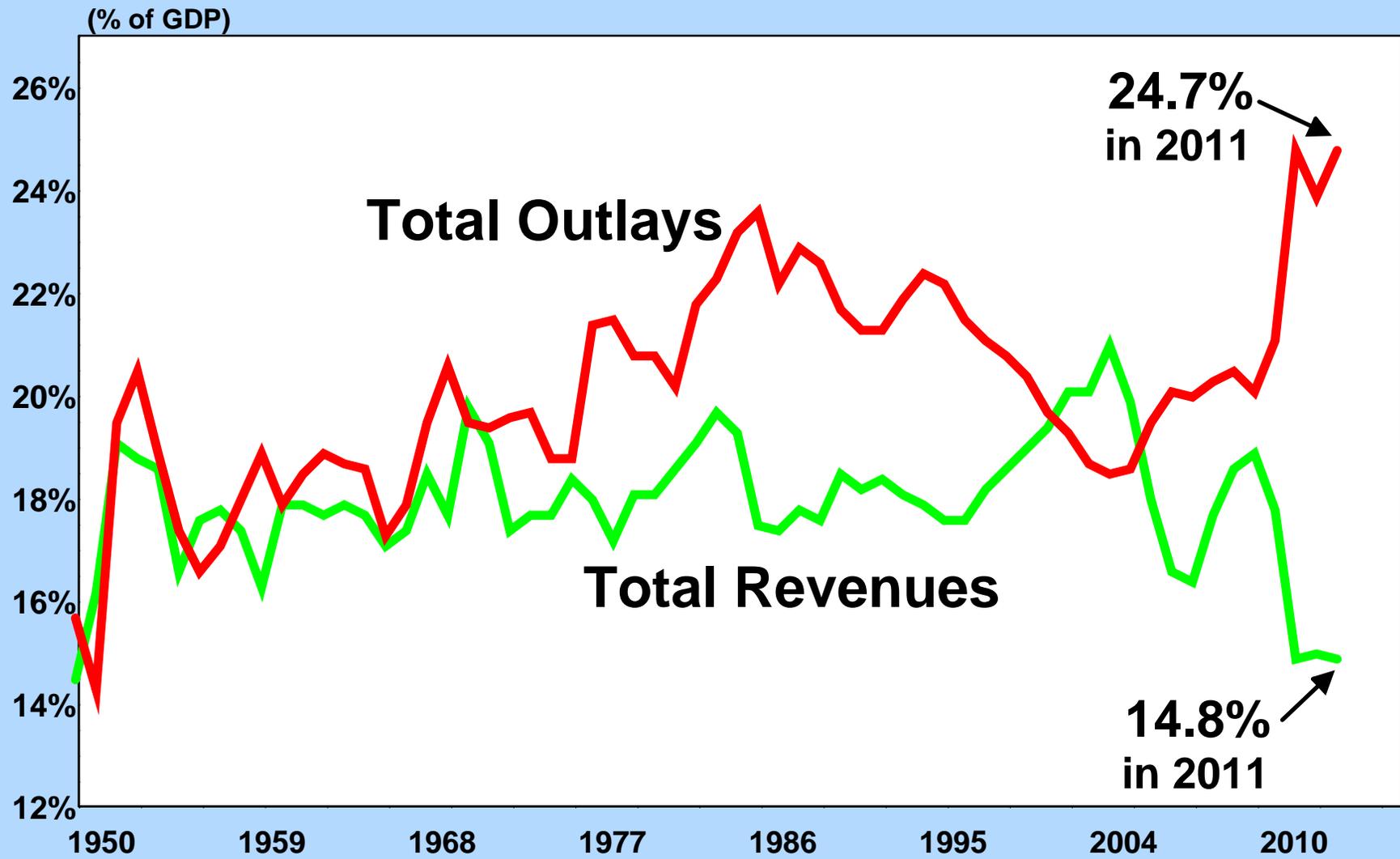


# **Admiral Mullen on Debt Threat**

**“Our national debt is  
our biggest national  
security threat.”**

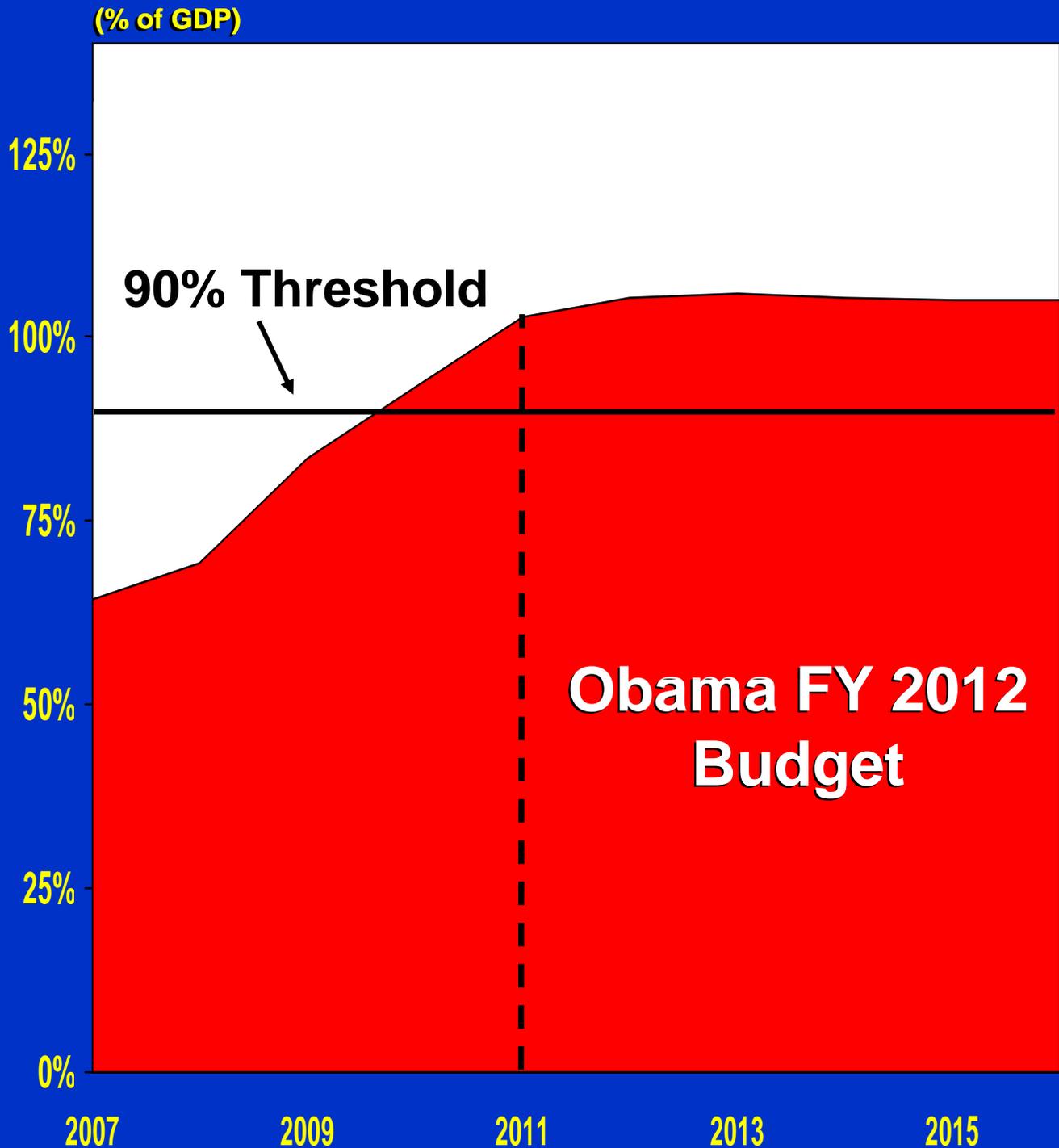
**–Admiral Mike Mullen, Chairman of  
the Joint Chiefs of Staff  
“Tribute to the Troops” Breakfast  
June 24, 2010**

# Spending and Revenues



Sources: OMB, CBO

# Gross Debt as Percent of GDP



Source: OMB

# **Economists Reinhart and Rogoff on Danger of Gross Debt Above 90 Percent of GDP Threshold**

**“We examine the experience of 44 countries spanning up to two centuries of data on central government debt, inflation and growth. Our main finding is that across both advanced countries and emerging markets, high debt / GDP levels (90 percent and above) are associated with notably lower growth outcomes.”**

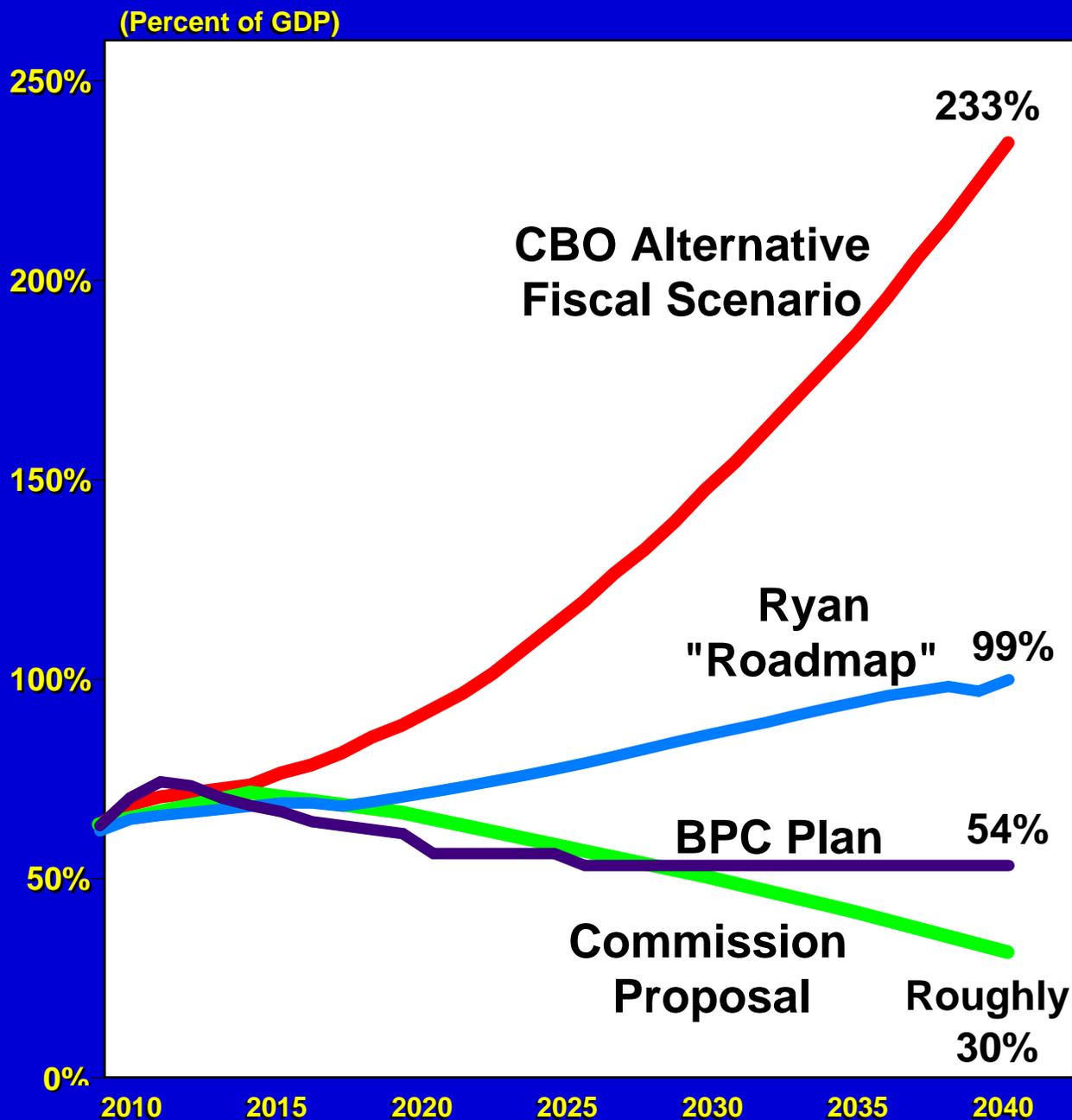
**– Carmen M. Reinhart and Kenneth S. Rogoff  
“Growth in a Time of Debt,” American  
Economic Review: Papers & Proceedings  
May 2010**

# Top Ten Foreign Holders of Our National Debt

<b>China</b>	<b>\$1,160 B</b>
<b>Japan</b>	<b>\$882 B</b>
<b>United Kingdom</b>	<b>\$272 B</b>
<b>Oil Exporters</b>	<b>\$212 B</b>
<b>Brazil</b>	<b>\$186 B</b>
<b>Caribbean Banking Centers</b>	<b>\$169 B</b>
<b>Taiwan</b>	<b>\$155 B</b>
<b>Russia</b>	<b>\$151 B</b>
<b>Hong Kong</b>	<b>\$134 B</b>
<b>Switzerland</b>	<b>\$107 B</b>

**Source: U.S. Department of the Treasury**  
**Data are for December 2010.**

# Debt as Percent of GDP Under Various Debt Reduction Proposals



Sources: CBO Long-Term Budget Outlook, June 2010; CBO January 2010 analysis of Congressman Ryan's "Roadmap for America's Future;" Bipartisan Policy Center Debt Reduction Task Force, "Restoring America's Future, November 2010," Report of the National Commission on Fiscal Responsibility and Reform, December 2010.

# Overview of BPC Debt Reduction Task Force Plan

- **Lowers deficit to 1.2% in 2015, before increasing slightly to 1.5% by 2020**
- **Stabilizes debt by 2013, with debt falling to 61% by 2020 and 54% by 2030**
- **Reforms Social Security to ensure sustainable solvency for at least 75 years**
- **Phases out health tax exclusion; caps Medicare and Medicaid growth; creates partial Medicare voucher**
- **Provides fundamental tax reform that broadens base, reduces rates, and dedicates revenues to reducing debt; includes VAT**
- **Freezes domestic discretionary spending for four years and defense spending for five years**

# Comparing Budget Plans

<u>Result in 2020</u>	<u>Fiscal Commission</u>	<u>BPC Plan</u>	<u>President's Budget</u>
Deficit	-\$279 B	-\$354 B	-\$735 B
Deficit as % GDP	-1.2%	-1.5%	-3.1%
Publicly-Held Debt as % GDP	65.5%	61.3%	76.7%
Spending as % GDP	21.8%	22.9%	23.0%
Revenue as % GDP	20.6%	21.4%	19.9%

Sources: National Commission on Fiscal Responsibility and Reform, Bipartisan Policy Center Debt Reduction Task Force, OMB  
Note: Baseline assumptions for plans differ, so figures are for general comparison purposes only.