



Written by [Steven J. DuBord](#) on September 3, 2008

I.O.U.S.A. How Much?!

"Wake up America! We're on the verge of a financial meltdown," screams the website promoting *I.O.U.S.A.*, a documentary that examines the rapidly growing national debt and the resulting consequences for the U.S. government and its citizens. For example, as the Baby Boomer generation reaches retirement age, will there even be any Social Security and Medicare benefits left to collect? Burdened with an ever-expanding government and military, increased international competition, overextended entitlement programs, and debts to foreign countries that will become increasingly difficult to honor, *I.O.U.S.A.* makes the case that America must mend its spendthrift ways or face an economic disaster of epic proportions. This is because the U.S. government has been unable to contain its spending only to what has been raised through taxation, and unfunded future liabilities total more than \$50 trillion.



I.O.U.S.A. is director Patrick Creadon's second documentary and had its World Premiere at the 2008 Sundance Film Festival in the American Documentary Competition. Creadon's directorial debut, *Wordplay*, is a documentary film about the *New York Times* crossword editor and National Public Radio personality Will Shortz. *Wordplay* became only the fourth documentary ever to be awarded the "Golden Tomato" from Rottentomatoes.com for "Best Reviewed Documentary of the Year." Previous winners of this award were *Spellbound*, *Supersize Me*, and *March of the Penguins*.

So, we know that Creadon is capable of making an entertaining film, as well as an informative one. After its Sundance Film Festival screening, Reuters reported that *I.O.U.S.A.* "may be to the U.S. economy what *An Inconvenient Truth* was to the environment." However, while Al Gore's film relied on deceptive charts, misleading arguments about cause and effect, and computer models that have been shown to be notoriously unreliable, *I.O.U.S.A.* relies on data that can't be massaged to give any result we might want. The Baby Boomers are real, and they are not going to die en masse before retirement. If anything, history shows that future projections of government spending have habitually underestimated the ultimate costs of federal entitlement programs.

The inspiration for *I.O.U.S.A.* is a book published in 2006 entitled [Empire of Debt: The Rise of an Epic Financial Crisis](#), by Bill Bonner and Addison Wiggin, which warned about the state of the American Empire. Their review of history, going back thousands of years, shows that running an empire is a disastrously expensive business. Since President Woodrow Wilson pledged to make the world "safe for democracy," U.S. government policy has gradually shifted to pursue an imperial role. We have abandoned the virtues of personal liberty, economic freedom, and fiscal restraint, while the federal



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government has gained control of public life and the economy. The result has been excessive consumption, unrestrained deficit spending, and reckless military adventurism, causing the nation to slip towards financial ruin.

It is perhaps ironic that director Creadon has gone from *Wordplay* to a movie full of numbers, but *I.O.U.S.A.* does a superb job of explaining the various aspects of the nation's deficit, and how and why the issue is so important. It does so by following former-Comptroller General David Walker and activist Robert Bixby (executive director of the Concord Coalition) on a cross-country "Fiscal Wake-Up Tour" to talk to the American people about the country's debt problem. We watch them as they reveal the alarming message about America's four major deficits:

Federal Budget Deficit: At present, the public debt, including unfunded future liabilities, stands at a staggering \$53 trillion, which breaks down as follows:

- \$11 trillion: Treasury debt (e.g., bonds) of which 44% is held by foreigners.
- \$7 trillion: Social Security obligations.
- \$34 trillion: Medicare obligations (including \$8 trillion for the new prescription drug plan, which we originally were told was going to *save* money!).
- \$1 trillion: Miscellaneous.

Savings Deficit: Americans now spend more than their income, fueling their consumption binge by taking on ever more credit card debt. The last time Americans had a negative savings rate was during the early years of the Great Depression.

Trade Deficit: Warren Buffett narrates an animation of two island nations, "Thriftville" and "Squanderville," to demonstrate how a nation that consumes more than it produces eventually runs out of assets to sell to support its spending habits. Our biggest trade deficits are with China, Japan, oil-producing countries, Canada, and Mexico. (It's interesting to note that the North American Free Trade Agreement was sold to Americans as a pact that would improve our trade balances with our two neighbors!)

Leadership Deficit: Our leaders and representatives lack the political will to enact long-term solutions, because they are not rewarded for making the required tough choices. As Warren Buffett puts it, "This is what happens when the policy cycle is longer than the electoral cycle." Politicians will say and do whatever is necessary to get elected, and voters are gullible enough to accept the unrealistic claims that they can simultaneously have lower taxes and more benefits.

Despite the serious subject matter, Creadon presents a number of amusing vignettes of man-on-the-street interviews and college demonstrations, which serve to highlight the public's incredible ignorance of the topic under discussion. There are also scenes from a funny *Saturday Night Live* skit, starring Steve Martin and Amy Poehler, about a single-page self-help book that has only one piece of advice: "Don't spend money you don't have!" And then there is the clip of Texas Congressman Dr. Ron Paul questioning Federal Reserve Chairman Alan Greenspan and telling him that, if a physician had the same success rate in meeting his goals as the Fed did, patients would die. The audience I was sitting with broke out in laughter, as they witnessed everyone on screen just staring at each other, dumbfounded.

As a congressman, Ron Paul has voted consistently against big-spending unconstitutional programs. But some of the other "stars" in the movie, including Alan Greenspan, are not known for their fidelity to the Constitution or sound money. As chairman of the Fed, Greenspan oversaw a massive expansion of the



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money supply to finance government debt.

Unfortunately, *I.O.U.S.A.* comes up short on solutions. Those offered sound glib and unconvincing, given the enormity of the problem. Here's a sampling:

- Save more.
- Reduce oil consumption.
- Only buy what you can afford.
- Register and vote, to hold politicians accountable.
- Get your money's worth from healthcare spending.

As a result, there is a serious risk that viewers will come away with the impression that the whole crisis is not only depressingly insurmountable, but also quite abstract and academic in relation to their daily lives. The one-hour town hall discussion following the movie was less vague regarding solutions, but that discussion should raise red flags (see sidebar).

One aspect of *I.O.U.S.A.* that should also raise some eyebrows is that it was funded by the Peter G. Peterson Foundation. Mr. Peterson became chairman of the Council on Foreign Relations (CFR) in 1985, when he took over from David Rockefeller. Peterson retired from that position in 1997, but maintains close ties to the Rockefeller family. It's also odd that Robert Rubin would figure prominently in a movie about containing the national debt, given that he was instrumental in addressing various international crises as Treasury Secretary during the Clinton administration. Thanks to Rubin, it was American taxpayers who ultimately made possible tens of billions of dollars in loan guarantees to Mexico, Russia, and various countries in Asia and Latin America. And in 2007, Rubin became co-chairman of the CFR. One has to wonder what is motivating these people, since their track record would not seem to indicate that it is altruism!

Nevertheless, you owe it to yourself to see this movie.



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