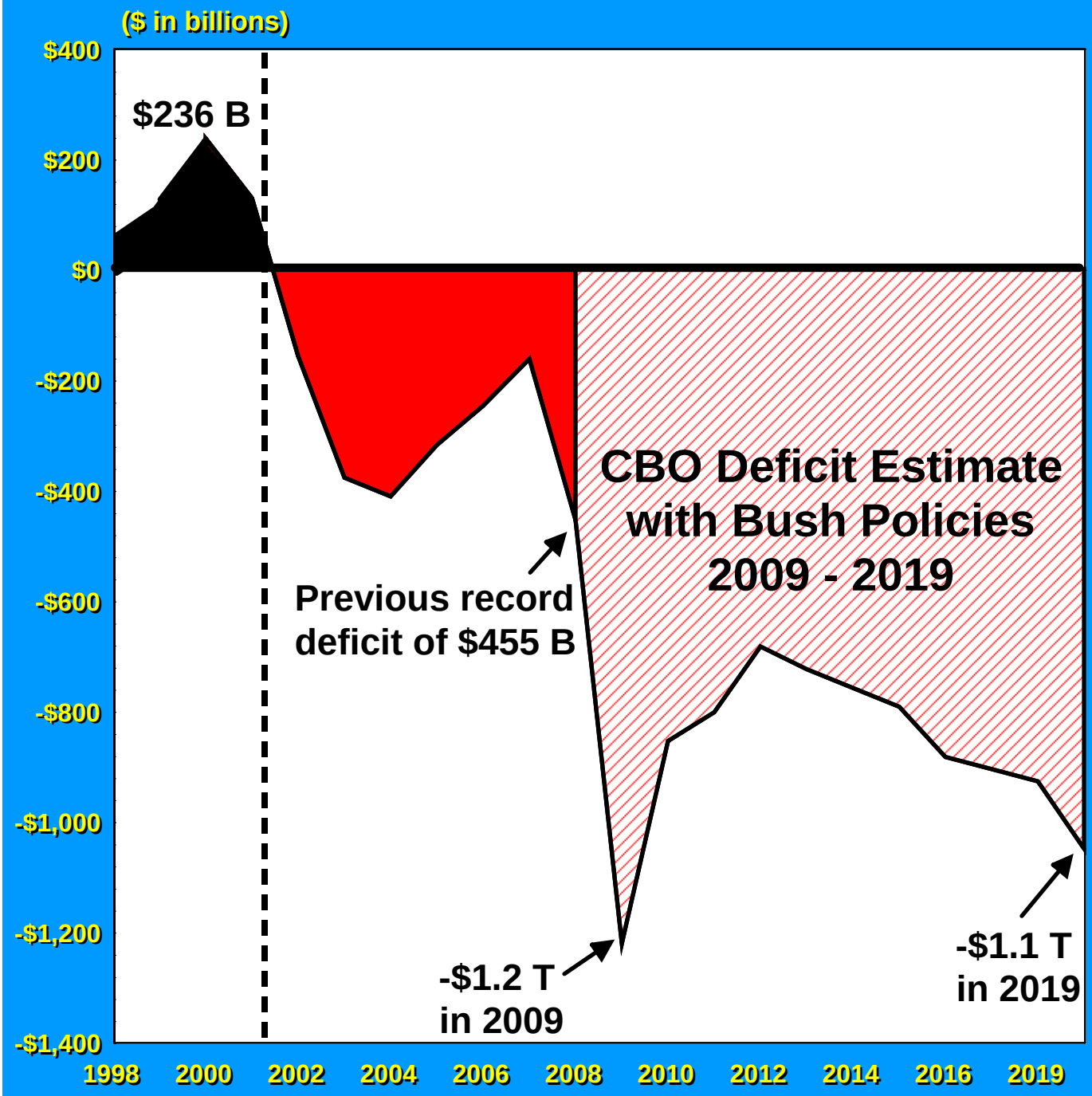
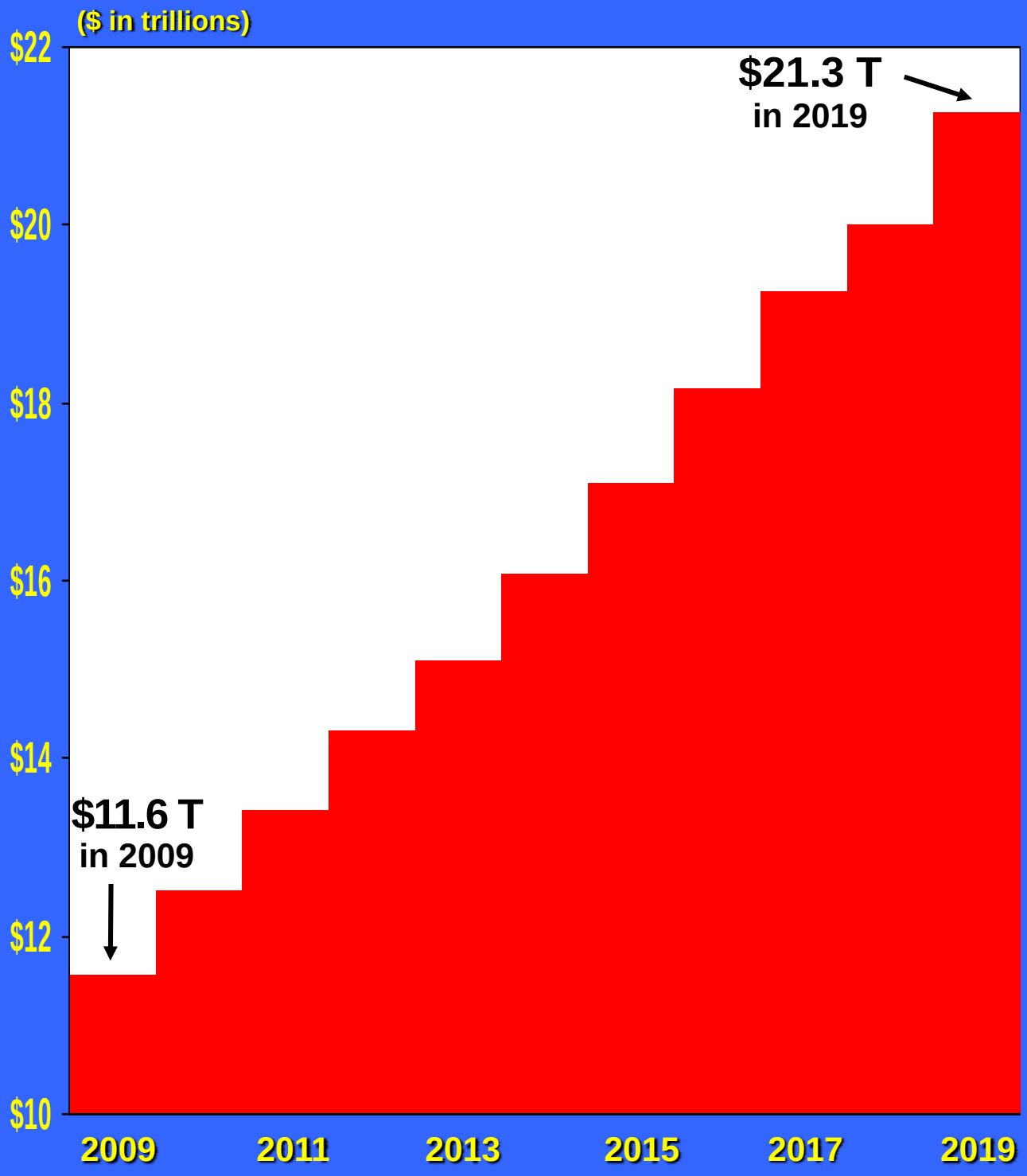
Ten-Year Budget Outlook



Sources: CBO and SBC
Note: CBO January 2009 estimate with tax cuts made permanent, AMT reform, ongoing war costs, and without extension of 2009 emergencies.

Building a Wall of Debt

Gross Federal Debt Soars



Sources: CBO, SBC
Note: 2009 estimate from CBO January Budget Outlook with tax cuts extended, AMT reform, and ongoing war costs.

The New York Times

THURSDAY, JANUARY 8, 2009

China Losing Taste for Debt From the U.S.

Key Lender Finds Uses for Money at Home

By KEITH BRADSHER

HONG KONG — China has bought more than $1 trillion of American debt, but as the global downturn has intensified, Beijing is starting to keep more of its money at home, a move that could have painful effects for American borrowers.

The declining Chinese appetite for United States debt, apparent in a series of hints from Chinese policy makers over the last two weeks, with official statistics due for release in the next few days, comes at an inconvenient time.

On Tuesday, President-elect Barack Obama predicted the possibility of trillion-dollar deficits "for years to come," even after an $800 billion stimulus package. Normally, China would be the most avid taker of the debt required to pay for those deficits, mainly short-term Treasuries, which are government i.o.u.'s.

In the last five years, China has spent as much as one-seventh of its entire economic output buying foreign debt, mostly American. In September, it surpassed Japan as the largest overseas holder of Treasuries.

But now Beijing is seeking to pay for its own $600 billion stimulus — just as tax revenue is falling sharply as the Chinese economy slows. Regulators have ordered banks to lend more money to small and medium-size enterprises, many of which are struggling with lower exports, and to local governments to build new roads and other projects.

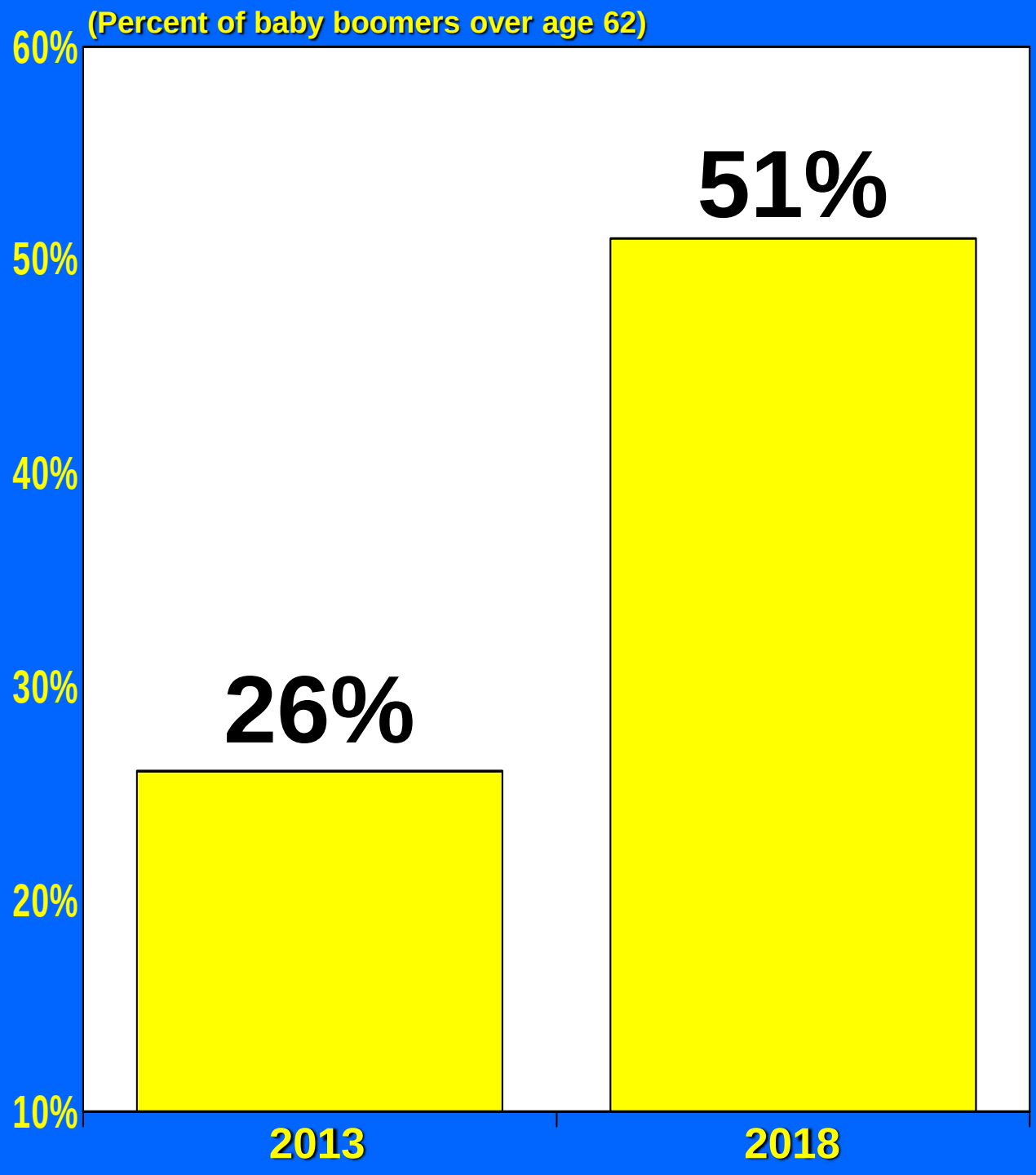
"All the key drivers of China's Treasury purchases are disappearing — there's a waning appetite for dollars and a waning appetite for Treasuries, and that complicates the outlook for interest rates," said Ben Simpfendorfer, an economist in the Hong Kong office of the Royal Bank of Scotland.

Fitch Ratings, the credit rating agency, forecasts that China's foreign reserves will increase by $177 billion this year — a large number, but down sharply from an estimated $415 billion last year.

China's voracious demand for

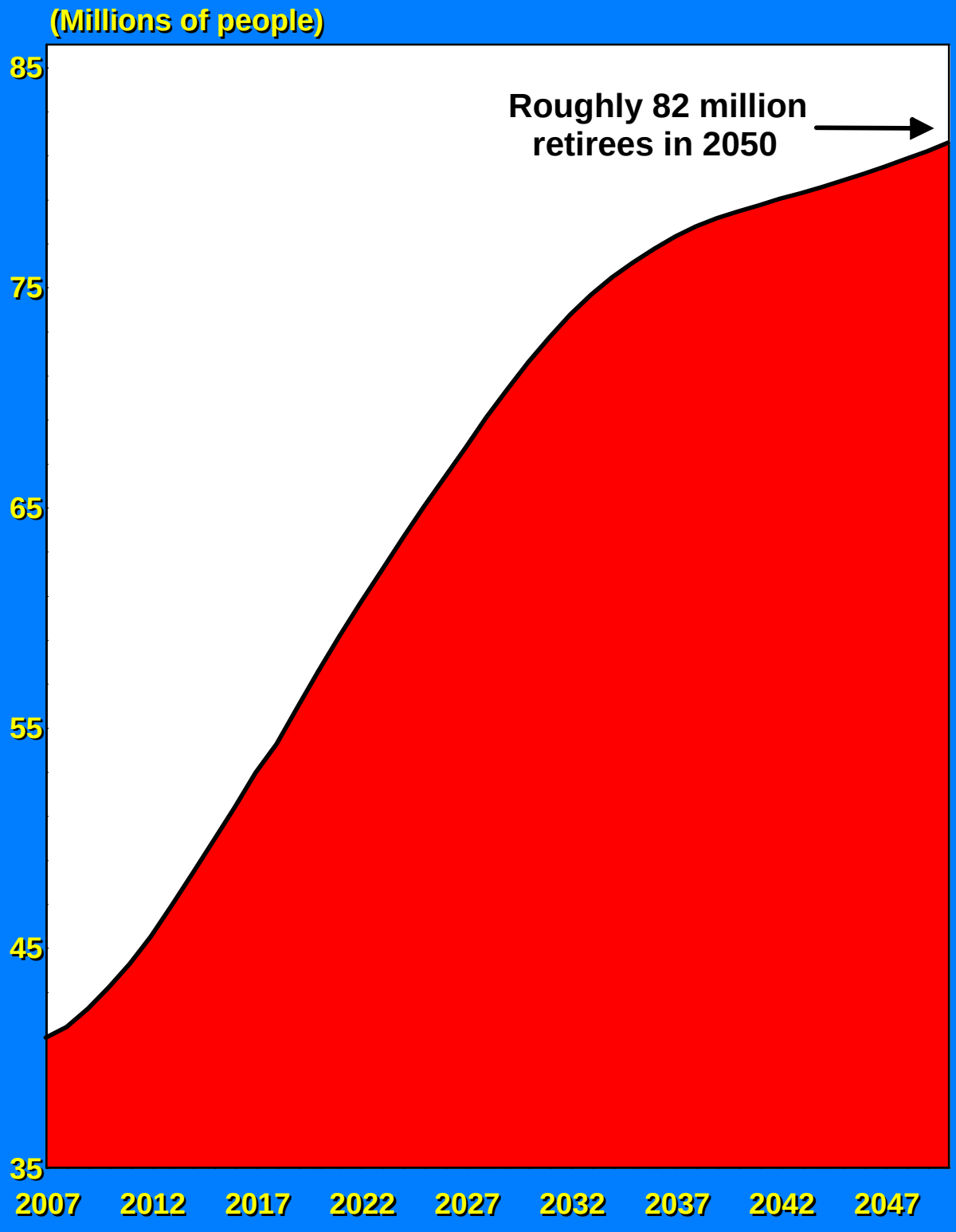
Continued on Page A10

Within Decade, More Than Half of Baby Boomers Will Reach Early Retirement Age



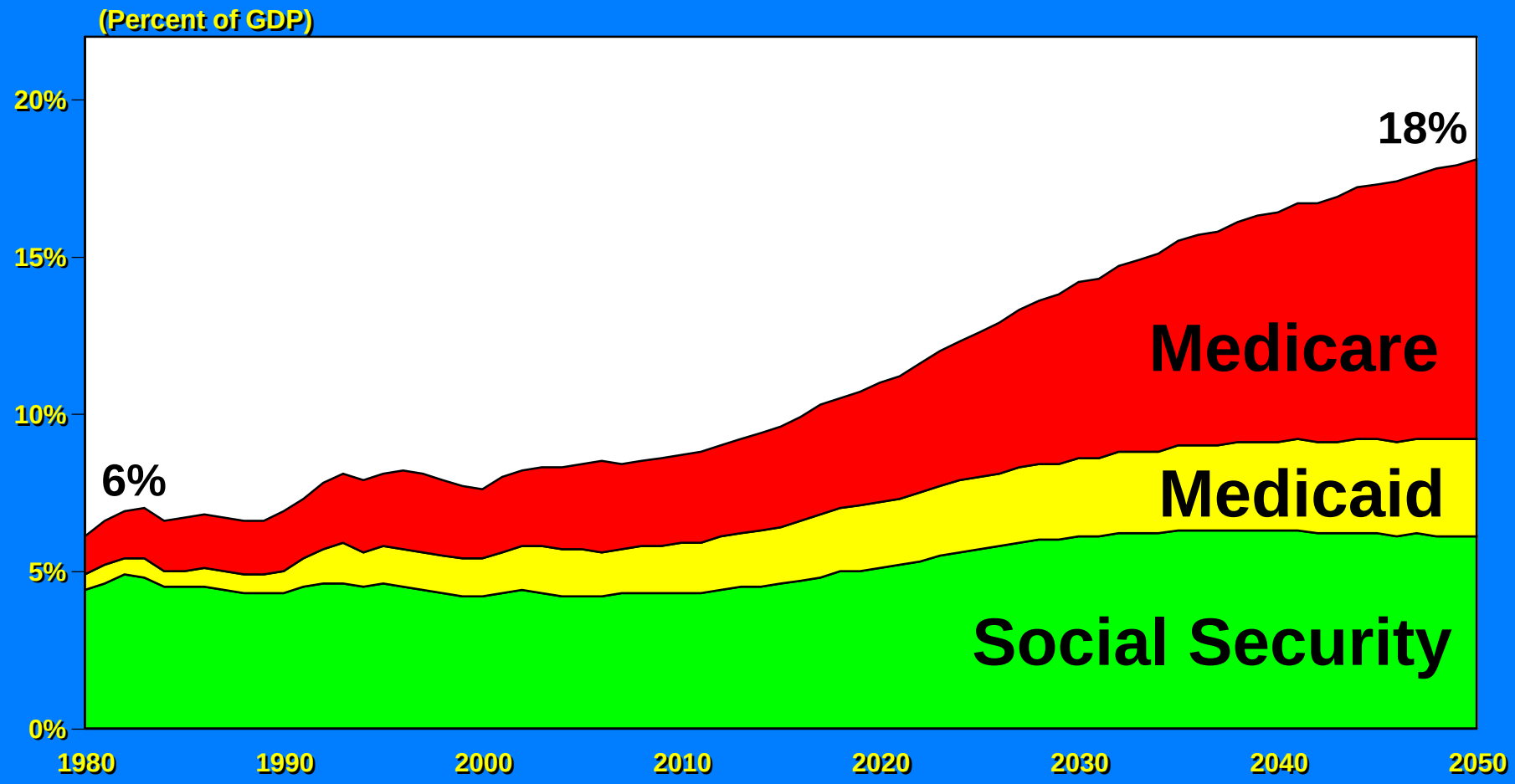
Source: CBO

Baby Boom Generation Creates Demographic Tidal Wave



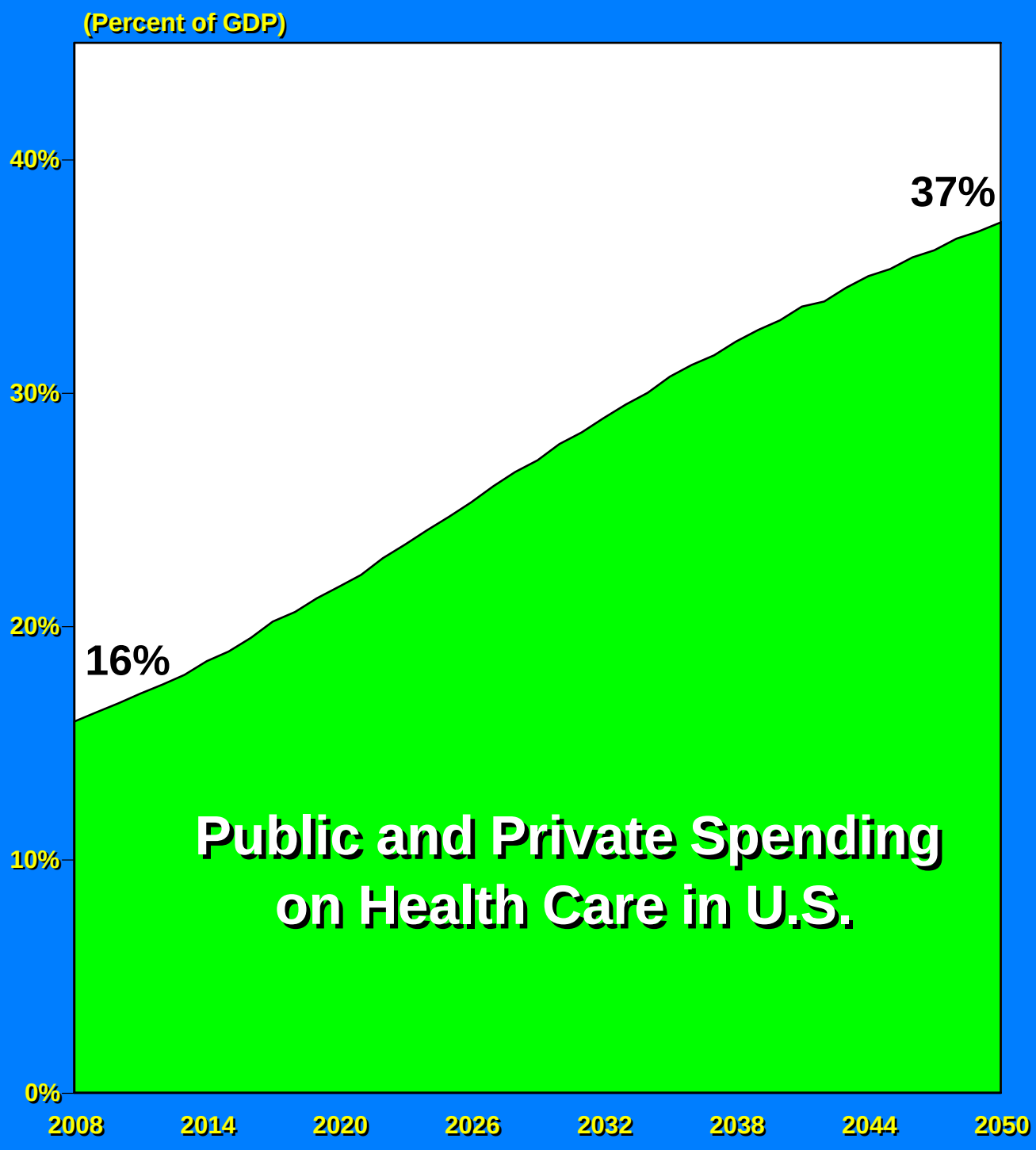
Source: 2008 Social Security Trustees Report
Note: OASI beneficiaries

Medicare, Medicaid, and Social Security Spending as Percent of GDP
1980-2050



Source: CBO Long-Term Budget Outlook, December 2007.
Note: CBO extended baseline.

Total Health Expenditures as Percent of GDP



Source: CBO Long-Term Outlook for Health Care Spending, November 2007.

Conrad-Gregg Bipartisan Fiscal Task Force

- To address long-term fiscal imbalance
- Panel of lawmakers and Administration officials
- Everything on table
- Fast-track consideration; Congress must vote
- Bipartisan outcome

President-elect Obama on Addressing Long-Term Fiscal Situation

"...[S]hort term, we've got to focus on boosting the economy and creating ... jobs, but part and parcel of that is a plan for a sustainable fiscal situation long term..."

– President-elect Barack Obama
Remarks at Press Conference
Announcing Economic Team
November 24, 2008