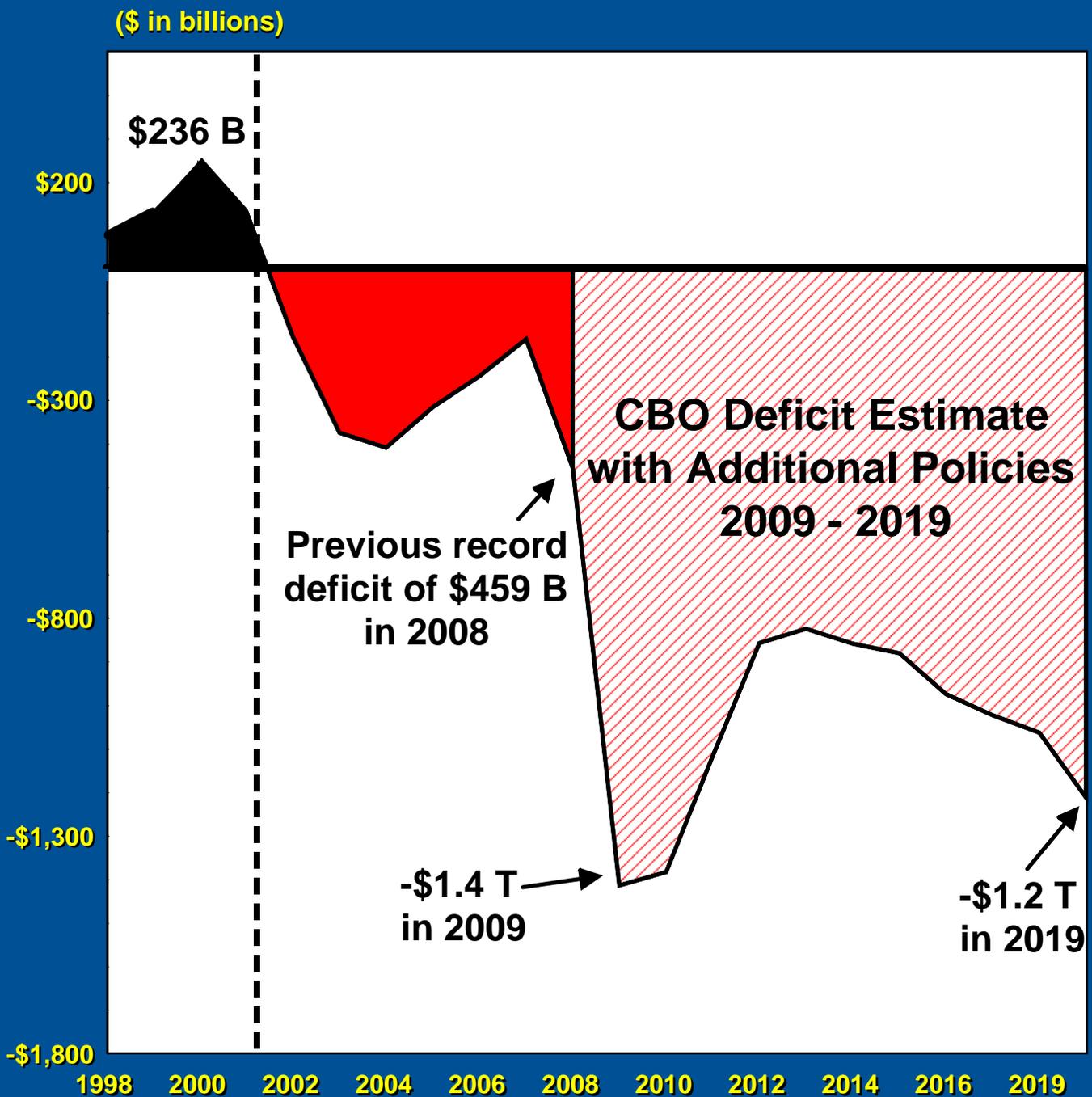


# Ten-Year Budget Outlook

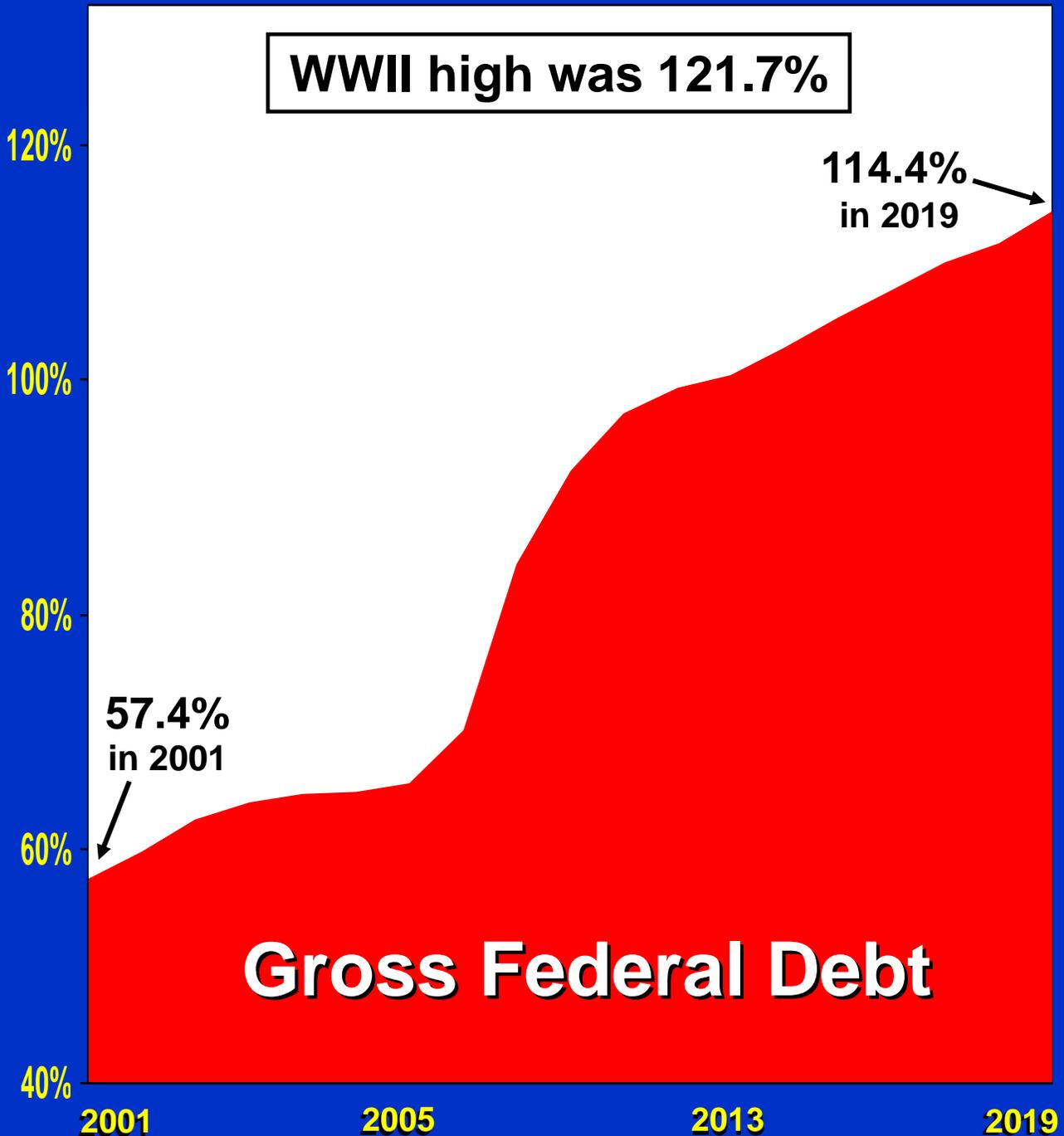


Sources: CBO and SBC

Note: CBO's "The Budget and Economic Outlook: An Update," adjusted for alternative policies: extension of 2001 and 2003 tax cuts, traditional tax extenders, AMT reform, and ongoing overseas military operations.

# Gross Debt Approaches WWII Levels

(Percent of GDP)



Sources: OMB, SBC, CBO

Note: Gross debt calculations by SBC staff using CBO's "The Budget and Economic Outlook: An Update," adjusted for alternative policies: extension of 2001 and 2003 tax cuts, traditional tax extenders, AMT reform, and ongoing overseas military operations.

# Top Ten Foreign Holders of Our National Debt

China	\$797 B
Japan	\$731 B
United Kingdom	\$226 B
Oil Exporters	\$189 B
Caribbean Banking Centers	\$180 B
Brazil	\$137 B
Hong Kong	\$125 B
Russia	\$122 B
Luxembourg	\$94 B
Taiwan	\$76 B

Source: U.S. Department of the Treasury  
Note: Data for August 2009

# **Current Status of Social Security and Medicare Trust Funds**

## **Social Security**

- **Cash negative in 2016**
- **Insolvent in 2037 – 4 years earlier than forecast last year**

## **Medicare (HI trust fund)**

- **Went cash negative in 2008**
- **Insolvent in 2017 – 2 years earlier than forecast last year**

# The Need for Tax Reform

- Tax system out of date and hurting U.S. competitiveness
- Hemorrhaging revenue – tax gap, tax havens, abusive shelters
- AMT problem threatening millions of middle-class taxpayers
- Long-term imbalance must be addressed
- Simplification and reform keep rates low

# **CBO on Addressing Long-Term Budget Outlook**

**“The difficulty of the choices notwithstanding, CBO’s long-term budget projections make clear that doing nothing is not an option: Legislation must ultimately be adopted that raises revenue or reduces spending or both. Moreover, delaying action simply exacerbates the challenge...”**

**– CBO’s Long-Term Budget Outlook  
June 2009**

# **House Majority Leader Hoyer on Need for Special Bipartisan Process to Address Long-Term Fiscal Challenges**

**“I would like to believe that Congress could address these issues through the regular legislative process. However, the experience of recent years suggests that this is extremely difficult in the current political environment... I have reluctantly concluded that a task force or commission may be the best way to bring us to the place where we can spur action on this issue and reach agreement on solutions.”**

**– House Majority Leader Steny Hoyer (D-MD)  
Testimony During Senate Budget Committee Hearing  
on Conrad/Gregg Bipartisan Fiscal Task Force Bill  
October 31, 2007**

# **Then-CRFB Co-Chairman Panetta on Need for Special Bipartisan Process to Address Long-Term Fiscal Challenges**

**“It’ll never happen. The committees of jurisdiction will never take on the kind of challenges that are involved in this kind of effort.... If you just leave them under their own jurisdictions, that will never happen.”**

**– Then-Committee for a Responsible Federal Budget  
Co-Chairman Leon Panetta  
Testimony During Senate Budget Committee Hearing  
on Conrad/Gregg Bipartisan Fiscal Task Force Bill  
October 31, 2007**

# **Treasury Secretary Geithner on Need for New Approach to Address Long-Term Fiscal Challenges**

**“...[I]t is going to require a different approach if we’re going to solve [the long-term fiscal imbalance].... It’s going to require a fundamental change in approach, because I don’t see realistically how we’re going to get there through the existing mechanisms.”**

**– Treasury Secretary Timothy Geithner  
Testimony before Senate Budget Committee  
February 11, 2009**

# ***Washington Post* on Need for Special Bipartisan Process to Address Long-Term Fiscal Challenges**

**“The Medicare payment formula is one of a number of fiscal time bombs that will need defusing soon: the alternative minimum tax, the Bush tax cuts, the estate tax, other expiring tax provisions....**

**“This is an enormous problem, practically and politically. It requires a comprehensive solution – one that probably cannot be achieved within the existing political framework but that will require some kind of bipartisan commission to craft.”**

**– *Washington Post* editorial  
October 19, 2009**

# **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**