STRENGTHENING
of AMERICA
our children’s future
America is on an unsustainable fiscal trajectory.

Debt Held by the Public, as a Percent of GDP, 1790-2050

Source: OMB historical data and GAO Alternative Fiscal Scenario (GAO, 2012)
A rising debt burden means that rising interest costs will crowd other spending out of the federal budget.

> On our current path, by 2022 interest costs will exceed national defense spending.

Source: CBO Alternative Fiscal Scenario (CBO, 2012)
Social Security, Medicare, Medicaid and Interest Consume All Federal Revenues in Less Than 15 Years

Major Entitlement Programs and Interest, as a Percentage of Revenues, 2015-2025

Social Security, Medicare and Medicaid will dwarf “discretionary spending” on everything from national defense to the national parks.

Entitlements and Discretionary Spending, as a Percent of Non-Interest Outlays, 1965-2030

Source: CBO  historical data and  CBO Alternative Fiscal Scenario (CBO, 2012)
The first force behind rising entitlement spending: The dramatic aging of America’s population.

Percentage Change in the Increase in Working-Age and Elderly Population, 2010-2030

- Increase in Working Age: 10%
- Increase in Americans Aged 65 and Over: 79%

Source: U.S. Census Bureau (2008)
The second force behind rising entitlement spending: U.S. health-care costs two times faster than other industrial countries.

Health Care Costs Growing Faster than the Economy and Inflation, by Country, 1982-2007*

*Excess cost growth is the growth in age-adjusted per capita spending minus the growth in per capita GDP.

Source: OECD Health Data (2010) and CSIS calculations
The effect on federal budget of aging and excess cost growth is why health entitlements are growing.

Spending on Major Entitlement Programs, as a Percent of GDP, 2012-2040*

*Includes CHIP and exchange subsidies

Source: CBO Alternative Fiscal Scenario (CBO, 2012)
Fantasy 1: Can we save enough in the rest of the budget to pay for the projected growth in entitlements?

Entitlements and Discretionary Spending, as a Percent of GDP, If the Projected Growth in Entitlement Spending Is Paid for Entirely by Cutting Discretionary Spending, 2012-2050

*Social Security, Medicare, Medicaid, CHIP, and exchange subsidies

Source: CBO Alternative Fiscal Scenario (CBO, 2012) and CSIS calculations
Fantasy 2: Can we raise taxes enough to pay for the projected growth in entitlements?

Required Percentage Increase in the Income Tax Burden for Different Groups of Taxpayers If the Projected Growth in Entitlements from 2010 to 2030 is Paid for Entirely by Raising Income Taxes

Source: CBO Alternative Fiscal Scenario (2012) and CSIS calculations
A budget plan that saves $4 trillion over the next decade is the minimum required to stabilize America’s debt.

Federal Deficit under Alternative Budget Scenarios, in Billions of Dollars, 2012-2022:
CBO Alternative Fiscal Scenario versus Illustrative Reform Plan with $4 Trillion in Savings

<table>
<thead>
<tr>
<th>Year</th>
<th>CBO Alternative Fiscal Scenario</th>
<th>Illustrative Reform Plan</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>$10.0 trillion cumulative deficit</td>
<td>$5.9 trillion cumulative deficit</td>
</tr>
<tr>
<td>2022</td>
<td>$12.1 trillion cumulative deficit</td>
<td>$6.9 trillion cumulative deficit</td>
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</tbody>
</table>

$4.1 trillion in cumulative savings

Debt Held by Public, as a Percent of GDP

<table>
<thead>
<tr>
<th>Source: CBO Alternative Fiscal Scenario (CBO, 2012) and Concord Coalition calculations</th>
<th>2012</th>
<th>2022</th>
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</thead>
<tbody>
<tr>
<td>CBO Projection</td>
<td>72.8%</td>
<td>89.7%</td>
</tr>
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</table>
Over the next few decades, health benefit programs will be the primary driver of growing deficits and debt.

Growth in Federal Outlays by Type, as Percent of GDP, 2012-2050

- Health Benefit Programs*
- Social Security
- Discretionary Spending

* Includes Medicare, Medicaid, CHIP, and exchange subsidies.

Source: CBO Alternative Fiscal Scenario (CBO, 2012) and Bipartisan Policy Center calculations.