered by borrowing: In 2009, given that deficits projected to be \$1.2 trillion to \$1.6 trillion, this borrowing through the sale of Treasury securities (and “intra-governmental” borrowing from sources such as the Social Security Trust Fund) will be enormous. The biggest, long-term problem is not the deficits caused by the current financial crisis, but rather those that will result from rapidly rising spending for Medicare and Social Security. To close that long-term shortfall of tens of trillions of dollars, the nation must either reform and curtail spending and/or increase revenues through taxes or other means.

We must figure out how to provide Social Security (and income security more generally) and quality, affordable health care to Americans of all ages, today and in the future while paying for other important, discretionary government programs. In addition, the government could do a better job regulating parts of business and financial sectors, as the current financial crisis has

made evident. If such regulations had been in place, the government might not have had to be spending hundreds of billions of dollars of taxpayer money on the current bailouts. We also need to recognize that some federal monies are well spent, and may be good investments in our nation's future, and deficits are sometimes necessary (e.g., to help Americans weather difficult times), while other federal monies are poorly spent. Government spending also can be necessary to stimulate the economy in hard times.

Nonetheless, we, as a nation, need to stop regularly spending more than our government receives in taxpayer dollars, borrowing money to pay for government programs, bailing out large financial firms and businesses, and promising unfunded benefits to future generations. Our national debt and unfunded liabilities total more than \$53 trillion, and are growing by several trillion dollars per year. Bringing federal debt under control will mean making tough choices, such as cutting programs, raising taxes, and imposing rules on how federal funds are spent. But people will only be able to make such hard choices if they trust their leaders to act responsibly, so that their sacrifices are not wasted. To help you think through the best ways to do this, we describe several different approaches:

- Strengthen and Expand Systems to Encourage Responsible Spending
- Make it Easier for Americans to See How Government Spends its Money and What Programs Work
- Remove Temptation: Change the Incentives for How Our Leaders Spend Our Money

Through your deliberations on these choices, it will be helpful to keep several questions in mind: Which approaches would lead to more responsible management of the nation's finances? Why? Are there other measures that we should be considering, besides those covered in these choices? What do your deliberations suggest that you and your fellow citizens can do to improve the situation?

These alternative sets of approaches are merely intended to be discussion starters. You should not think that you need to adopt every idea under one approach or another. You can mix and match ideas from different approaches, and toss other ideas into the mix. *What do you think are the best courses of action, and why?*

Option One: Strengthen and Expand Systems to Encourage Responsible Spending

Therefore we should:

- *Live within our means.* Pass "pay-as-you-go" legislation, meaning that if a spending bill is passed, it must be offset by either a spending cut someplace else in the budget or a raise in taxes to cover the new expenses.
- *Implement other reforms to the budget process,* such as limiting spending increases to population growth, or creating specific triggers or defaults so that if revenues and spending do not match, taxes are automatically raised and/or spending is automatically cut.
- *The Amendment approach.* Pass a balanced budget amendment. Most states have this and it simply makes it illegal to run a deficit and run up debt.
- *Set tough, long-term financial goals.* Right now, the federal government has projections but no actual long-term targets for reducing the deficit and paying off the debt. Other countries have legally binding plans to pay down their debt or to set limits for spending and taxes.

Arguments for:

- This is the simplest answer to the problem because it removes the possibility of creating more debt by borrowing money to cover our expenses, and therefore guarantees more responsible spending by government.
- This will require government officials to think ahead, plan carefully and worry about the long-term budget issues instead of focusing on short-term politics.
- This brings government in line with the realities that many businesses and families face every day: your spending has to be in line with your income.

Arguments against:

- This is a dangerously inflexible approach to governance. Sometimes the government needs to borrow money in a national emergency, such as a hurricane or a terrorist attack, or when facing the prospect of economic collapse.
- This approach also obstructs responsible borrowing for important investments in things like education, new technologies or new sources of energy that can be vital for our economic future. It's like saying that just because some people run up their credit cards too much, no one will be allowed to take out a student loan anymore.
- This doesn't do anything to keep government open and honest – without ethics reform and greater transparency, politicians will just end up fighting over a smaller pie.

Option Two: Make it Easier for Americans to See How Government Spends its Money and What Programs Work

A better way to create more trust and accountability is to make sure politicians can't hide what they're doing, so government watchdogs—like the news media, good-government organizations, and concerned citizens—can keep an eye on them and hold them accountable.

Therefore we should:

- *Make the federal budget easier to understand* We need to simplify the presentation of the federal budget, and also require that it be placed on the Internet each year in an easily searchable form. That way, reporters and watchdog groups can easily find out what the government is proposing to spend the nation's money on.
- *Protect whistle-blowers.* Pass strong legislation that protects and rewards —whistle-blowers (government employees who —blow the whistle on wasteful or corrupt spending) so they'll come forward and bring abuses to light.
- *Strengthen watchdog agencies.* Ensure that government is able to demonstrate stewardship by strengthening program accountability entities and mechanisms such as the Government Accountability Office, the Government Performance and Results Act process, and the Performance Assessment Rating Tool.
- *Shine light on pork-barrel spending.* We should require members of Congress to make a formal vote for each added earmark to create a public record of their support for that additional spending. We also need an online earmark database that identifies every such project, along with who sponsored the earmark, who benefits, and which representatives voted for it.

Arguments for:

- The best way to clean up government spending is to bring keep things out into the open and keep a close eye on them—as they say, —sunlight is the best disinfectant.
- Government employees should be encouraged to stand up for what's right – and protected from retaliation when they do.
- Strengthen government oversight of areas such as banking and hedge funds – enabling government to protect Americans from incompetence, corruption, and greed in other sectors.
- Maybe there's nothing wrong with members of Congress getting money for their home states, but if so, they should stand up and take responsibility for it.

Arguments against:

- This sounds fine in principle, but in practice the federal government is so vast and complex it's impossible to keep enough of an eye on it.
- Transparency by itself is not enough. Campaign contributions have been public for decades, but politicians and donors always find a way around the rules; thus, it is important for voters to see if the spending their elected officials support is influenced by their donors.
- The real problem is how the government taxes and spends our money. We need to actually change the way that's done, not just get a better view of how the government does it.

Option Three: Remove Temptation: Change the Incentives for How Our Leaders Spend Our Money

As things stand now, there are too many incentives to avoid making politically tough decisions or waste the nation's finances on pet projects. If we remove the most corrupting influences and incentives from the political system, and create new incentives for responsible behavior, we can expect politicians to exercise better judgment in how they manage the nation's finances.

Since many Americans do not trust most politicians to use good judgment, we should create rules and procedures that *require* them to act responsibly.

Therefore we should:

- *Reform campaign finances.* Elections are so expensive that candidates can't help but become dependent on big donors. We should reform campaigns so politicians are less beholden to big campaign donors and therefore less tempted to do them favors by adding spending bills to keep them happy.
- *Tighten ethics and lobbying rules.* There need to be severe penalties for politicians who abuse the system when they have a conflict of interest.
- *Create positive incentives.* The public should reward politicians who manage the nation's finances responsibly through their votes. Moreover, we should provide bonuses to government bureaucrats who improve efficiency and save the nation money by figuring out how to do more with less.
- *Reduce political partisanship, which affects the management of the nation's finances.*

Arguments for:

- If we want leaders who can exercise judgment on behalf of the greater good we need to stamp out corrupting influences and reward responsible behavior.
- These bad influences are the real source of our budget problems.
- Voters are the key to changing the system – if the public held politicians accountable for how they spend the taxpayers' money, we'd have better government.

Arguments against:

- People have been talking about things like campaign finance reform for years and we've seen very little, if any, progress. We need faster solutions before we're so buried in federal debt we'll never be able to get out.
- A government can be honest and still avoid tough decisions, particularly if American voters aren't ready to make sacrifices.

Organizational Steps for Event Implementation Intergenerational Dialogues

Below is a list of several tasks to be completed while organizing a Campus Conversation. Please modify as needed.

Getting started:

1. Choose a coordinator to organize and administer the program, recruit faculty and student participants, and promote the series.
2. Determine a time and place. Find a central place on campus or in the community that is easily accessible to both community members and students. Reserve the space through the appropriate campus channels. Afternoon, around lunchtime, has proven highly successful both in terms of turnout and retention.
3. Create a discussion guideline sheet that outlines the roles of the moderators, recorders, and participants (one is also provided in this toolkit).
4. Recruit faculty members, students, and community members to facilitate the discussions for the scheduled date. Email is an appropriate way to get the word out, as well as newsletters and ads. Work with everyone interested who responds.
5. Distribute the background materials to all participants before the event and have copies of them on hand the day of the event.
6. Use email, Facebook, university communication outlets, email, fliers, campus, and community announcement forums to promote the event.
7. Strategically place creative signs, posters, and banners to heighten visibility and promote the Intergenerational Dialogue.
8. Free food helps! If funding is available, arrange for food and drink to encourage a higher turnout of participants.

During the event:

1. At the meeting, set up a table with print copies of the background materials for those who might not have had a chance to read them in advance, copies of the FAQs document (in the Intergenerational Dialogues Tool Kit), a sign-up sheet (to receive announcements for future events), flip charts and markers, and the moderator and recorder guidelines.
2. Have a student, staff, or faculty member welcome the participants and walk through the day's events.
3. Begin by introducing and explaining the national debt and deficits. Make sure participants are at their assigned tables and introduce the moderators and recorders.

Do your best to be a catalyst for inclusive participation. Please focus on student contributions. Be aware of those who tend to dominate!

4. End promptly on time by thanking the moderators, recorders, and all of the participants. It may behoove the facilitator to have a five or ten minute warning before the end of the session. Offer the current space as a means of continued conversation if people feel the discussion needs to be extended past the Intergenerational Dialogue.

Getting the Word Out about Your Intergenerational Dialogue A Guide to Marketing and Promotion

This information includes a list of online resources for promotion and marketing. Also included in this section are websites and organizations that will allow you to review different ways to use newspapers in the classroom, as well as some background information on civic engagement and what is happening in the field as of late. Lastly, there is contact information for three campus representatives who have implemented similar discussion series on their campuses.

Recruitment and Promotion

This can be used to help develop different media materials for marketing and promotion, as well as tips for recruitment and retention.

Corporation for National and Community Service

http://www.nationalservice.org/pdf/Media_Guide.pdf

This valuable media guide helps with tips for writing press releases, op-ed pieces, organizing an event, and building relationships with the media.

Publicity Insider

<http://www.publicityinsider.com/release.asp>

Use for information about creating several different promotional materials

Newspapers as Education

Although much of these resources are tailored specifically to using newspapers as curricula and in classrooms, much of this information can be slightly modified to assist with the implementation of events taking place outside of the classroom.

The New York Times Knowledge Network

<http://www.nytimes.com/ref/college/coll-classroomresources.html>

Information about how to integrate the *New York Times* into classroom curricula, as well as why it is important to use current events in the classroom as a way to get students engaged. There are opportunities for a classroom subscription at a significantly discounted rate.

USA Today Education

<http://www.usatoday.com/educate/homesplash.htm?POE=FOOTER>

Information about lesson plans and resources for engaging students and faculty. Comprehensive information on using *USA Today* in every school subject area. Also provides subscriptions at highly discounted rates.

Knowledge Media Laboratory of the Carnegie Foundation for the Advancement of Teaching

<http://www.carnegiefoundation.org/programs/index.asp?key=38>

The Knowledge Exchange Exhibition and Presentation (KEEP) Toolkit includes a template you can design on the web to prepare for your classroom learning. There are also case studies showing the effects of using media as a means of educating.

The Faculty Center for Excellence in Teaching at Western Kentucky University

<http://www.wku.edu/teaching/booklets/newspaper.html>

'Newspapers in the Classroom' is a program of the *New York Times* and has reports on the validity of using media to engage students. There is also program information and methods in using newspapers in your curriculum.

Newspapers in Education

<http://nieonline.com/>

This is a website dedicated to providing materials that demonstrate how to incorporate newspapers into every facet of education.

Organizations supporting Deliberation and Dialogue Efforts

<http://thataway.org>

The National Coalition on Dialogue and Deliberation (NCDD) is running, involved in, and supporting a variety of projects to help advance the rapidly-growing dialogue and deliberation community.

Center for Deliberative Democracy

<http://cdd.stanford.edu>

The Center for Deliberative Democracy (CDD) collaborates with government organizations around the world to conduct Deliberative Polls®.

National Issues Forum

<http://www.nifi.org/>

National Issues Forums bring people together to talk about important issues. They range from small study circles held in peoples' homes to large community gatherings modeled on New England town meetings.

The book, *Deliberation and the Work of Higher Education: Innovations for the Classroom, the Campus, and the Community* demonstrates how deliberation can help higher education renew its mission of preparing citizens to sustain democracy and stimulate civic involvement on college campuses around the country. Several NIFs are described in this volume. This is a wonderful foundational piece for creating intergenerational dialogues. To purchase this book, please visit the Kettering Foundation's website: <http://kettering.org>.

Information on Civic Engagement and Service Learning

American Democracy Project (ADP)

<http://www.aascu.org/programs/adp/default.htm>

A program of the American Association of State Colleges and Universities (AASCU), ADP is an initiative of 231 AASCU campuses that seeks to create an intellectual and experiential understanding of civic engagement for undergraduates enrolled at institutions that are members of AASCU. The goal of the project is to produce graduates who understand and are committed to engaging in meaningful actions as citizens in a democracy. Look for civic engagement programs and resources for developing similar initiatives on your campuses, as well as information about how to become involved.

Center for Information and Research on Civic Learning and Engagement (CIRCLE)

<http://www.civicyouth.org/>

CIRCLE promotes research on the civic and political engagement of Americans between the ages of 15 and 25. Although CIRCLE conducts and funds research, not practice, the projects that support have practical implications for those who work to increase young people's engagement in politics and civic life. CIRCLE is also a clearinghouse for relevant information and scholarship. A leading institution on civic engagement, information, research, and reports on community participation, civic knowledge, and concepts of citizenship.

National Alliance for Civic Education (NACE)

<http://www.cived.net/>

NACE believes the time has come to band together to ensure that the next generation of citizens understands and values democracy and participates in the ongoing work of building democracy in America.

National Constitution Center

<http://www.constitutioncenter.org>

For information on civic research, surveys, and findings.

Visit <http://www.constitutioncenter.org/CitizenAction/CivicResearchResults/index.shtml> for a more direct route to the research.

American Council on Education (ACE)

<http://www.acenet.edu/>

ACE helps colleges and universities anticipate and address the challenges of the 21st Century and contribute to a stronger nation and a better world. Our [members and associates](#) are approximately 1,800 accredited, degree-granting colleges and universities and higher education-related associations, organizations, and corporations.

National Campus Compact

<http://www.compact.org/>

Campus Compact is a national coalition of more than 1,100 college and university presidents - representing some 6 million students - dedicated to promoting community service, civic engagement, and service-learning in higher education.

Kettering Foundation

<http://kettering.org/>

The Kettering Foundation is an independent, nonpartisan research organization rooted in the American tradition of cooperative research. Everything Kettering researches relates to one central question: what does it take for democracy to work as it should? Or put another way: What does it take for citizens to shape their collective future?

Recommended Materials for Facilitating Intergenerational Dialogues

To have a successful Intergenerational Dialogue, it is recommended that the following materials are on-hand for the event.

Recommended Materials:

- **Name tags.** Name tags should be given to all participants, including moderators, recorders, and discussants.
- **Flip charts and markers.** Each dialogue group should be given a flip chart and pens for the recorder to use to document the discussion.
- **Refreshments.** To have a successful event and to attract people to your dialogue, it is important to have refreshments. Many dialogue planners provide pizza or sandwiches, as well as water and soda to participants. There's nothing like free pizza to get people to attend your event!
- **Sign-in sheets.** It is important to pass around sign-in sheets so that participants may record their names and email addresses. You can use the email addresses to promote future activities and send out information on topics related to the federal budget and debt
- **Promotional materials.** However you decide to promote your Intergenerational Dialogue (see Promotion Guide), materials such as signs and fliers may be required.
- **Proper audio visual equipment.** Depending on the size of the room you are using and the number of people in attendance, you may need to have a microphone, LCD projector and laptop on hand.
- **Copies of background materials.** It is important to distribute the background materials to all participants before the event. It is also good to have hardcopies of the background materials on hand the day of the event for people to glance through during their discussions.

Funding Guide: How to Fund Your Intergenerational Dialogue

It is important to have the support of the university and surrounding community for an Intergenerational Dialogue. There are many places to look both on campus and in the community for donations and financial support of your day's support. Below is a list of potential funding sources.

The Corporation for National and Community Service (CNCS)

<http://www.nationalservice.gov/> CNCS funds many on-campus service programs, many times offering mini-grants for campus events.

Mini-Grants

There are a variety of organizations that fund youth-led projects with mini-grants. Please see below for a list of these organizations. Please remember that mini-grants often take time to prepare so please choose this fundraising option if you have an extended timeline to plan your Intergenerational Dialogue. Please be sure to coordinate with the university development office when pursuing grants of any kind.

- Do Something (<http://www.dosomething.org/>)
- National 4-H Council (<http://4-h.org/>)
- Youth Service American (<http://www.ysa.org/>)
- Kauffman Foundation, go to youth development (<http://www.kauffman.org/>)
- W.K. Kellogg Foundation www.wkkf.org/

Local Business Community

Many businesses have yearly philanthropic budgets. Supermarkets, office supply stores, and local businesses are often eager to support student-led projects. Have students contact the main store managers of local retailers and ask to speak with the person who handles donations. Most businesses require a donation proposal on university letterhead and a copy of the university's 501(c)3. Oftentimes, local pizza restaurants or grocery stores will donate food.

Student Government

Many university student governments have budgets to support these types of community events. Ask the student leader working on the project contact the student body president and ask to be directed to the appropriate person in student government who handles funding requests.

Residence Life

In addition to student governments, residence life programs often have budgets to support student-led events. Contact the director of residence life programs to find out more about this.

Fundraisers

Hosting a bake sale or a similar event can both raise money for the event but also recruit participants. Bake sales are simple. Have the Intergenerational Dialogue planners bake cookies and pastries to sale. You can even have them donated from a local bakery. Sell these items on campus during lunch time in the student union. Be sure to have fliers for the event on hand for patrons of the bake sale.

Alumni Fundraising

Contacting the Alumni Association is also a good way to raise funds to support the event and to recruit participants.

Summary of Intergenerational Dialogues, April 2 and 6, 2009 Worcester State College and Penn State

Public Agenda, in partnership with Generations United and two college partners, successfully conducted intergenerational dialogues about Social Security, health care, and other issues relating to America's fiscal future in Massachusetts and Pennsylvania in early April 2009. Each half-day session—which included introductory presentations and small-group discussions using materials and guides developed by Public Agenda under a grant from the Peter G. Peterson Foundation—brought together 40-50 college-age and older Americans through the Intergenerational Urban Institute of Worcester State College and the Penn State Intergenerational Program.

During four hours of engaged, often heated discussion and questioning, the 20-something students and over-65 participants at both Worcester State and Penn State agreed that seeking common ground and avoiding intergenerational conflict were essential to building public support for entitlement, other spending, tax, and government reforms. “We can't have two generations put up against each other; we need to promote generations working together,” as one Worcester student said. Indeed, younger college students and older participants were broadly enthusiastic about the opportunity to share ideas with those who were not their age peers and felt that the very concept of intergenerational dialogues was refreshing, inspiring, and worthy of widespread replication.



Ann Mesavage, left, a senior at Penn State, and Jo Ward participate in intergenerational dialogue organized by Public Agenda and Generations United on America's fiscal future at Foxdale Village, near Penn State, on April 6 2009

After presentations by Andrew Yarrow of Public Agenda and Donna Butts and Wendy Heiges of Generations United, the sessions organized by Prof. Maureen Power at Worcester and Prof. Matt Kaplan at Penn State broke into four groups of about 10 participants each. Facilitators from Public Agenda, Generations United, and the two colleges led each group in a discussion of one of three (of four) Public Agenda “choicework” guides on “America's Health Challenge: How Can We Best Contain Costs, Increase Access, and Maintain Quality,” “Social Security, the Budget, and An Aging Population,” and “Making Sure Our Government Manages Our Money Responsibly.” Moderator guides carefully plotted out the timeline for each day's discussion and reports.



Andrew Yarrow of Public Agenda and Donna Butts of Generations United speak at Worcester State College intergenerational dialogue on April 2, 2009.

"I think we agree that the government spends too much money," said Ayla Detwiler, a 21-year-old Penn State student, in discussion with her peers and elders at the Foxdale Village Senior Center near State College, PA, on April 6.

"We know that Social Security is in big trouble," said Lynn, an older woman participating in the April 2 dialogue at Worcester State College in Worcester, MA. "We need to all get politically involved."

Comments on the dialogue materials were broadly positive: "They were very helpful in presenting various views to consider in discussing the issues." "They were understandable and easy to read." "I was very uneducated about this issue, so having background on it and possible solutions made great guidelines to go by."

Despite misperceptions about federal finances (as a 78-year-old man in Penn State said: "I was surprised how lacking students are in basic economic understanding"), a natural tendency to stray into topical issues such as the financial crisis, and some initial shyness, the groups of young college students and older retirees quickly realized that they could share worries, questions, and ideas for working together—across generations and across the political spectrum—to deal with the policy and philosophical issues of America's fiscal problems. Pre- and post-session questionnaires elicited high and rising concerns about the parlous state of federal finances, and the post- questionnaires reflected progress on a learning curve to greater awareness of what are more substantial problems and what are more marginal ones affecting America's long-term fiscal well-being.

Indeed, the concerns of young and old dovetailed in the comments of a 22-year-old and a retiree at Penn State. Student Ann Mesavage expressed worries about her ability to save for the future, while retiree Ed Klevans said he was concerned about the legacy that was being created for his five grandchildren. But both agreed that Americans need to come together—now—to create an economically sustainable future. All ages also found common ground about the importance of investing in, and taking care of, people of all ages in a fiscally responsible manner. In the surveys, participants almost unanimously said they were “very worried about the size of the federal debt.”



Participant records group dialogue in Worcester.

While groups talked about the challenges and policy options embedded in the three sets of “choices” in each Public Agenda discussion guide, group reporters scrupulously recorded pages upon pages of flip-chart notes of common ground, disagreements, and questions. The nearly 100 participants in the two locations also completed pre- and post-dialogue questionnaires that explored their beliefs and elicited feedback on the dialogues themselves. During the final 45 minutes of each session, a member of each group presented conclusions to the full group of participants.

In Worcester, two groups each focused on reforming Social Security and making government more accountable through political and budget-process reforms. The “accountability” groups found common ground in urging the establishment and enforcement of stronger budget rules, increased information and transparency on spending and taxes, and greater oversight to “remove temptations” from political leaders. Many expressed concern over government “bailouts,” but participants recognized that to address longer-term problems of fiscal solvency, we need “to sacrifice for the common good.” The Social Security group differed on the relative responsibilities of government and families to provide retirement security, but agreed that “no should be excluded,” and “we should increase the age of eligibility,” said Alice, a student participant.

At the Foxdale Village in Pennsylvania, the health care group grappled with fundamental issues facing policy makers: “Is health care a moral right or about individual choice? What are

social obligations and what are individual ones? What is our social contract to each other? Should there be incentives for good health behaviors and consequences for ‘bad’ behavior?” Reacting to perceived market failures in health care, the group supported a Medicare-plus style system with a minimum standard of guaranteed care. The Social Security group argued about whether it should be a universal or more means-tested program, but found three broad areas of agreement: Everyone should pay into the system, individuals should save more, and there should be basic protection for all.



Younger and older participants discuss Social Security reform at Worcester intergenerational dialogue.

The Penn State “government accountability” group reflected broader societal fears about “moral decline” and “pessimism” as well as faith in American “resilience” and strength. While blaming politicians for being “corrupt” or too insulated from public opinion, participants recognized that “we want more services, but aren’t willing to pay for it.” “We haven’t hit a crisis yet, but we may need to hit a crisis mentality,” one participant concluded.

In addition to discussing policy options, those in Worcester and Penn State learned not only from the presentations and written materials, but also from each other. Many younger participants, with previously little knowledge about how Social Security and Medicare work, learned from older members of the groups, changing their perceptions and the nature of discussions. For example, in the Penn State health care group, younger people had significant misperceptions about what benefits one received under Medicare until older participants informed them.

For all, discussions and educational sessions such as these were seen as essential not only in building awareness to galvanize citizens to demand change but also to bridge real and perceived divides between generations. Participants were enthusiastic about what they learned and the process of discussing issues with people of different generations. They recognized that they began the sessions with significant lacunae in their knowledge of federal finances, with most

initially vastly underestimating the proportion of federal spending for Medicare, Social Security, and Medicaid. “I realized I did not know as much about our fiscal policies as I thought,” a Penn State participant said. “I’d like to research more about what the government is doing right or wrong.”

“The most shaking fact I learned was just how in debt this country is,” one said. Another said that “government spending and the looming crisis are serious problems, but discussion and civic engagement like this are important.”

The intergenerational dialogues differed from the college classroom Students Face Up to the Nation’s Finances in several important ways. Participants were not as prepared or informed as students in college economics or public policy classes. They represented more of a general cross-section of the population, less initially engaged or informed about the issues. Less focused on policy details than college students, these



Discussing ideas about government

intergenerational groups grasped the moral issues and principles underlying intergenerational fiscal responsibility and equity. Most importantly, they did not just reflect the concerns of young Americans about the fiscal future to be bequeathed them, but rather exemplified younger and older generations coming together to realize that they have common interest in reform of the nation’s finances. The interpersonal dynamics—respectful and recognizing that “we’re all in this together”—differed somewhat from young Americans more likely to blame older generations.

Letter from Worcester student participant

“Just wanted to say that I really enjoyed the Intergenerational Dialogues session. . . The conference was actually a lot more interesting and enjoyable than I thought it was going to be. . . I just didn't expect to learn as much as I did. My group discussed the Social Security problems we are presently facing. We were surprised to find that although we were all from different age and race demographics, for the most part we agreed on the problems and some of the changes that have to take place in the future. I found the conference really very informative, and I learned a lot: not only from the packets in our blue folder which explained the issues at hand at a glance, but hearing the opinion and perspectives of others on the social security issues we are facing really gave me some insight on the complexity of the problem, as well as to the facets (disabled persons, widows, children of the deceased, welfare, effects of cutting benefits, effects of not cutting benefits at all, etc.)

As a young person, I've always looked at my paychecks and somewhat bitterly felt that I was paying into a system that wouldn't last long enough for me to benefit from. This conference made me realize that such an attitude is somewhat narrow-minded... plus, there's still a chance that the system won't collapse as long as changes are made.”

Izabela Baldyga

Participants made a few suggestions to improve the process, such as having participants read information in advance (which actually had been encouraged), adding middle-aged people, and ensuring that important points didn't get lost in the discussion. Public Agenda and Generations United organizers agreed that several changes could enhance future dialogues, including additional training of facilitators, tailoring the discussion guides more for intergenerational audiences, time for informal introductions among participants, updating the short film, ensuring that materials are available to all in advance, and better accommodating visual and hearing difficulties of participants.

At the end of each day, participants were given information on how remain informed and involved with these issues. Many said that, despite their prior lack of knowledge or concern for federal finances, they were energized by the sessions to try to educate others and do what they could to effect change.

Stephen Watkins, a 23-year-old Penn State student, told his 90-year-old fellow group member, Jo Ward, that he was “hopeful that average citizens will be able to pull together to make the changes necessary to fix the problems facing the nation.”

“We all must contribute to make a difference for our futures,” two Worcester participants said. “The more people involved, the better.”

“Government and others should educate people about these issues, as in these dialogues, making more information and data available,” said the young woman who summarized the conclusions of the government accountability group in Worcester. “Bringing awareness to colleges, through a program like this, would help people like us.”

Another Penn State participant said: “While the problems are very complex, people are passionate about this, not apathetic, and need to stay engaged.”

In short, young and old concurred that it was extremely valuable not only to become informed and discuss issues such as Social Security, health care costs, and taxes, but that it was especially rewarding to share ideas and perspectives across generations. Many marveled that there were so few opportunities to do so, and wished that there were more—in their communities and elsewhere. As one participant wrote in the evaluation: “This is a tremendous idea and effort. Thanks so much and keep it up.”

Viewpoint: A call for intergenerational equity



By Andrew L. Yarrow and Donna Butts

May 20, 2009

Debates about our nation's federal debt often are cast in terms of "intergenerational equity" and the horrors of drowning "our grandchildren" in tens of trillions of dollars of debt. Deficit hawks and politicians of all stripes are drawn to this trope, since it's personally powerful, avoids the eye-glazing details of a Social Security trustees' report - and it could be true. But it's not the whole story.

For example, on April 29, when Congress passed [President Barack Obama's](#) \$3.4 trillion budget, House Minority Leader John A. Boehner, Republican of Ohio, called it an "audacious move to a big socialist government" that piles "debt on the backs of our kids and our grandkids." [Democrats](#) echo this, and a [Google](#) search will reveal one of us using variations on this theme many a time.

Don't get us wrong: Our nation's fiscal house is in about as much order as Tara after Sherman's march through Georgia. And, yes, the burden will fall to future generations if nothing is done (and, likely, even if reforms are enacted) but so will the benefit. Nobody explicitly wants future generations to suffer from current fiscal profligacy. In addition, children's advocates are right that current federal spending for the elderly is much higher than spending for children. Yet, the focus on intergenerational equity all too often translates into simply cutting entitlement programs for the elderly, disabled and surviving and dependent children. This is only half the picture, and its implication is not pretty - pitting one generation against another. It's fiscal Malthusianism. It makes our society a zero-sum game. Beyond the reasonable, gentle patina, them's fighting' words.

Intergenerational equity debates usually leave out the concept of intergenerational interdependence. Instead of just talking cuts - which some think need to be made - we also should talk about investing in children and young people. If we're so concerned about "our grandkids" and America's future, they, and our nation, can't have a very bright one unless we devote considerably more resources to ensure that young Americans get a good education, have decent health care, strong families, safe communities, a healthy environment, worthwhile job opportunities, an economic jump-start to help them thrive in perilous times, and the assurance that some safety net (aka Social Security and old-age health care) will be there from them far down life's road.

Some think that if we could cut entitlements for older Americans, tens - if not hundreds – of billions, in theory, could be reallocated to spending for children. But spending in Washington doesn't usually work that way. We don't take from Peter to pay Paul, when Peter wants to hold on to what he's got, Paul doesn't have powerful lobbyists, and some apostles of deficit reduction just want to cut government.

Our child policy needs to be more forward-looking and generous now; while we should reform entitlements, we shouldn't wait until that magical day when Social Security and Medicare have been transformed.

So, we should reframe the discussion: Intergenerational equity is about sustainability, sharing resources, spending both humanely and with economic prudence, and providing the basics for Americans from birth to death. This isn't about a "cradle to grave" welfare state or creating new kids' entitlements. It's about re-balancing - not only our allocation of resources between the elderly and children, the haves and the have-nots, but also our talk of "intergenerational equity" as more for children, not just less for those 65 and older. And, of course, Americans between 18 and 65 also have needs that we are not meeting.

Intergenerational equity and debates about deficits and federal spending need to be seen as "we're all in this together." As one nation, we should invest enough to help people of all ages thrive - particularly those at both ends of life who cannot be "independent." When pressed, younger and older Americans get it. It's just not the message they generally hear from Washington, whose sub rosa text is "kids versus canes."

Just as we don't want to beggar America's children, we can't beggar our grandparents. Before Social Security, older Americans faced widespread poverty. Social Security (and Medicare and health care in general) require major reforms, but income and health security for many elderly Americans needs to be strengthened. Most young people care about their aging family members and the elderly as much as pols and pundits care about the proverbial grandkids. Similarly, most older Americans are not "greedy geezers" but do care about their grandchildren and the nation's children in general. The young don't want to put "granny" on the streets any more than older Americans want to deprive our children of the resources to thrive.

In a pilot project of "intergenerational dialogues" that our two organizations recently conducted in two cities, 20-somethings and over-70-somethings found common ground on underlying values: Our government should live within its means (i.e., fiscal responsibility), but it also should provide good opportunities and secure lives for Americans of all ages. As one young Massachusetts woman said: "We were surprised to find that although we were all from different age demographics, for the most part we agreed on the problems and some of the changes that have to take place." And, as another said: "We can't have two generations put up against each other; we need to promote generations working together."

So, every time you hear someone say we shouldn't harm today's children with trillions in tomorrow's debt, remind them that we also shouldn't harm children by being stingy with their needs, that Americans of all ages are interdependent, and we truly are all in this together.

Andrew L. Yarrow, vice president and Washington director of Public Agenda, is author of "Forgive Us Our Debts: The Intergenerational Dangers of Fiscal Irresponsibility" and "100 Years of American Child Policy." His e-mail is ayarrow@publicagenda.org. Donna Butts is executive director of Generations United. Her e-mail is dbutts@gu.org. Public Agenda and Generations United have begun conducting intergenerational dialogues about issues relating to federal finances, national debt, entitlement reform, and investments in America's future.

Frequently Asked Questions about Intergenerational Dialogues

What is an Intergenerational Dialogue?

An Intergenerational Dialogue is a structured event during which people of all ages, including university students, faculty members, staff, administrators, and community members, are given an opportunity to engage in an in-depth discussion of a particular issue. Participants are broken into discussion groups and asked to focus on one aspect of the issue. In the case of America's fiscal future, dialogue groups may focus discussions on entitlement programs, the tax system, American health care costs, etc.

Trained Moderators and Records lead the discussions. Participants are given a set of background materials and then participate in a discussion about the issue. At the end of the discussion, each group recommends a set of solutions to the issue being discussed. The recommendations agreed on in the group are then passed along to lawmakers.

Why focus on the nation's fiscal future?

Our nation is in serious fiscal trouble. It will take this generation of young people to put our fiscal house in order. With the passage of health care legislation, the Troubled Assets Relief Program (TARP), and the Recovery Act (or stimulus), and a new White House commission on our nation's fiscal future, as there is no better time than now to focus on balancing the national budget and implementing responsible fiscal practices.

How do I recruit participants of all ages to participate in the Intergenerational Dialogue?

Community members are often enthusiastic participants in campus events. Because the nation's fiscal future is a topic that is receiving quite a bit of press and attention, many people will be drawn to the event because it will give them an opportunity to discuss this important issue. To recruit a diverse age group, it is important to flier and promote directly to various community organizations such as churches, area high schools, youth organizations, super markets, Rotary and Lions Clubs, etc.

How do I raise money for the Intergenerational Dialogue?

Oftentimes, business leaders and community members are eager to support the work of a student-led initiative on campus. Please use the Marketing and Fundraising Guide to help raise money and support for your event.

How do I promote the Intergenerational Dialogue?

In this age of online engagement, it is important to use both an online and paper promotion strategy. Members of older generations often don't use the Internet and computers as much as younger generations. Therefore, it is important to use a combination of both online and paper outreach strategies. Please use the Marketing and Fundraising guide to help promote your dialogue and recruit participants.