



CONTACT:

Trey Ditto – KCSA Strategic Communications
tditto@kcsa.com or 212-896-1248

**COMEBACK AMERICA INITIATIVE, STANFORD UNIVERSITY MASTERS
STUDENTS ANNOUNCE SOVEREIGN FISCAL RESPONSIBILITY INDEX
INDEX RANKS SOVEREIGN COUNTRIES BASED ON A COMPREHENSIVE SET OF
FISCAL ISSUES**

**UNITED STATES RANKS 28 OUT OF 34, HEADING TOWARD ITS OWN FISCAL
CRISIS ABSENT A CHANGE IN COURSE**

Washington, DC - Wednesday, March 23, 2011 - Today, the Comeback America Initiative (CAI), a non-partisan organization dedicated to fostering a national discussion around fiscal challenges and solutions, in partnership with Master's students from Stanford University's Public Policy and International Studies Programs, announced the findings of its Sovereign Fiscal Responsibility Index (SFRI), a new fiscal indicator that incorporates a wide range of fiscal, economic and political factors into ranking a country's fiscal responsibility and sustainability. According to the indicator, out of the 34 sovereign countries studied, Australia ranks number one while America sits near the bottom at number 28.

"Our fiscal index provides unique and useful insight into the fiscal sustainability of countries across the globe by incorporating a wide range of important factors," said David M. Walker, the Founder and CEO of the Comeback America Initiative. "It is clear that there is great potential for a fiscal crisis in many countries, including the United States, if they don't start addressing the structural deficit challenges that lie ahead. The index reinforces the fact that the U.S. needs to engage in comprehensive and timely reforms to restore fiscal responsibility and sustainability and to avoid a debt crisis that would be felt around the world."

Walker continued, "The index also shows that countries that engage in dramatic and comprehensive reforms can dramatically improve their fiscal prospects. New Zealand ranks number two after engaging in such reforms in the early 1990s when it faced a currency crisis. And the U.S. ranking would improve to number eight if the Congress and the President worked together to enact fiscal reforms that had the same 'bottom line' impact as those made by the National Fiscal Responsibility and Reform Commission."

The SFRI is the result of a Master's Thesis project completed by a team of Stanford University graduate students under the guidance of the Hon. David M. Walker, the former Comptroller General of the United States. The SFRI incorporates both quantitative and qualitative metrics, based on several authoritative sources, including the International Monetary Fund (IMF), to define 'fiscal responsibility' and carry out cross-country comparisons. Specifically, this index was intended to illustrate where the United States is, where it is headed, and how it compares to other nations in the area of fiscal responsibility and sustainability.

Alex Maasry, Stanford team member said, "For many years, people have argued that U.S. government debt is the safest investment out there. Similar arguments were used until 2008 for AAA companies and home prices. We need to understand as a country that while one cannot predict a fiscal crisis, it could be just a few years away if we do not act soon. I was stunned as our team conducted our analysis to find that in only two to three years, the U.S. overall fiscal score will be the same as Ireland or Portugal today."

"On the other hand, to see the progress of Australia, New Zealand and emerging markets like Brazil and Mexico was great. Through disciplined spending and legal reforms, these countries have put themselves on solid ground. It shows that countries can change their future through political will. I hope that the United States acts before we hit a painful crisis, rather than after."

Findings

The SFRI found that the most fiscally responsible countries are not the ones one would generally expect, including Australia and New Zealand as the front runners. Four of the top 10 in this index are emerging markets. Not surprisingly, Portugal, Italy, Ireland, Greece, Spain and Japan are ranked near the bottom of the list.

The United States is ranked number 28 out of the 34 countries analyzed. Assuming no reforms are made, the study found that the United States will hit its debt ceiling in 2027 - 16 years from now. However, the U.S. is set to enter the fiscal danger zone in two to three years and a debt crisis could come suddenly thereafter. Importantly, the students and Walker agreed to re-analyze the United States, inserting the proposals from President Obama's National Fiscal Responsibility and Reform Commission, and the U.S. moved up 20 spots to number eight.

Methodology

The definition of fiscal responsibility in this study involves three factors: a government's current level of debt (Fiscal Space), the sustainability of government debt levels over time (Fiscal Path), and the degree to which governments act transparently and are accountable for their fiscal decisions (Fiscal Governance). These three factors were taken into account when assigning countries' SFRI rankings.

Fiscal Space refers to the additional amount of debt that a country could theoretically issue before it is virtually certain to have a fiscal crisis. The calculations for a country's Fiscal Path are based on IMF data about future government spending patterns - these numbers are used to project future levels of debt until the year 2050. Lastly, Fiscal Governance weighs equally fiscal rules, fiscal transparency and the enforceability of said rules to determine how effective the current methods of maintaining fiscal responsibility are.

SUMMARY

According to Walker, "All Americans, especially federal elected officials, should be embarrassed by how low the United States ranks in the new CAI and Stanford developed Sovereign Fiscal Responsibility Index. Importantly, the nation's SFRI ranking would improve dramatically if policymakers adopted reforms that have the same fiscal impact as the National Fiscal Responsibility and Reform Commission's recommendations. It's time for the President and the Congress to seriously consider the Commission's work and come together to resolve short-term spending levels, and much more importantly, agree on appropriate terms for increasing the debt ceiling limit."

To download the SFRI materials and for more information on the Comeback America Initiative, visit: www.tcail.org.

ABOUT CAI

The Comeback America Initiative is a non-profit organization that promotes fiscal responsibility and sustainability by engaging the public and assisting key policymakers on a non-partisan basis in order to achieve solutions to America's fiscal imbalances. CAI's goal is to foster a national discussion around the themes in the book "Comeback America," with an emphasis on various specific policy, operational and political reforms to put government on a more prudent, sustainable and accountable fiscal path. The organization's primary focus is federal fiscal issues; however, it will also highlight the larger national fiscal challenge and engage in certain reform initiatives in selected states (e.g., Connecticut) and cities (e.g., Bridgeport, CT).

#