



Peter G. Peterson  
Foundation

Our America. Our Future.

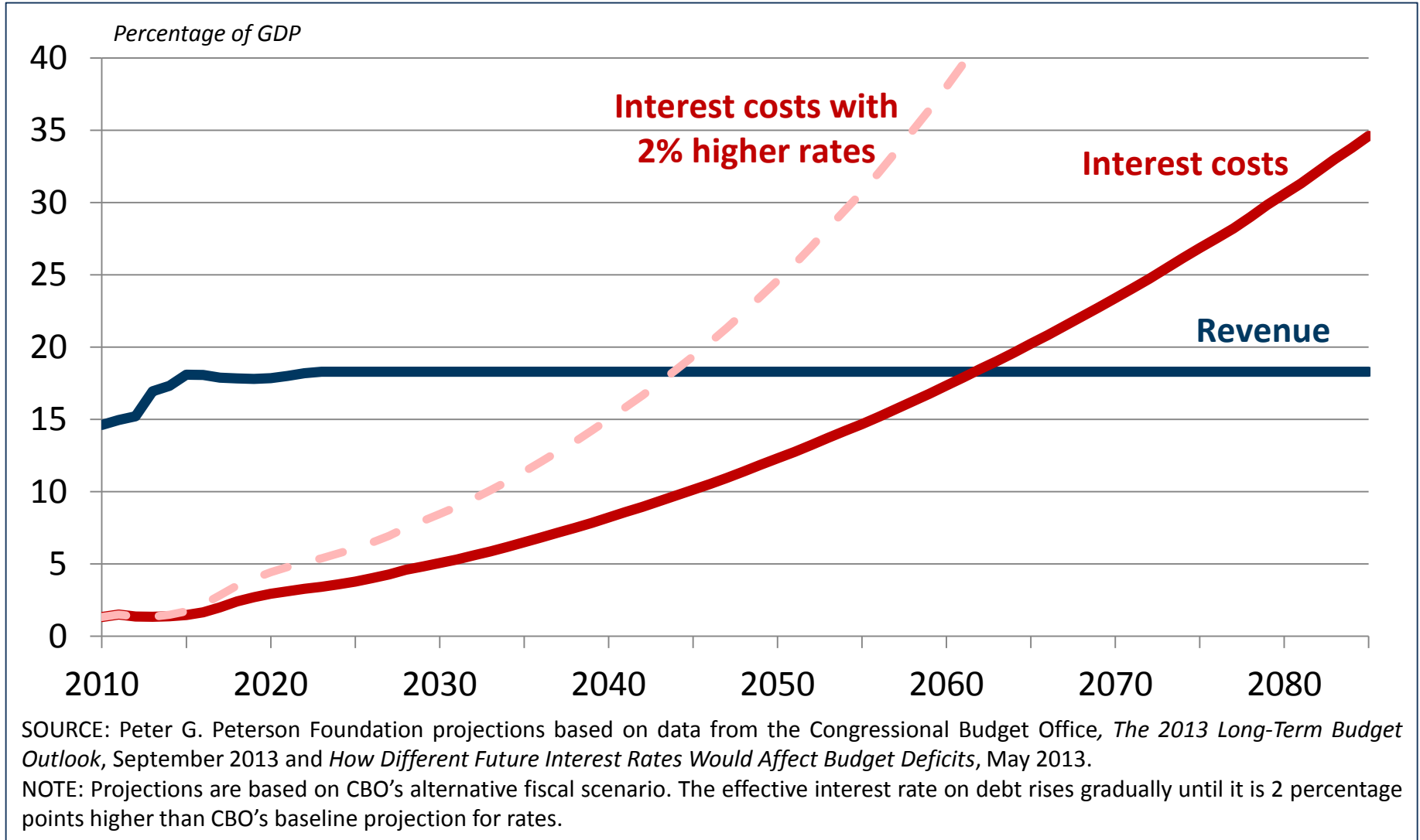
# Selected Charts on the Long-Term Fiscal Challenges of the United States

**December 2013**

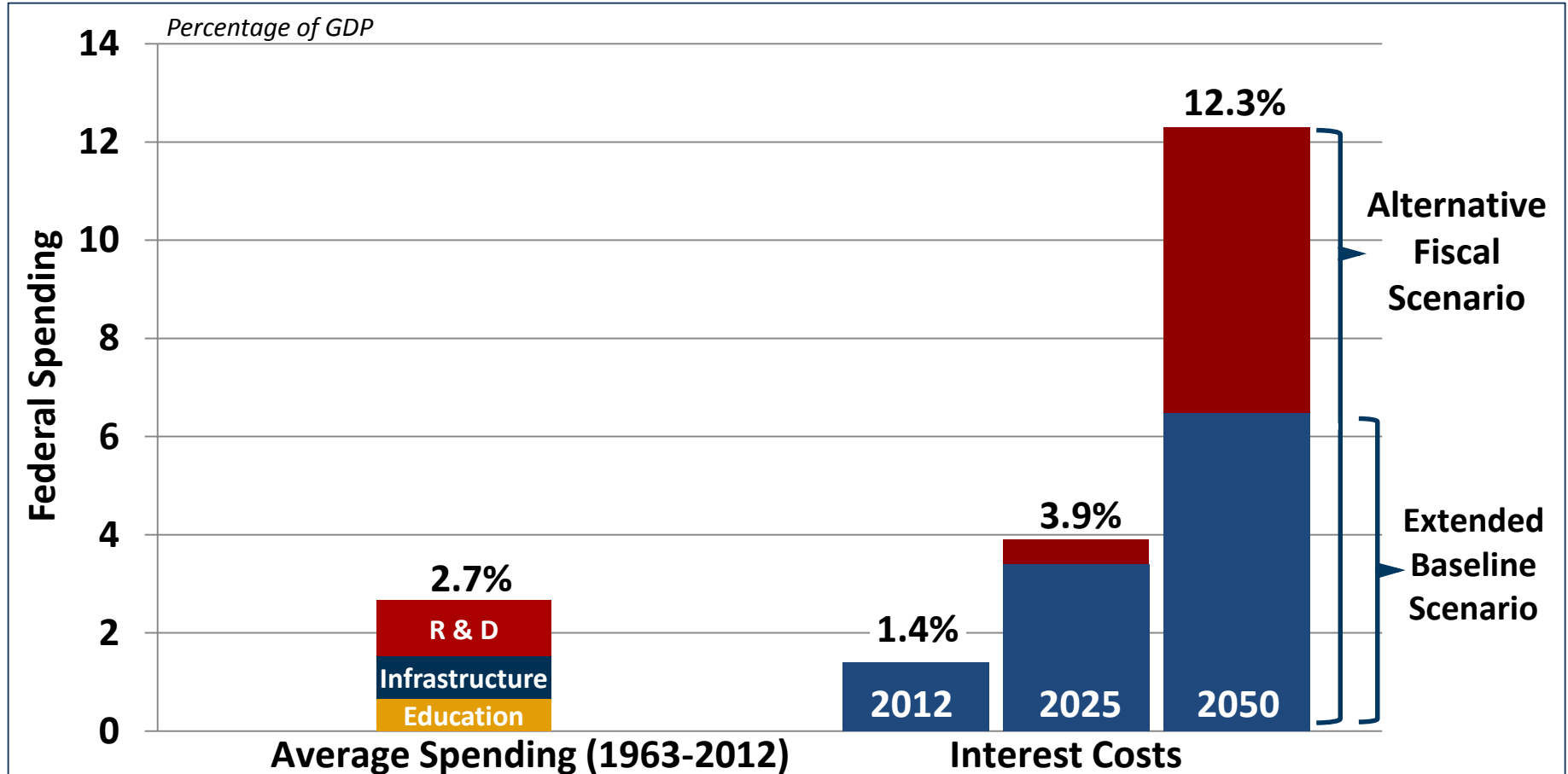
# U.S. debt is on an unsustainable path under many scenarios



By 2062, federal revenues will not cover interest payments on the federal debt, under the alternative fiscal scenario. If interest rates are just 2% higher, that will occur 18 years sooner.



By 2050, interest costs on the debt are projected to be more than four times what the federal government has historically spent on education, R&D, and infrastructure combined



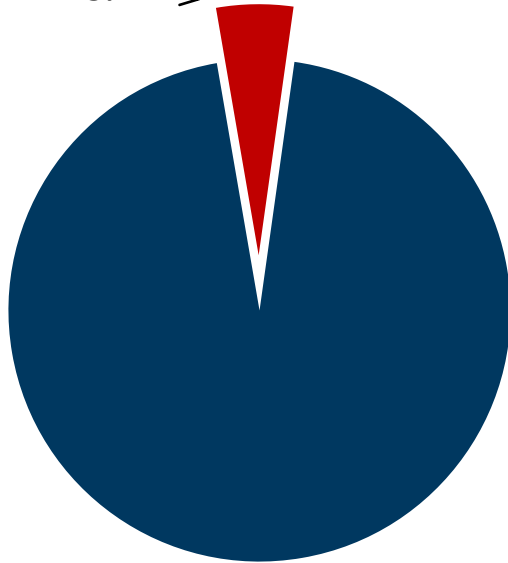
SOURCE: Data from the Congressional Budget Office, *The 2013 Long-Term Budget Outlook*, September 2013; and the Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2014*, April 2013.

NOTE: Data for the alternative fiscal scenario are PGPF projections based on CBO's alternative fiscal scenario. Infrastructure excludes defense.

# U.S. dependency on foreign lenders to finance the public debt has risen sharply

Foreign Holdings

5% →

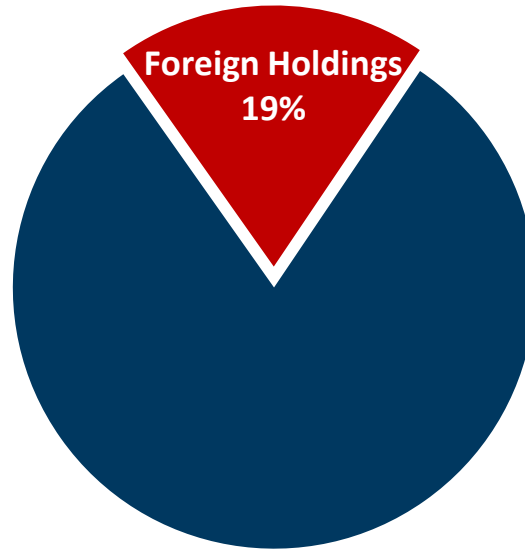


**1970**

Total Debt: \$283 billion

Foreign Holdings

19%

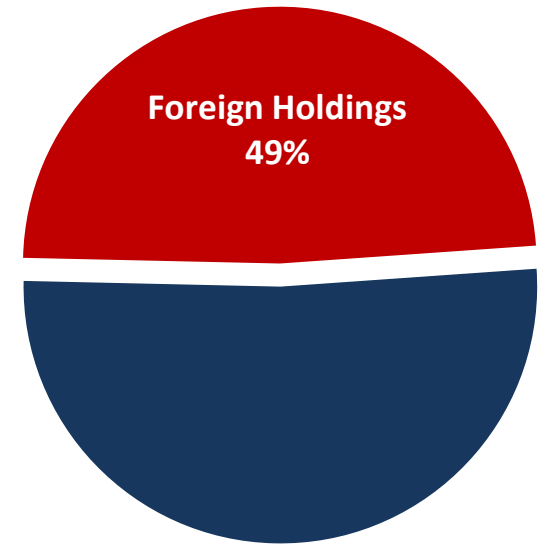


**1990**

Total Debt: \$2,412 billion

Foreign Holdings

49%

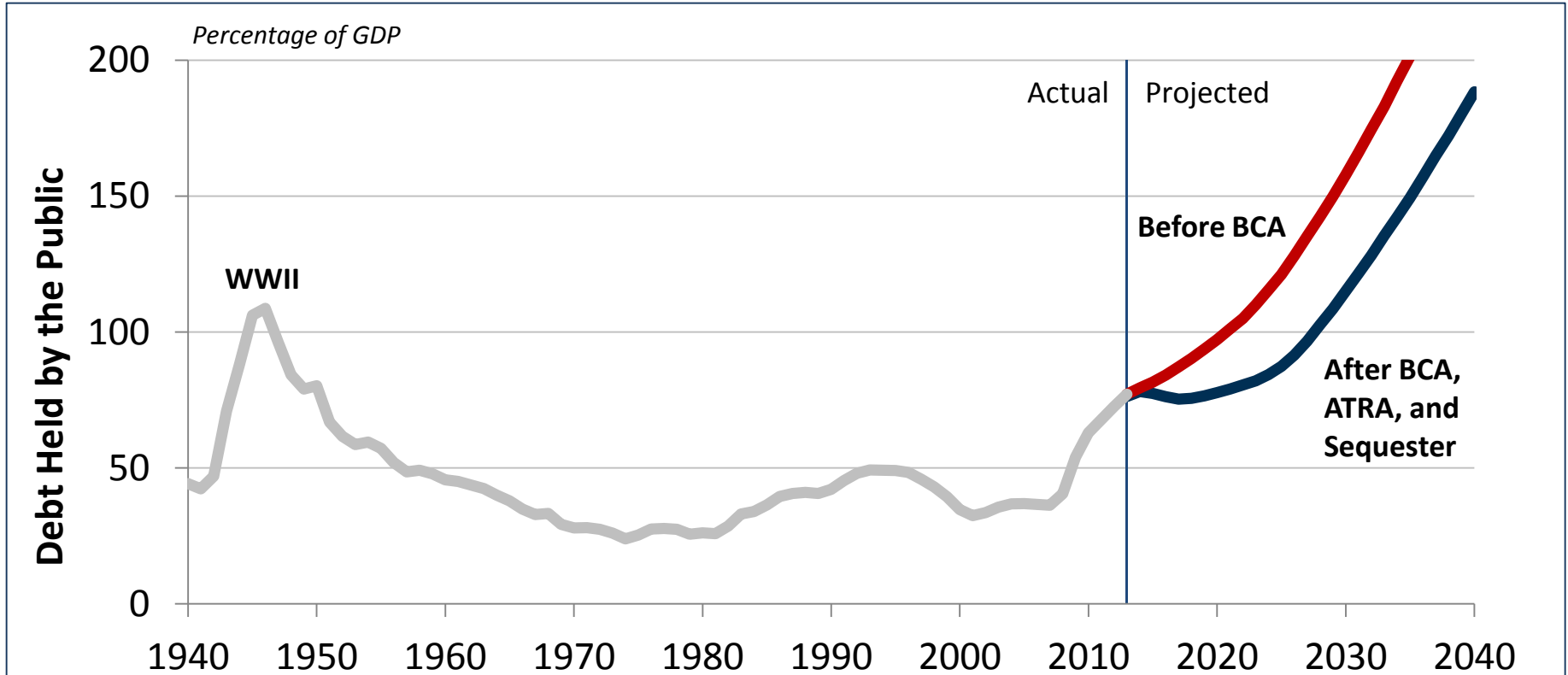


**2012**

Total Debt: \$11,281 billion

SOURCE: Data from the Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2014*, April 2013. Compiled by PGPf.

# Various policy changes since 2011 have had only a modest effect on long-term projections of federal debt under the alternative fiscal scenario

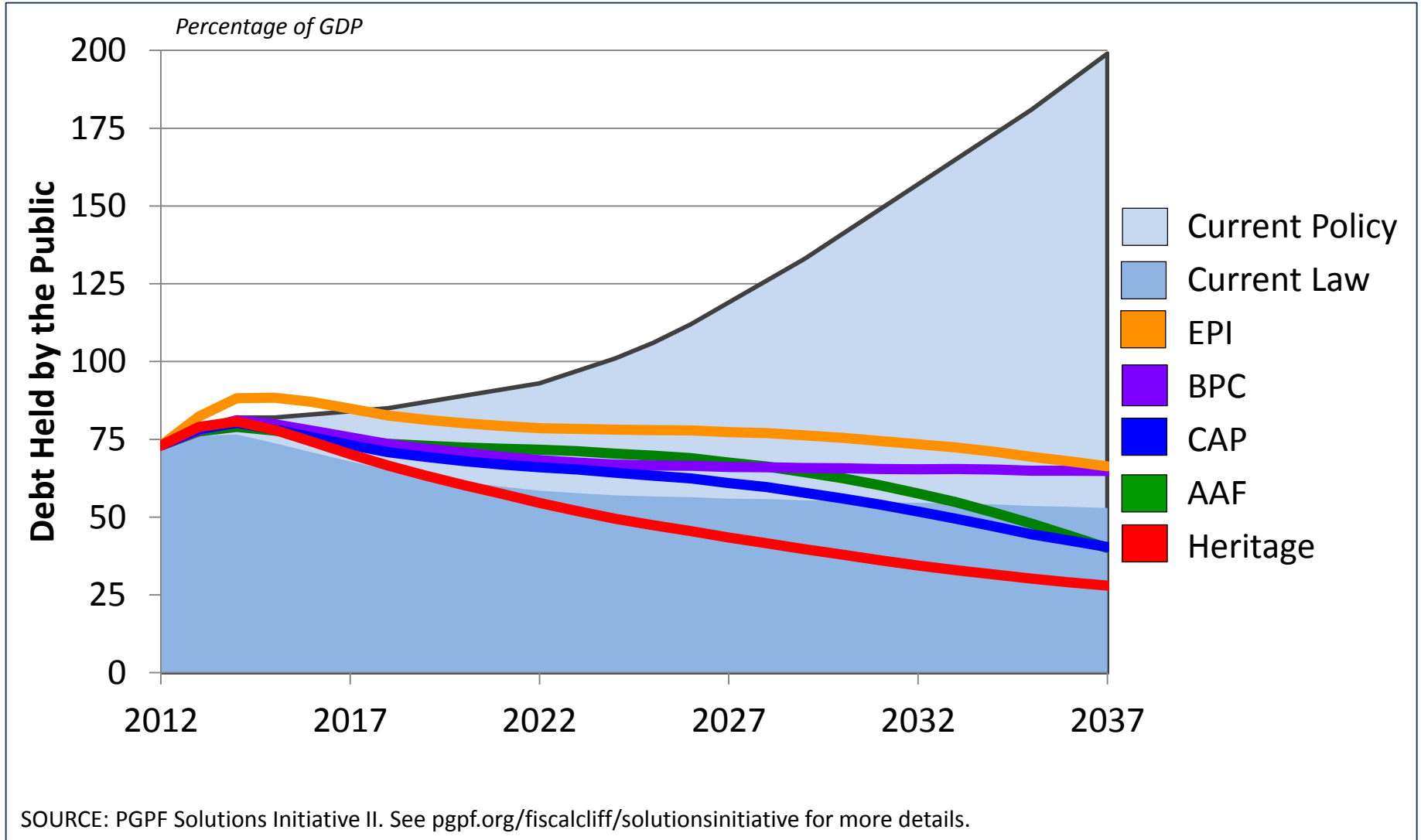


SOURCE: Peter G. Peterson Foundation projections based on data from the Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2013 to 2023*, February 2013, and *The Long-Term Budget Outlook*, June 2012.

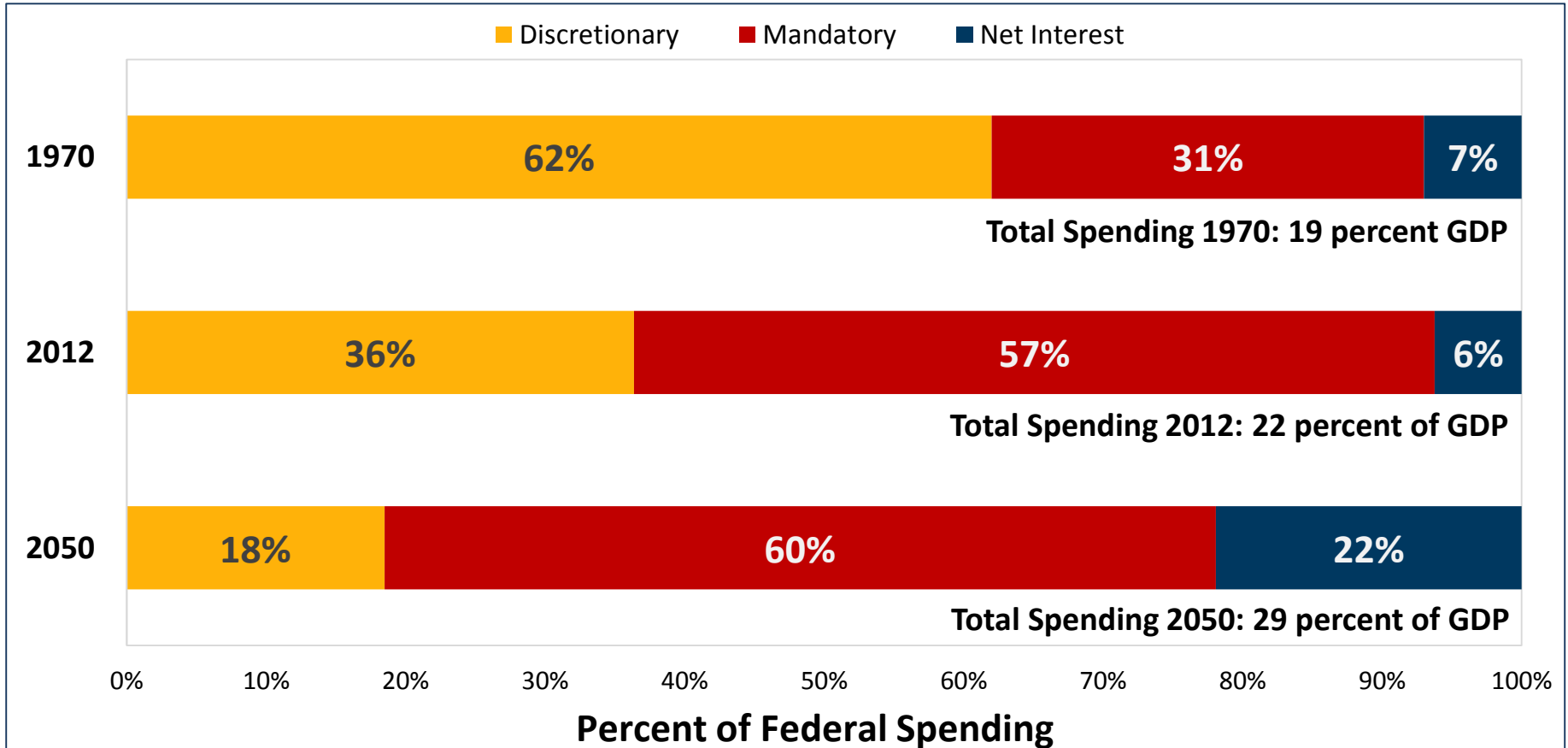
NOTE: Both projections employ the same definition of current policy and the same long-run methodology that CBO uses in its June 2012 long-term projection. The “sequester” includes the automatic reductions in spending authority in current and future years as required under law from the failure of the super-committee process.

BCA = Budget Control Act of 2011; ATRA = American Taxpayer Relief Act of 2012.

# Solutions do exist: PGPF Solutions Initiative plans from five think tanks show declining federal debt through 2037



# Mandatory programs and interest costs will be taking over more and more of the federal budget, crowding out important discretionary programs

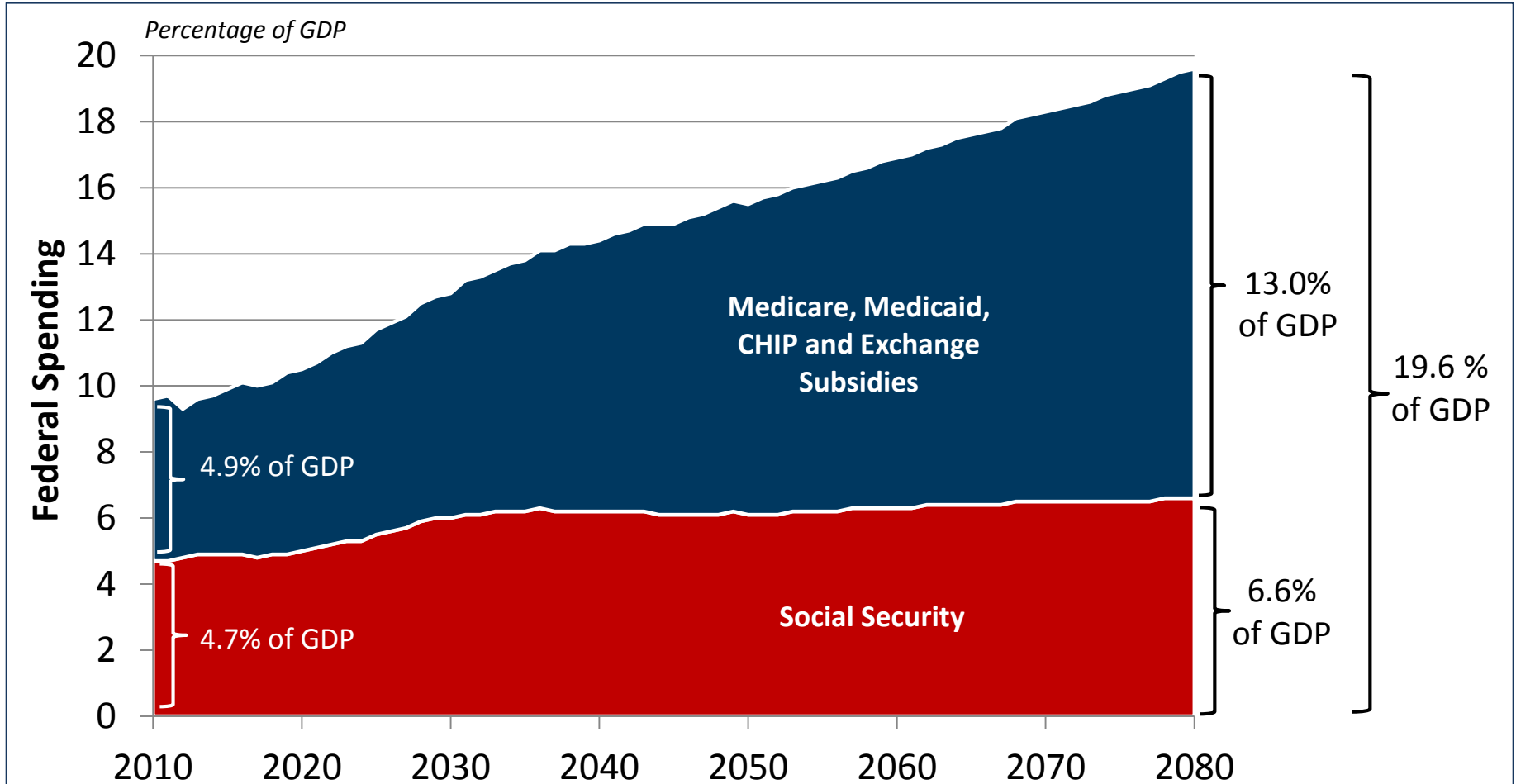


SOURCE: Data from the Congressional Budget Office, *Updated Budget Projections: Fiscal Years 2013 to 2023*, May 2013; the Congressional Budget Office, *The Long-Term Budget Outlook*, September 2013; Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2014*, April 2013; and Bureau of Economic Analysis.

NOTE: Projections are based on CBO's extended baseline scenario. GDP is based on estimates following July 2013 revision. Mandatory programs include Social Security, major federal health programs, other entitlement programs and offsetting receipts.



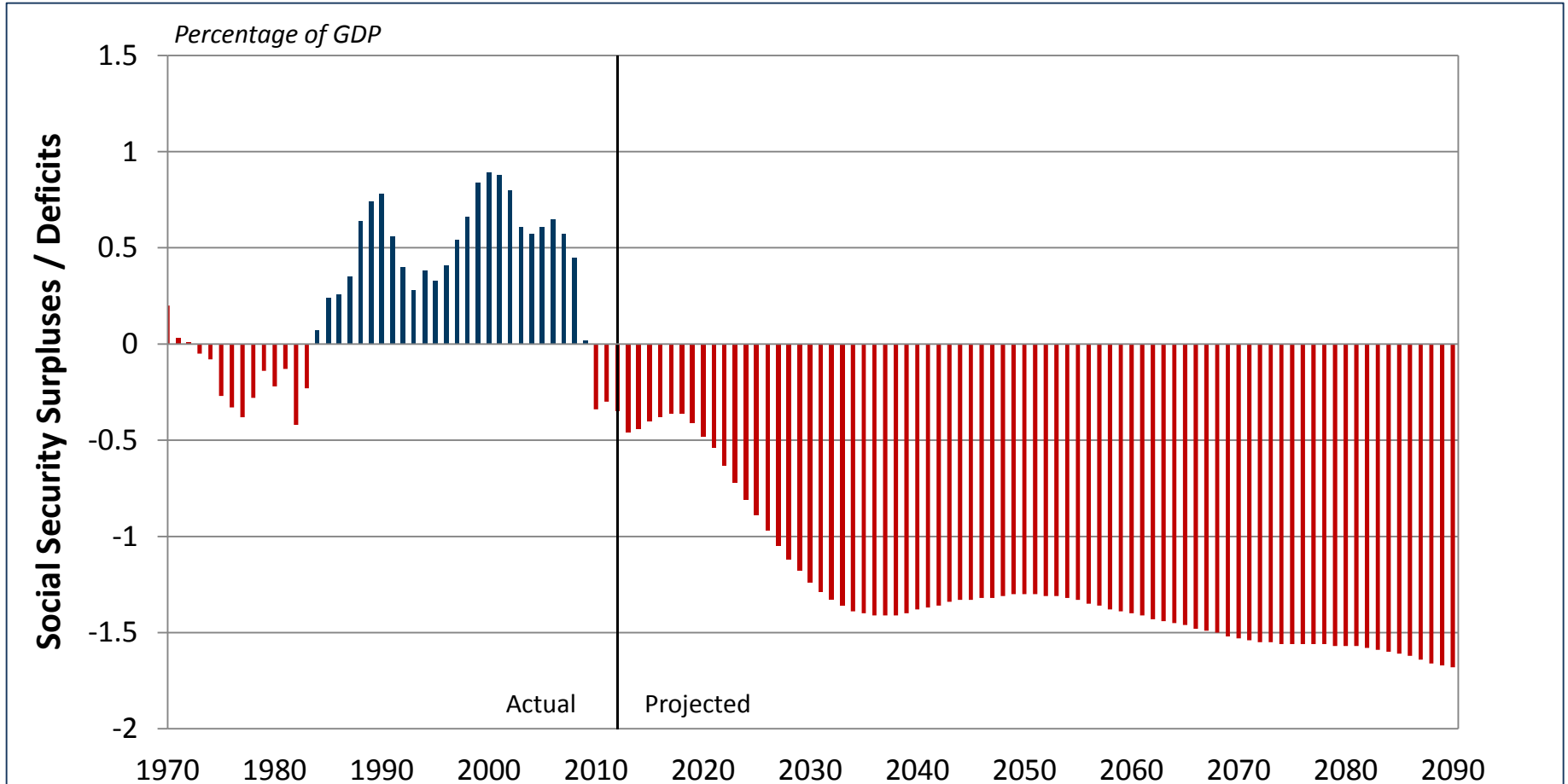
# Federal entitlement programs are projected to double as a percentage of GDP under current law



SOURCE: Congressional Budget Office, *The Long-Term Budget Outlook*, September 2013. Compiled by PGPF.

NOTE: All projections are based on CBO's extended baseline scenario. CHIP is the Children's Health Insurance Program and helps pay for health insurance for uninsured children. Eligibility for CHIP is based on household income and varies by state.

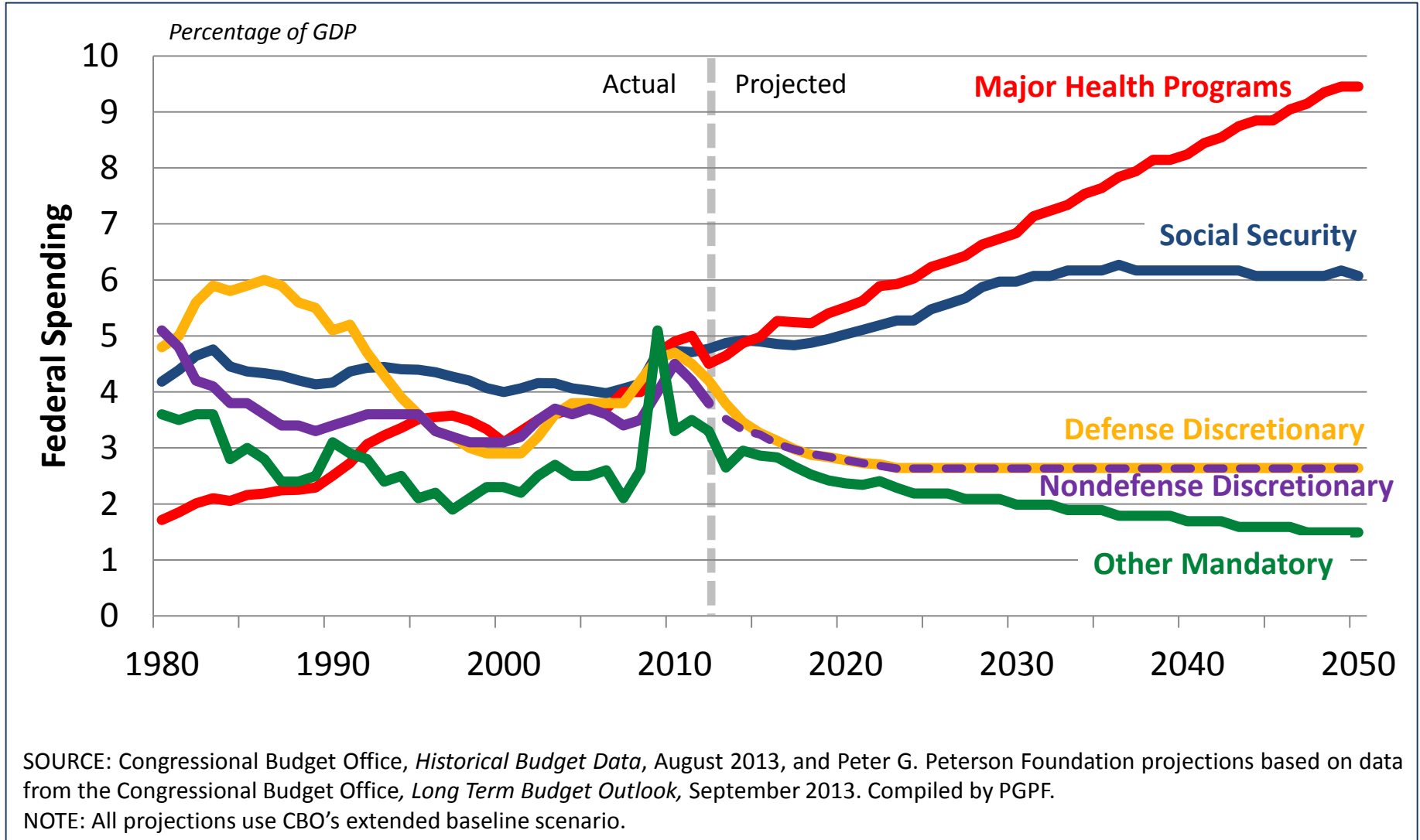
# Social Security has transitioned from annual surpluses to annual deficits



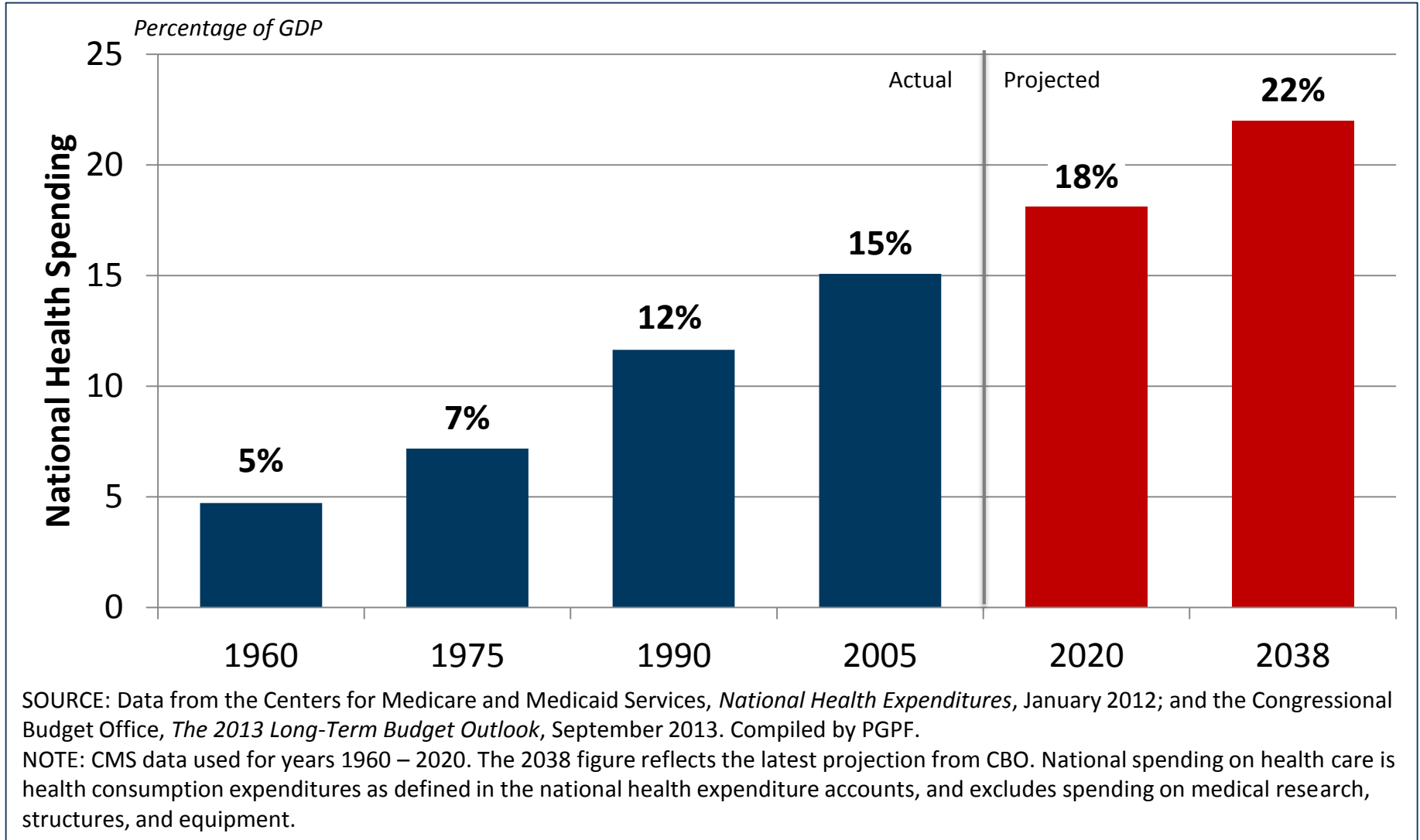
SOURCE: Data from the Social Security Administration, *The 2013 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, May 2013. Compiled by PGPF.

NOTE: Data exclude interest income. The cumulative deficit before insolvency is equal to the current value of the OASDI Trust Fund.

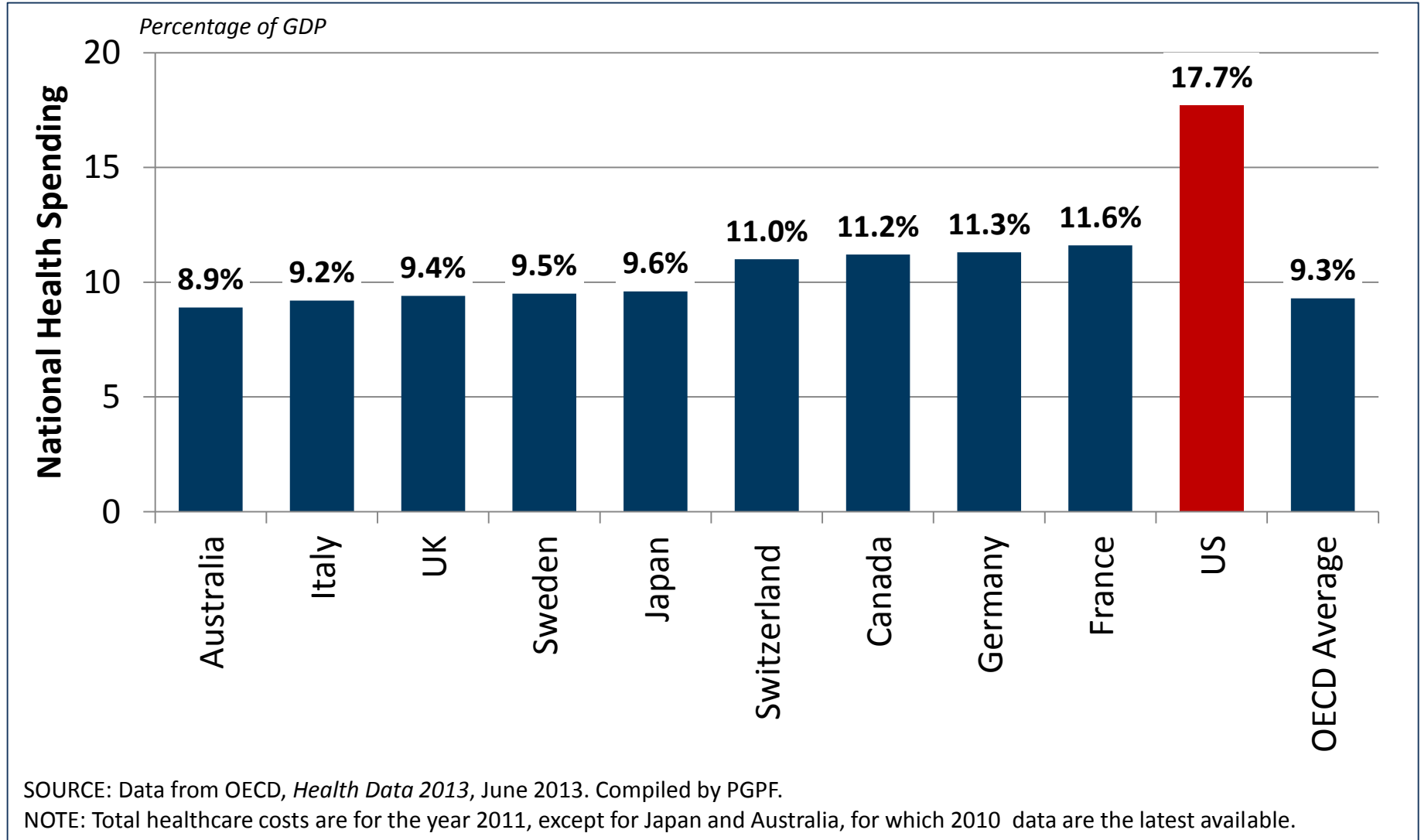
# Healthcare is the major driver of the projected federal spending growth over the long term



# Total U.S. health expenditures (both public and private) are projected to soar to nearly one-quarter of the economy by 2038



## Healthcare expenditures in the U.S. are twice those of other developed countries



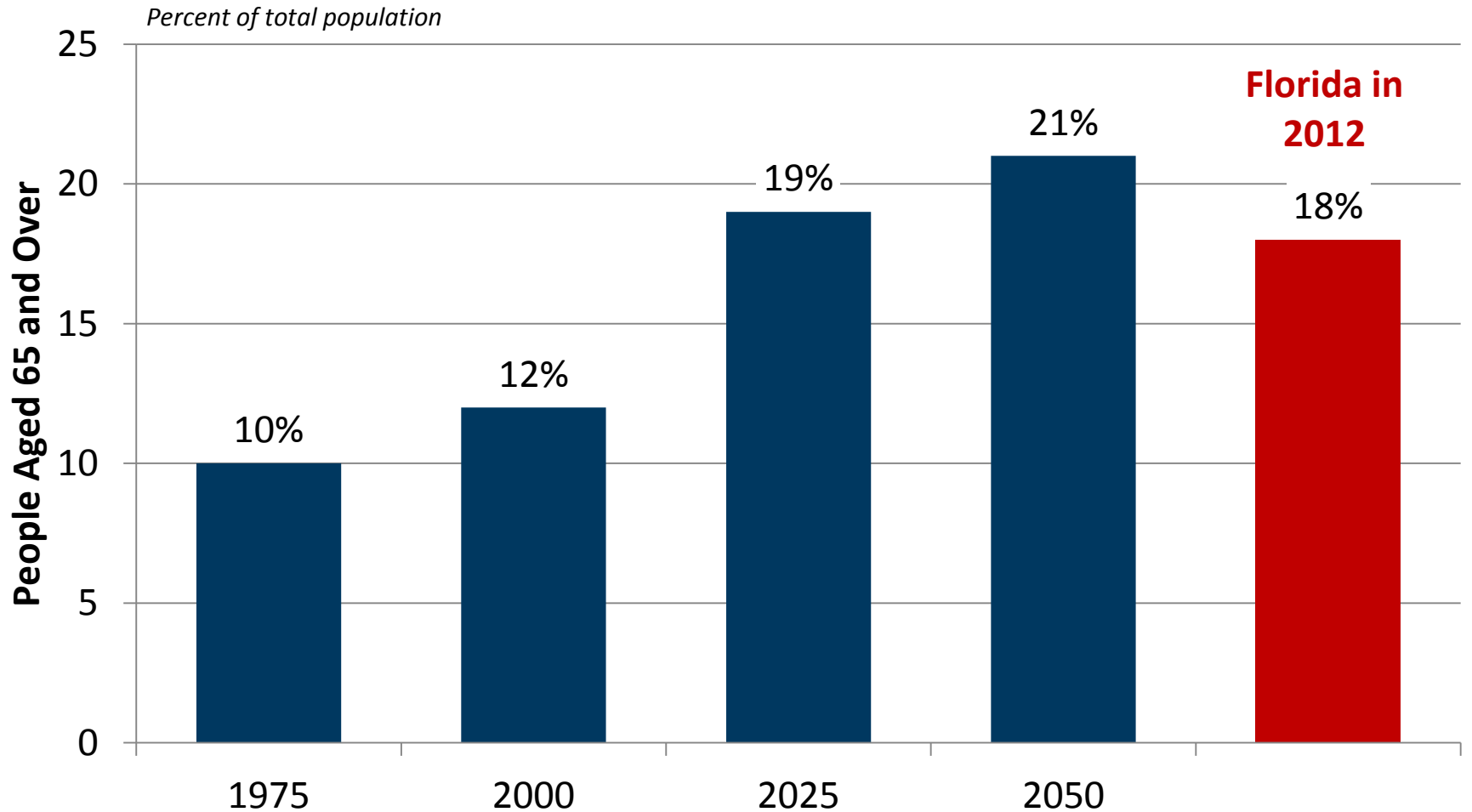
## Although the U.S. spends more on healthcare than other countries, its health outcomes are generally no better

Health Outcome	U.S. Rank (1 <sup>st</sup> is preferable)
<b>Heart Attack Fatalities</b> Deaths per 100,000 people	12 <sup>th</sup> out of 32
<b>Life Expectancy</b> Expected age of death for individuals currently age 65	
<i>Men</i>	22 <sup>nd</sup> out of 34
<i>Women</i>	25 <sup>th</sup> out of 34
<b>Infant Mortality</b> Deaths per 1,000 births	31 <sup>st</sup> out of 34
<b>Unmanaged Asthma</b> Hospital admission rates, adjusted for age and sex, per 100,000 people	27 <sup>th</sup> out of 28
<b>Surgical Complications</b> Accidental puncture or laceration, rates per 100,000	16 <sup>th</sup> out of 19

SOURCE: Data from OECD, *Health Data 2013*, June 2013.

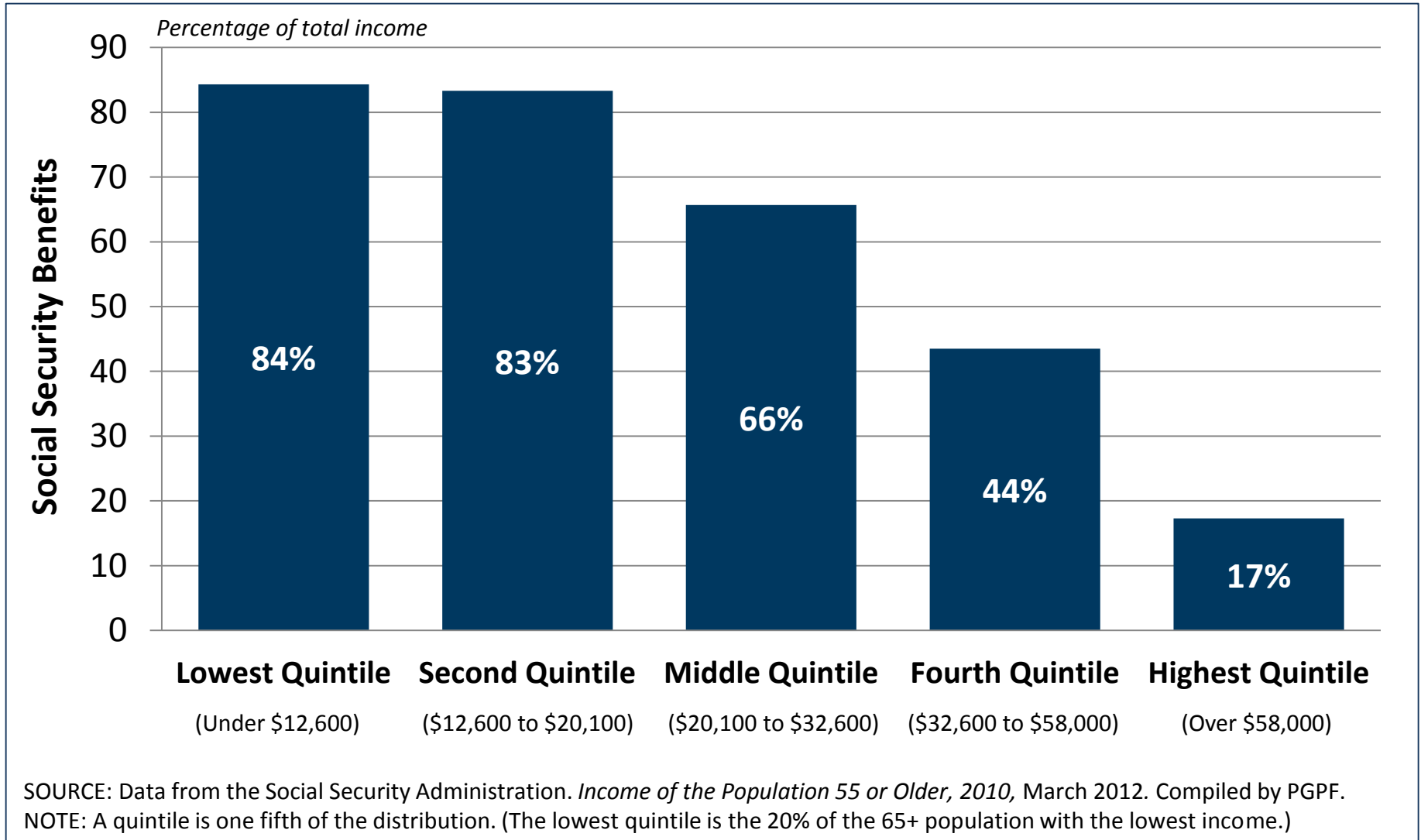
NOTE: Data for 2011 or latest available.

The population of the United States is aging rapidly. Soon we will be a nation of Floridas.



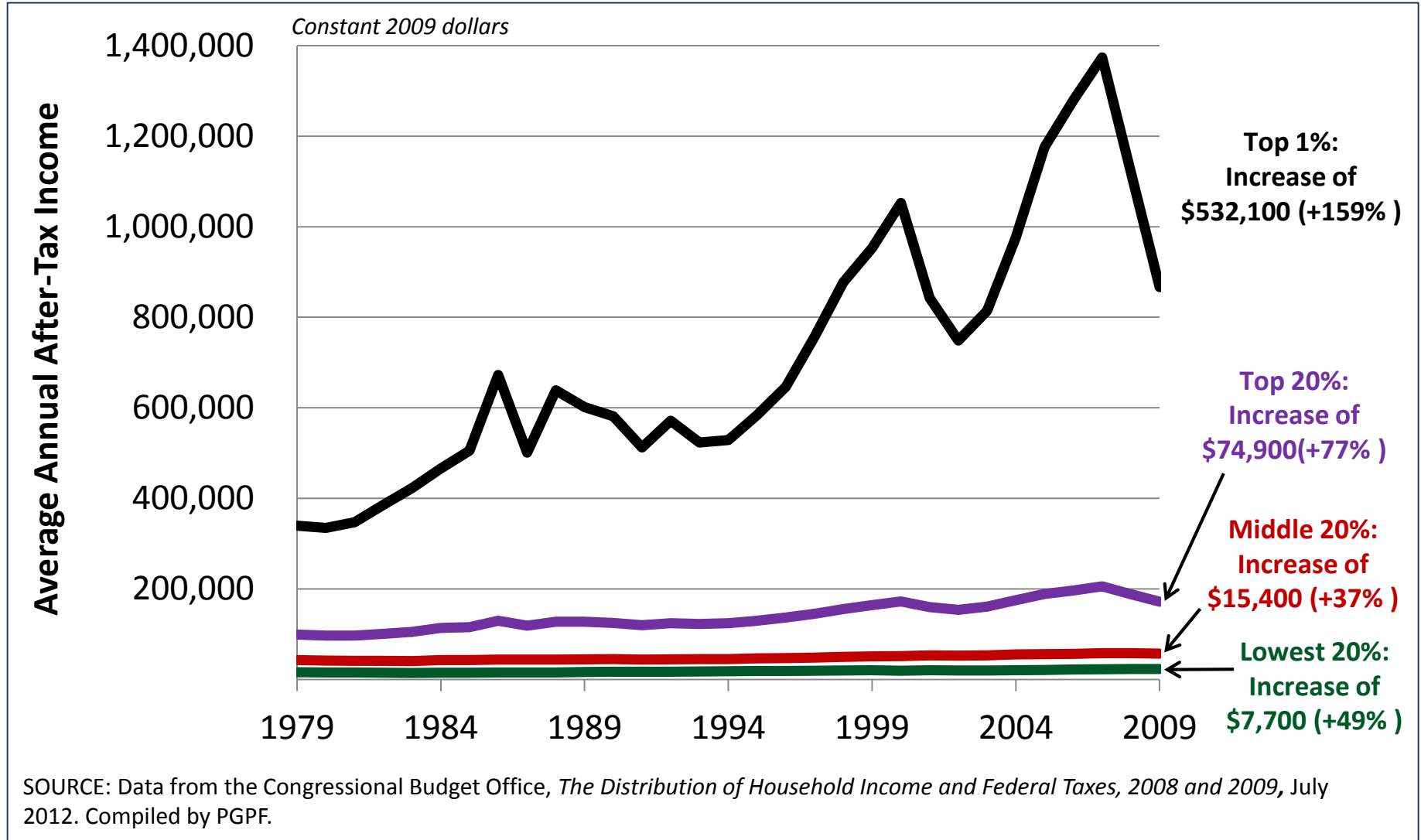
SOURCE: Data from the Social Security Administration, *The 2013 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, May 2013, and the U.S. Census Bureau. Compiled by PGPF.

## Low-income seniors rely on Social Security benefits for a major share of their retirement income

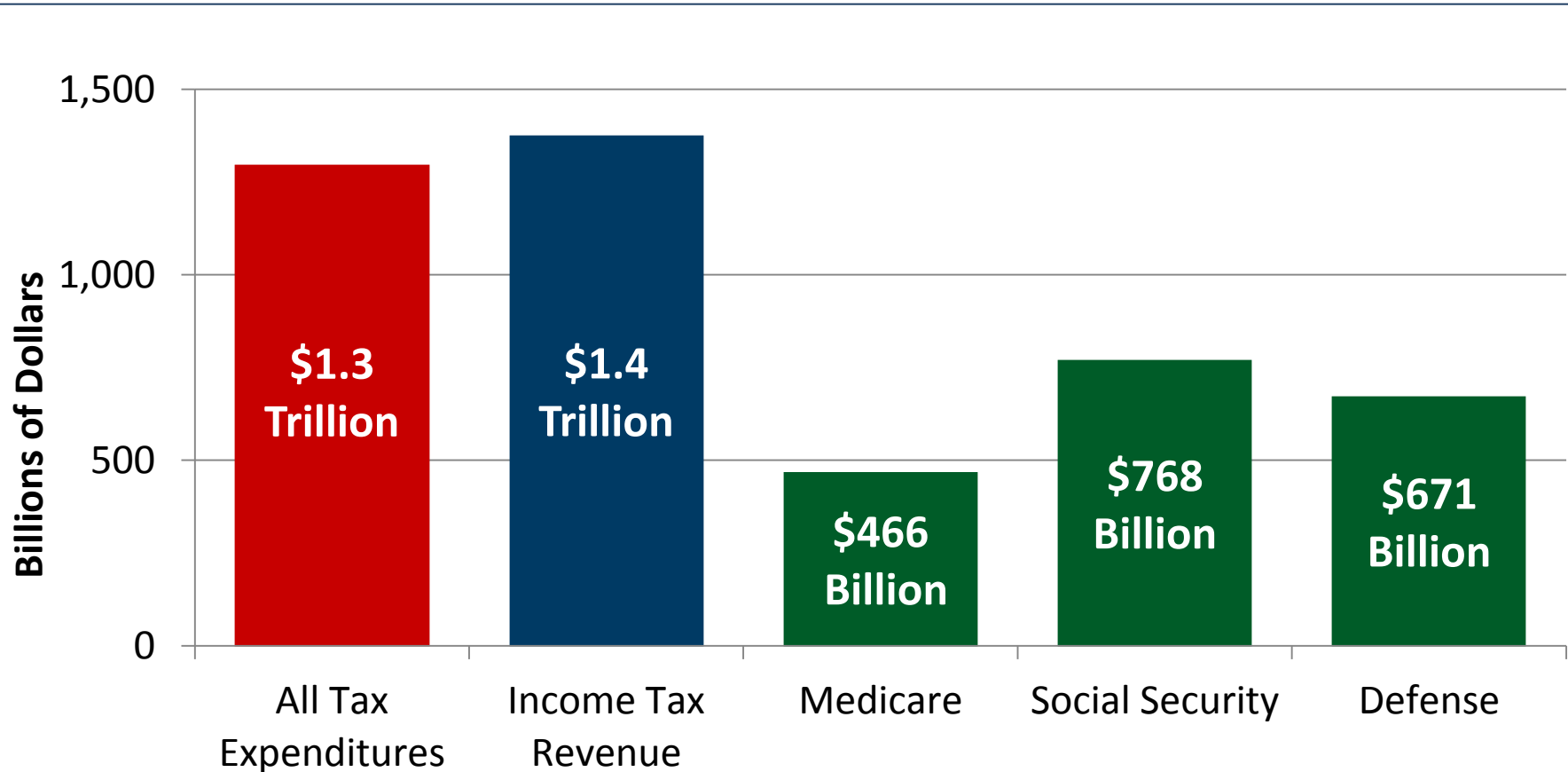




## Although the incomes of the wealthy are volatile, they have grown much faster than the income of other groups



## Corporate and individual tax expenditures—deductions, credits, and exclusions—are large in comparison to annual taxes collected, as well as to the government’s major programs



SOURCE: Data from the Congressional Budget Office, *Updated Budget Projections: Fiscal Years 2013 to 2023*, May 2013; Tax Policy Center, *How Large Are Tax Expenditures? A 2012 Update*, April 2012; and Congressional Budget Office, *Historical Budget Data*, May 2013. Compiled by PGPF.  
NOTE: Figures are for 2012. Medicare spending is net of premiums and payments from the states. Those receipts were \$85 billion in 2012. Income tax revenue includes both individual and corporate income tax receipts. Tax expenditures include the effects on outlays, payroll, and excise taxes.

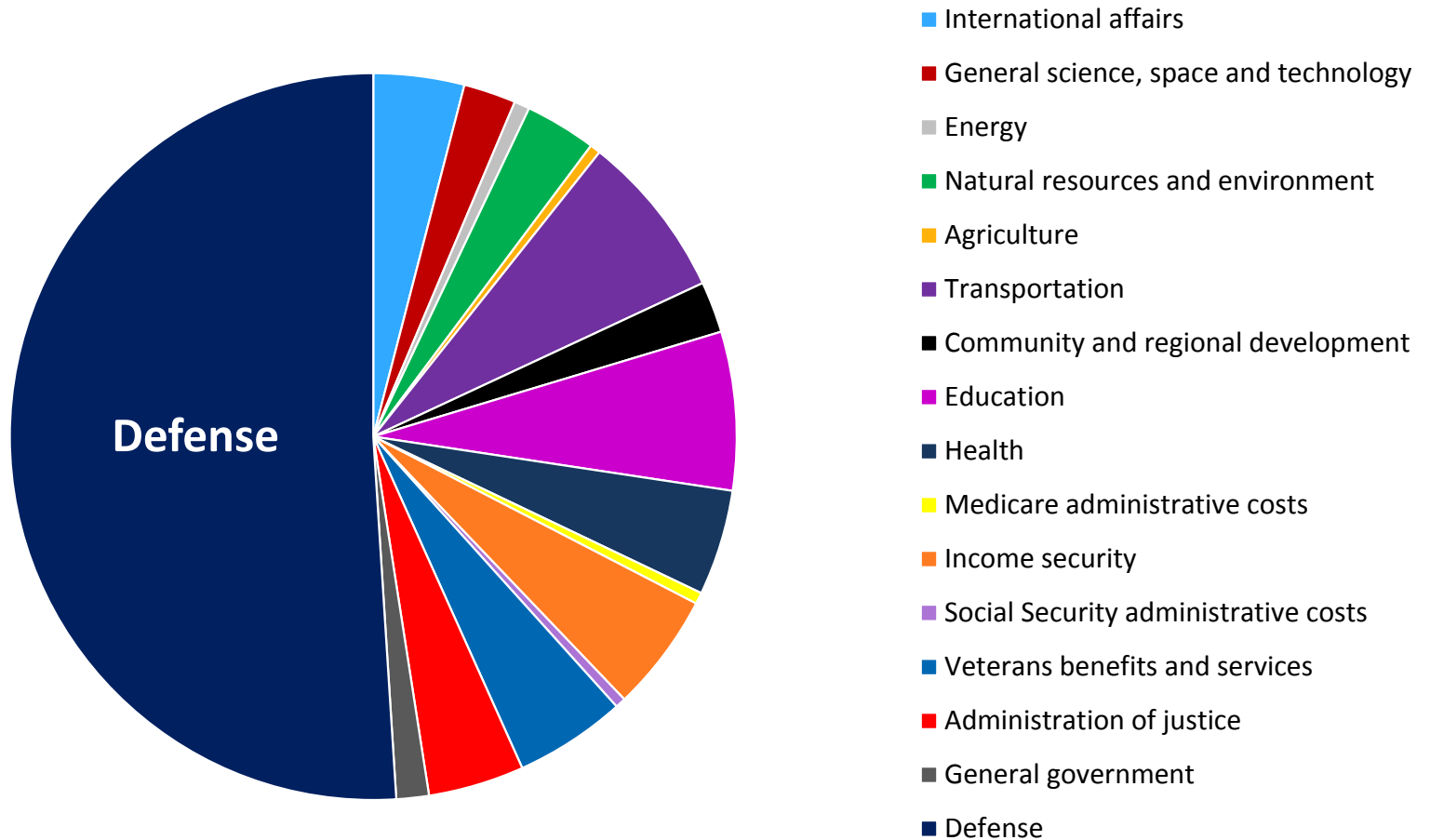
## Five individual tax breaks account for about \$640 billion in annual income tax expenditures

5 Major Tax Expenditures	Budgetary Costs (FY 2012)
1. Exclusion of employer contributions for medical insurance and care *	\$292 billion
2. Exclusion of pension contributions and earnings **	\$124 billion
3. Lower rates on dividends and long-term capital gains	\$95 billion
4. Deduction of mortgage interest on owner-occupied homes with loan values up to \$1 million	\$82 billion
5. Deduction for state and local taxes	<u>\$45 billion</u>
<b>Total</b>	<b>\$638 billion</b>

SOURCE: Data from the Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2014*, April 2013.  
Compiled by PGPF.

NOTE: Figures are for 2012. \* Includes the exclusion from payroll taxes and income taxes. \*\* Includes employer pension plans, employee and employer contributions to 401k plans, IRAs, and Self-Employed plans.

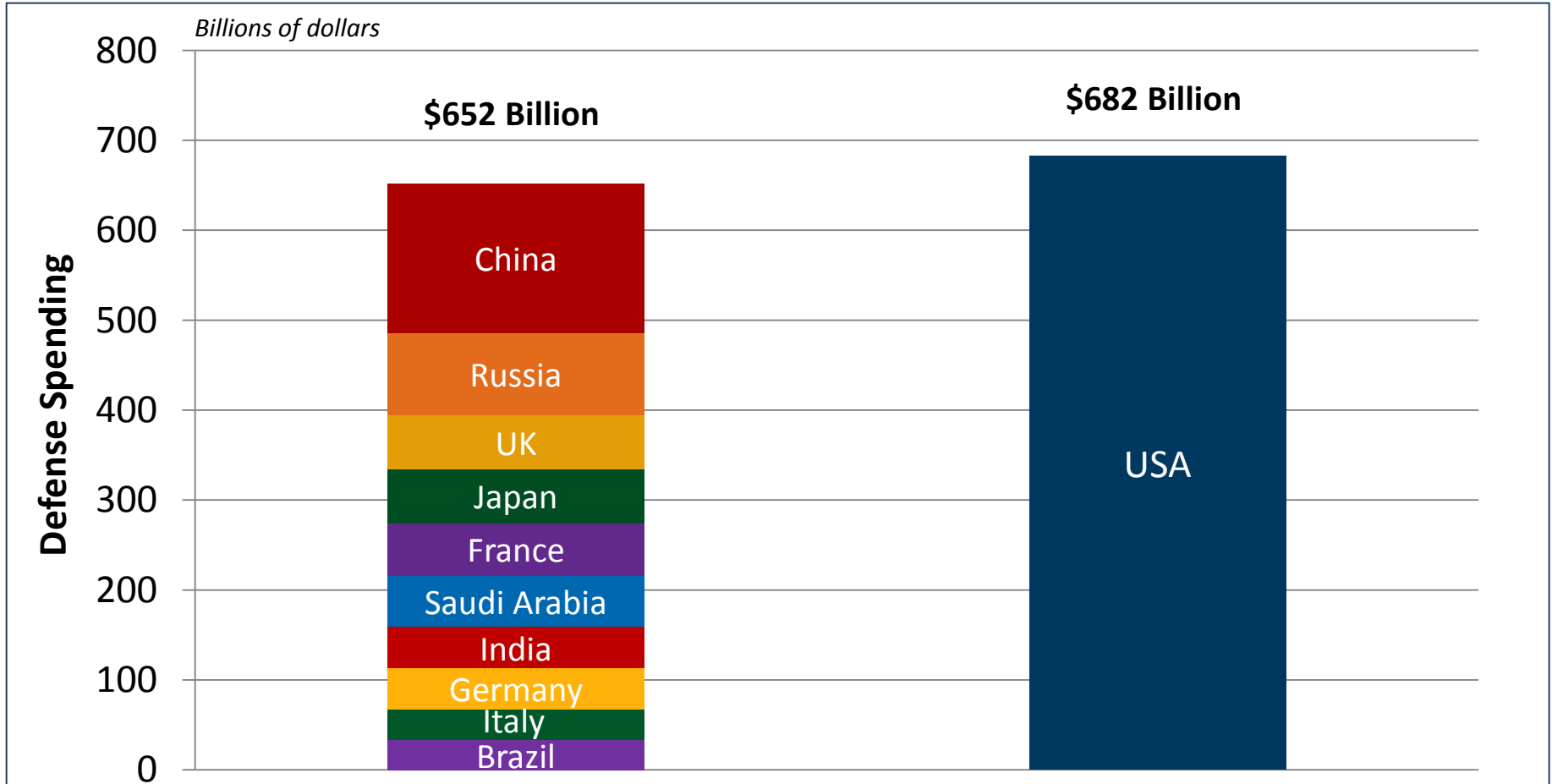
# Discretionary spending funds a wide range of government programs



SOURCE: Data from the Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2013 to 2023*, February 2013. Compiled by PGPf.

NOTE: Figures are for 2012. Excludes function 990 and functions with negative outlays.

## The U.S. spent more on defense in 2012 than did the countries with the next 10 highest defense budgets combined



SOURCE: Data from Stockholm International Peace Research Institute, *SIPRI Military Expenditure Database*, 2013. Compiled by PGPf.

NOTE: Figures are in 2012 U.S. dollars, converted from local currencies using market exchange rates.