

**2015**

**FISCAL  
SUMMIT**

**OPPORTUNITY FOR AMERICA**

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# CHARTS

MAY 19, 2015  
WASHINGTON, D.C.





America's economic recovery is finally taking hold and current deficits are down from their highs during the recession. But at the same time, far too many American families are being left out of the recovery, and our nation still faces an unsustainable long-term fiscal outlook. It is in this context—with progress made, but work still to be done—that America has an important opportunity to secure its fiscal and economic future.

On the economic side, while lower unemployment and improvements in growth are fueling renewed optimism, the recovery is uneven and longer-term trends of income stagnation are of great concern. There is widespread agreement that we need to ensure continued access to opportunity for Americans.

When it comes to our fiscal challenges, many said that the fragile nature of the recovery meant that fiscal action needed to be delayed until the economy was stronger. Now, as the economic recovery strengthens, lawmakers have a new and important opportunity to address America's unsustainable long-term fiscal outlook. The current economic environment allows more room to maneuver, and provides a window to plan for success—making smart, reasoned decisions that will benefit America over the long term.

The charts in this book outline the nature of the long-term challenges we face and what we have to gain if we take action to stabilize our fiscal outlook. It's clear that the United States is on an unsustainable fiscal path, driven by a structural long-term imbalance between spending and revenue. Without action, rising debt and interest payments will weigh down the economy and undermine investments in our future, including in key areas like education, research, and infrastructure. Moreover, unless we change course, critically important safety net programs could be threatened by sharp cuts that hurt the most vulnerable Americans.

The charts also show that we can choose a better path. There's no shortage of good solutions to stabilize our long-term fiscal outlook and ensure our future isn't diminished by our past.

The Peter G. Peterson Foundation regularly produces charts and analyses to explain the scope and seriousness of America's fiscal challenges and to help policymakers, experts, and the public make progress toward solutions. To view and share these charts and other materials, please visit [www.pgpf.org](http://www.pgpf.org).





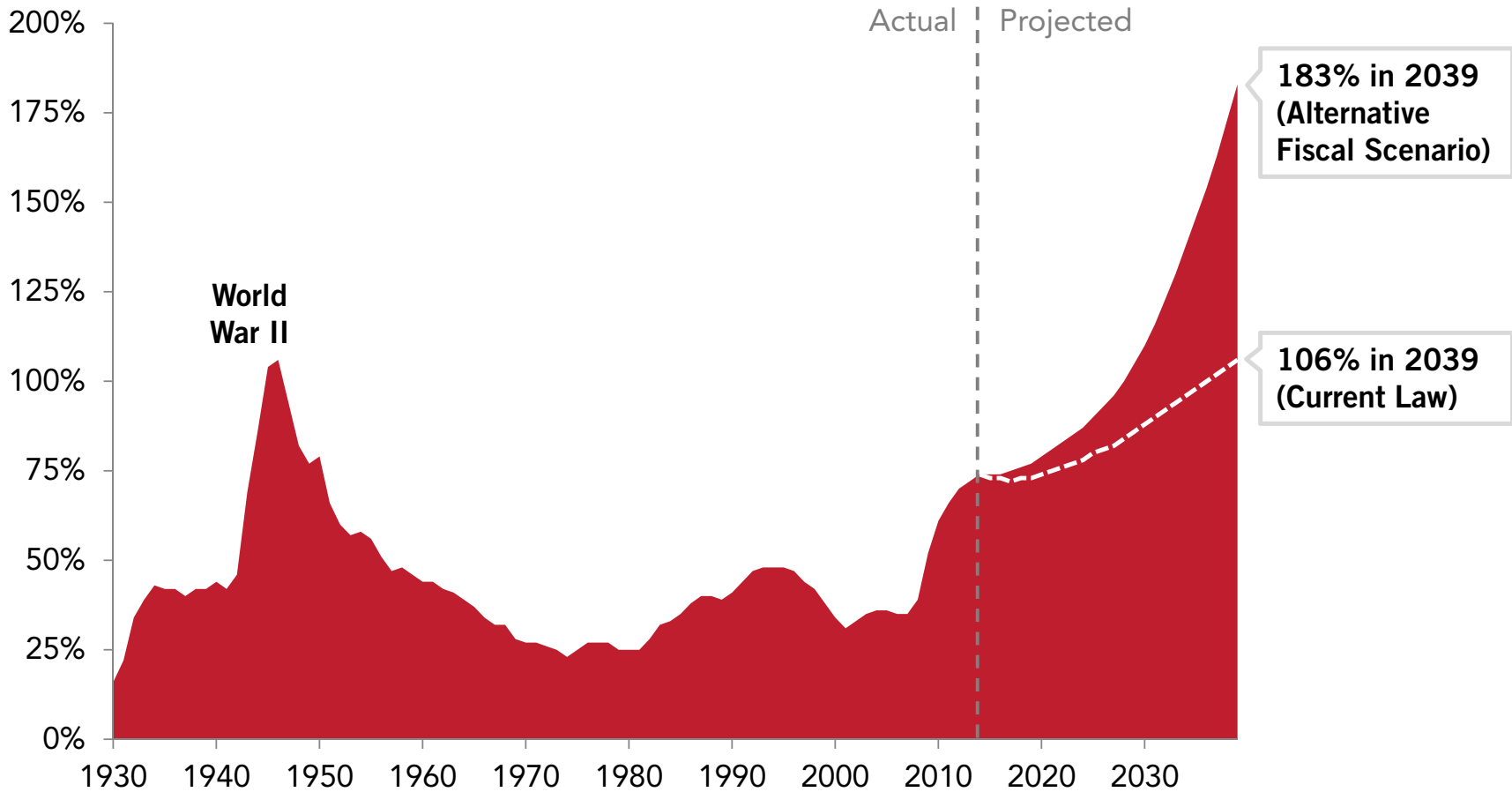
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# STRUCTURAL FISCAL CHALLENGES



## U.S. debt held by the public is on an unsustainable path

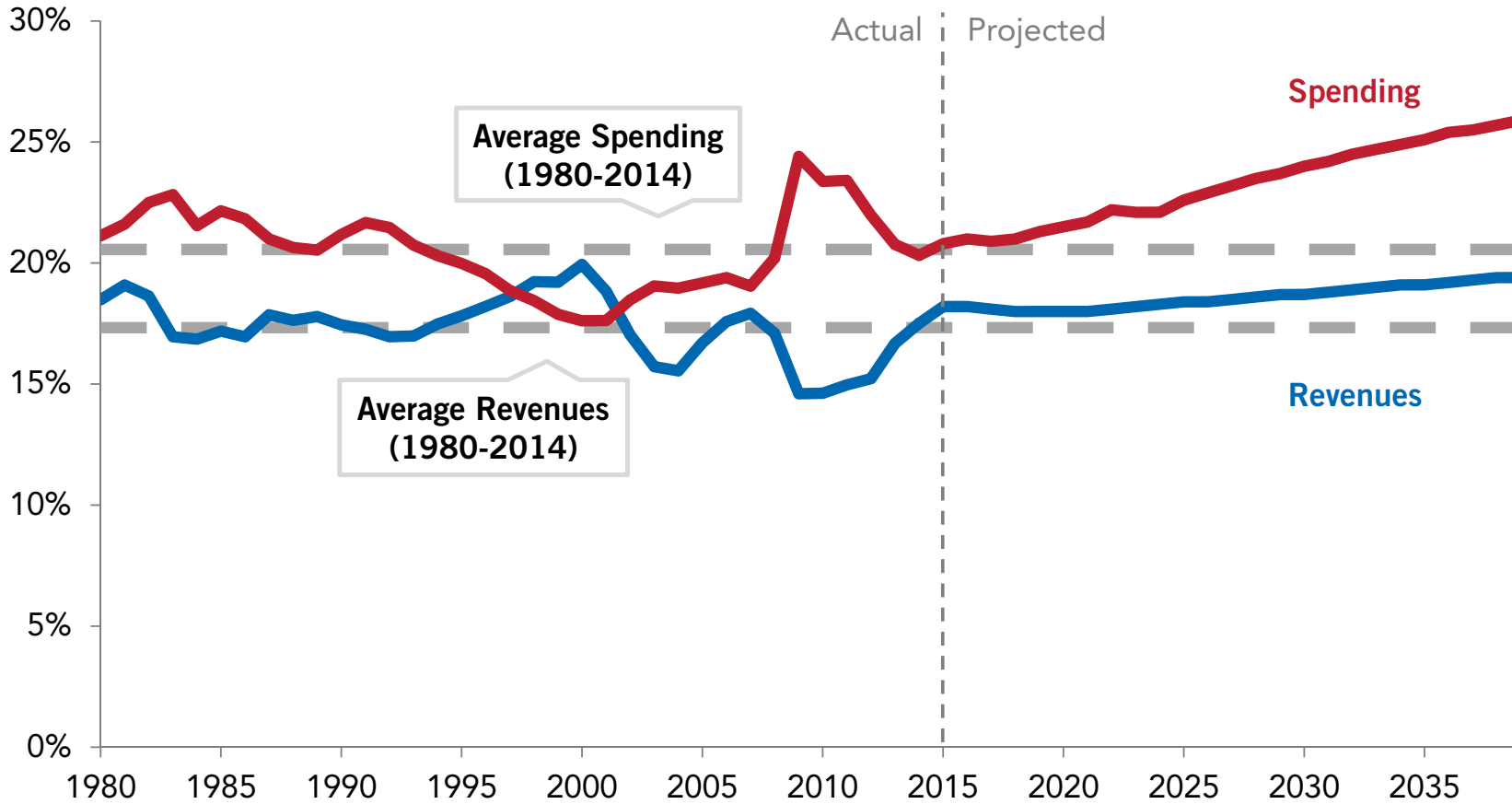
**DEBT HELD BY THE PUBLIC (% OF GDP)**



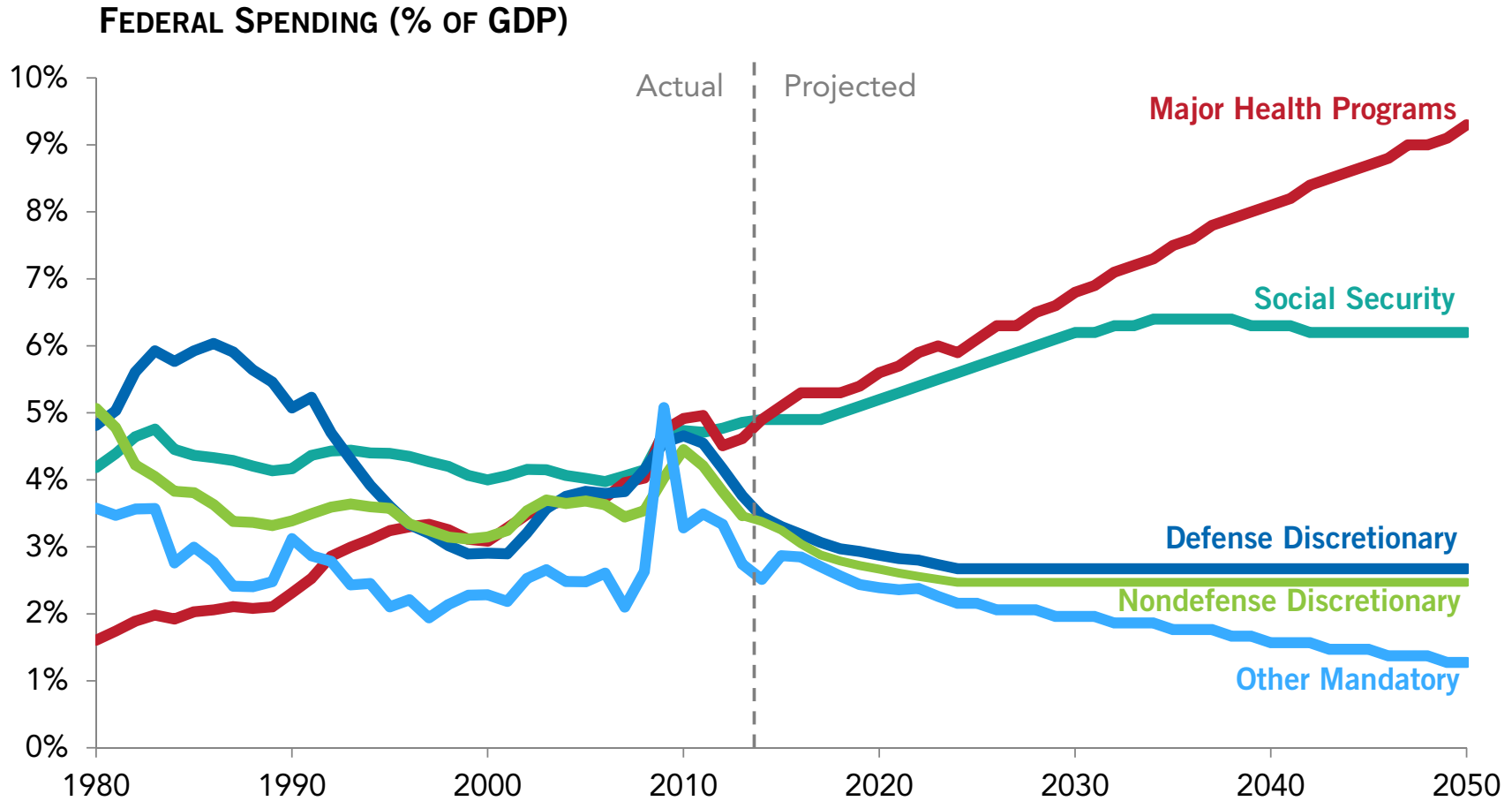
SOURCE: Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 2014. Compiled by PGPF.  
NOTE: Data for the alternative fiscal scenario include economic feedback.



**FEDERAL REVENUES AND SPENDING (% OF GDP)**



SOURCE: Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 2014, and *Updated Budget Projections: 2015 to 2025*, March 2015. Compiled by PGPF.  
NOTE: Projections are from CBO's extended baseline scenario.



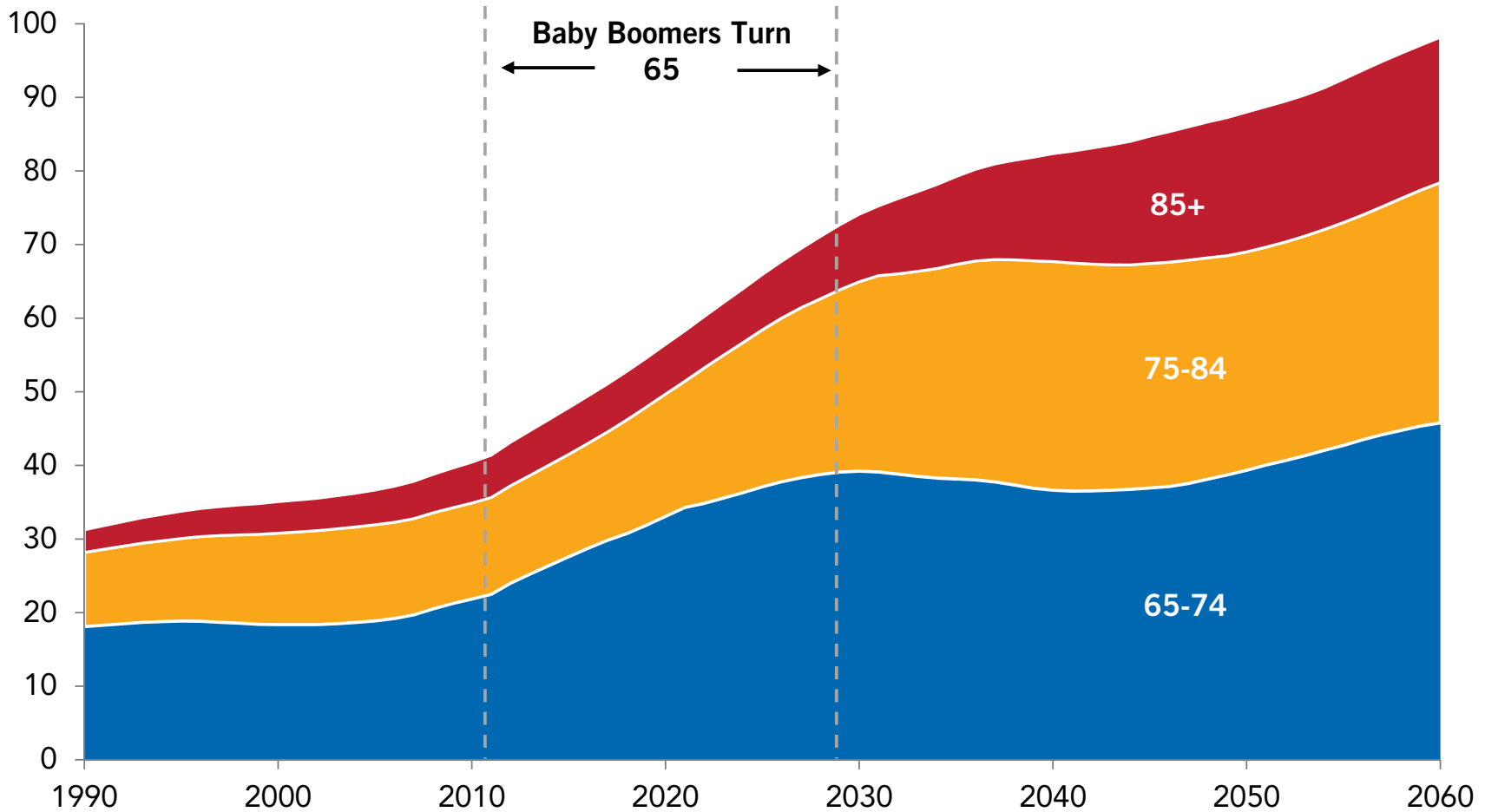
SOURCE: Congressional Budget Office, *Historical Budget Data*, April 2014, and *The 2014 Long-Term Budget Outlook*, July 2014; and PGPF projections based on CBO data. Calculated by PGPF.

NOTE: Projections are based on CBO's extended baseline scenario. Major health programs include Medicare, Medicaid, Children's Health Insurance Program (CHIP), and the health exchanges.





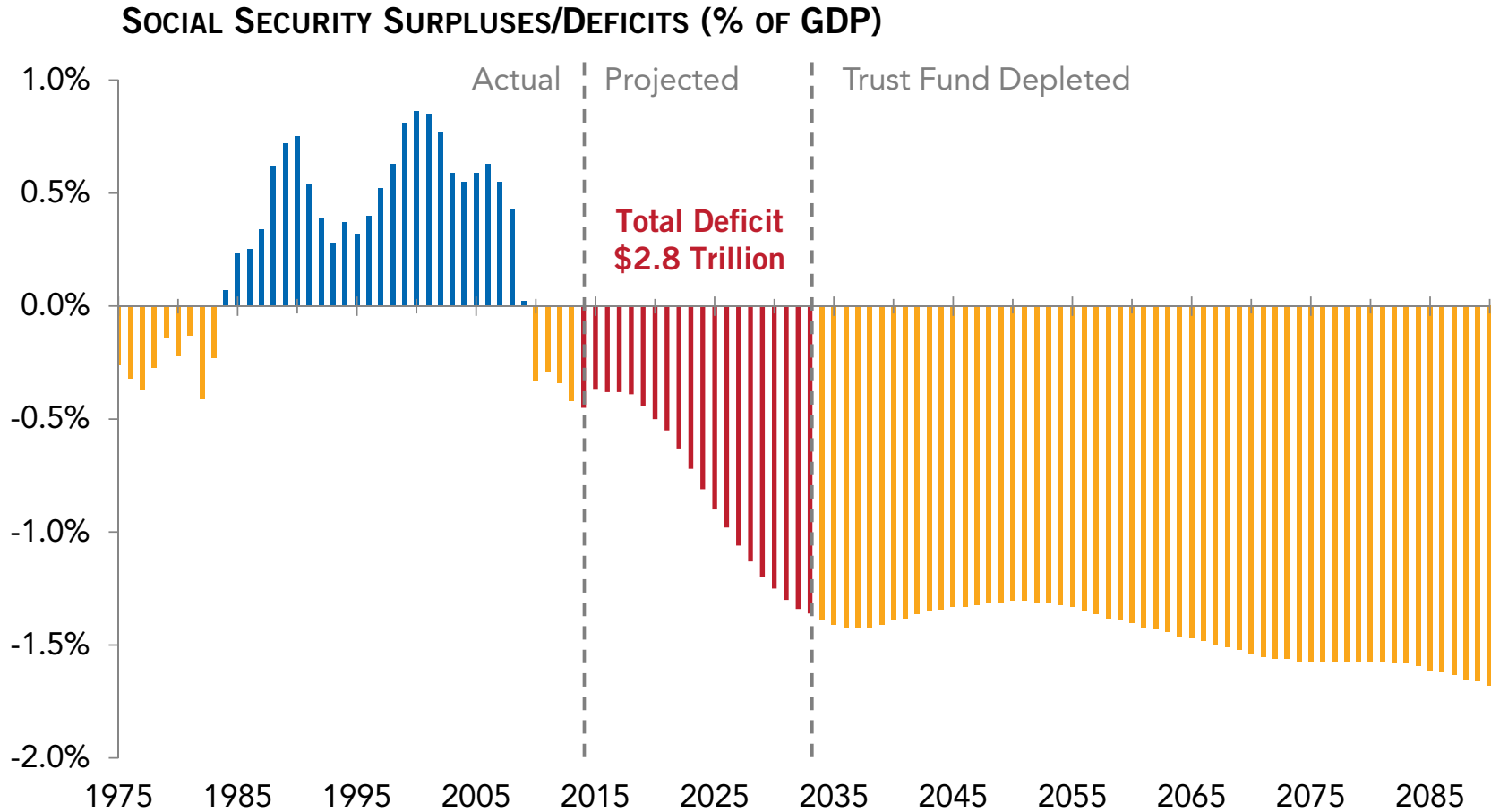
**U.S. POPULATION AGE 65+ (MILLIONS)**



SOURCE: U.S. Census Bureau, *National Intercensal Estimates*, and *2014 National Population Projections*, December 2014. Compiled by PGPF.



## Social Security moved from annual surpluses to annual deficits in 2010



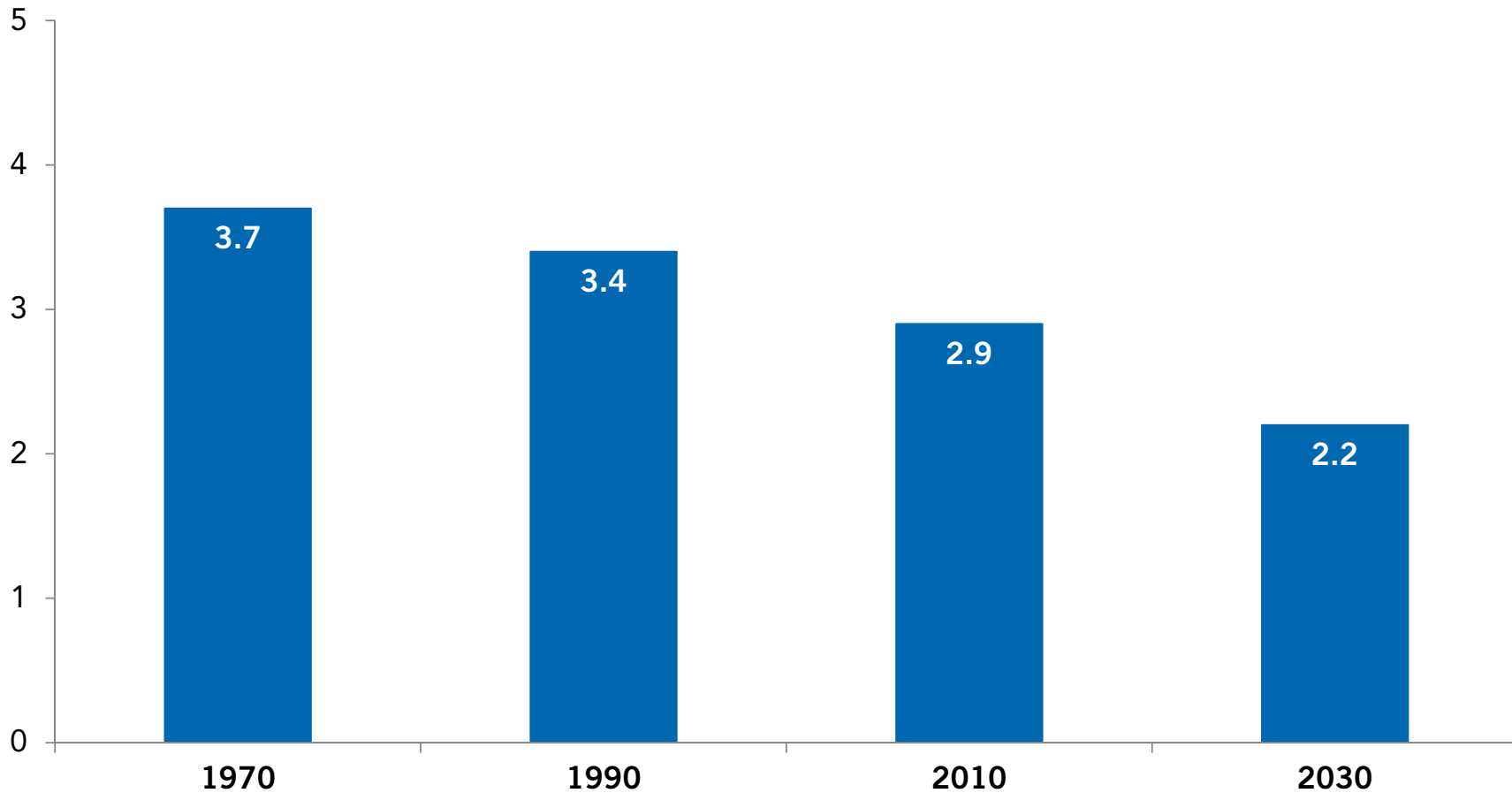
SOURCE: Social Security Administration, *The 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, July 2014. Compiled by PGPF.

NOTE: Surplus/deficit numbers exclude interest income. The total deficit of \$2.8 trillion is the present value of the cash deficits between 2014 and 2033.



As the population ages, fewer workers will be paying taxes to support each Social Security beneficiary

**WORKERS PER BENEFICIARY**

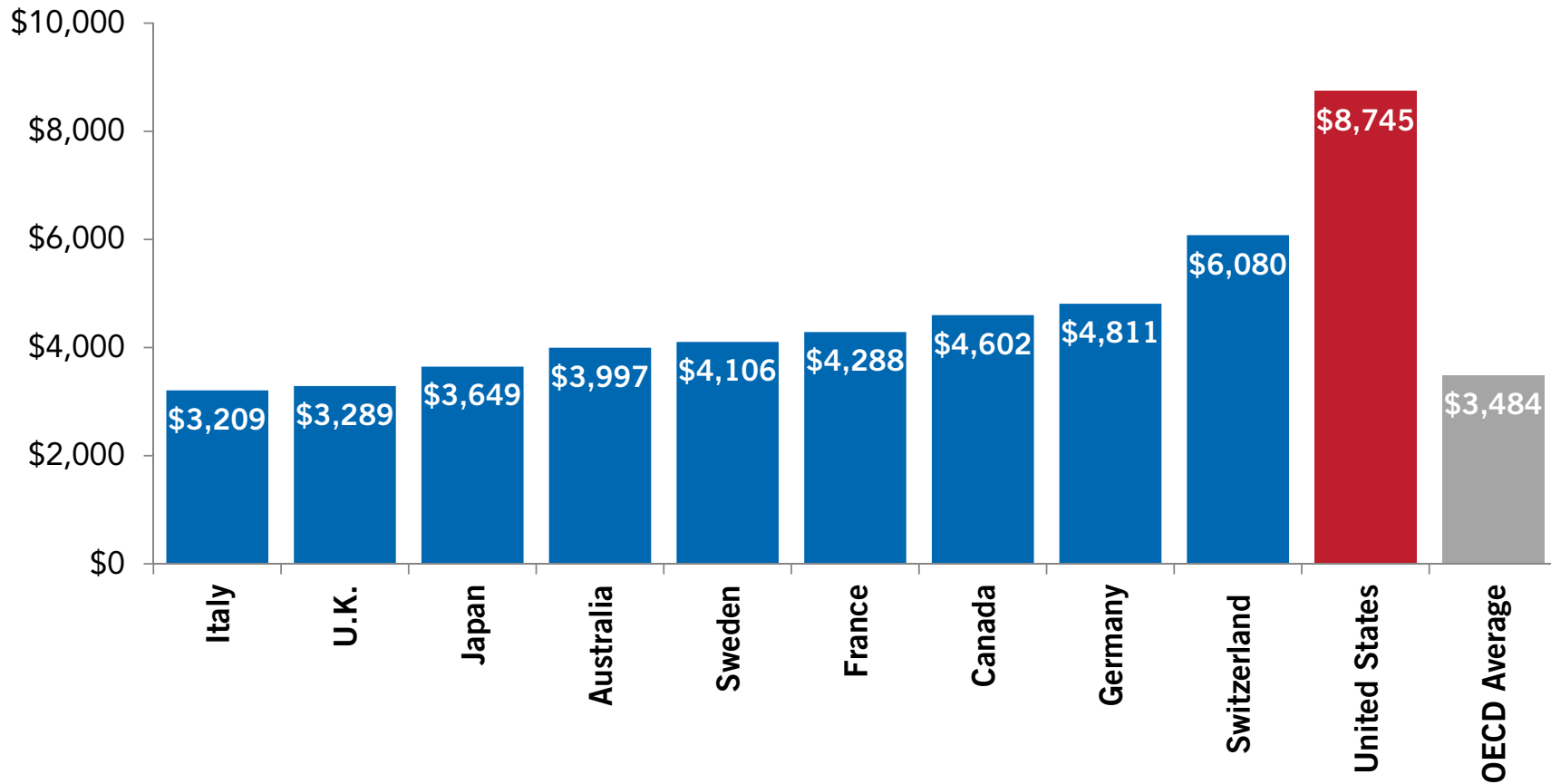


SOURCE: Social Security Administration, *The 2014 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, July 2014. Compiled by PGPF.



The United States spends more than twice as much per capita on healthcare as the average developed country does

### HEALTHCARE COSTS PER CAPITA (DOLLARS)

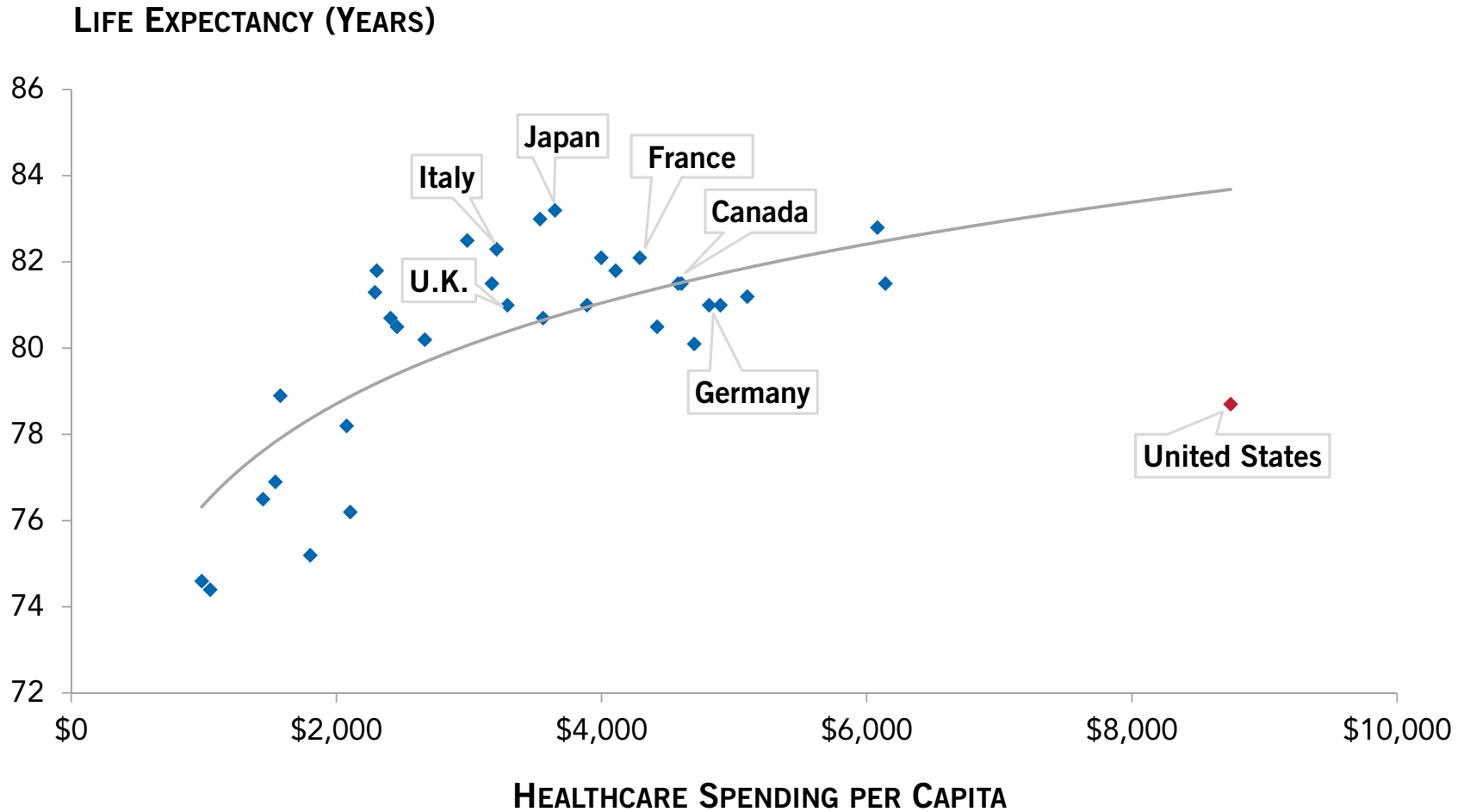


SOURCE: Organization for Economic Cooperation and Development, *OECD Health Statistics 2014*, June 2014. Compiled by PGPF.

NOTE: Per capita health expenditures are for 2012, except Australia for which 2011 data are the latest available. Chart uses purchasing power parities to convert data into U.S. dollars.



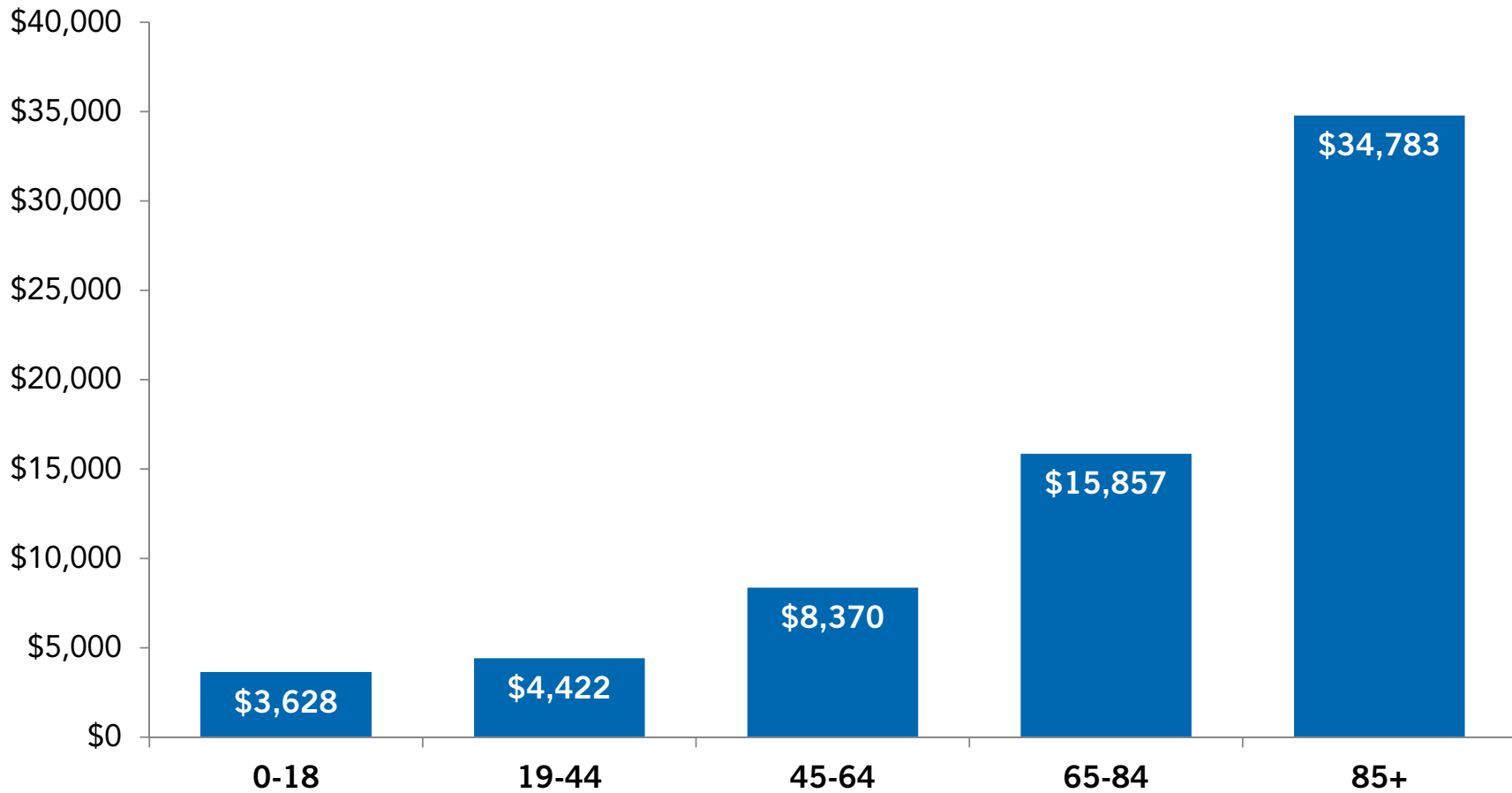
Life expectancy at birth in the United States is lower than in other developed countries, despite higher healthcare costs



SOURCE: Organization for Economic Cooperation and Development, *OECD Health Statistics 2014*, June 2014. Compiled by PGPF.  
NOTE: The trend line comes from a logarithmic regression.



**ANNUAL HEALTHCARE SPENDING PER CAPITA (DOLLARS)**

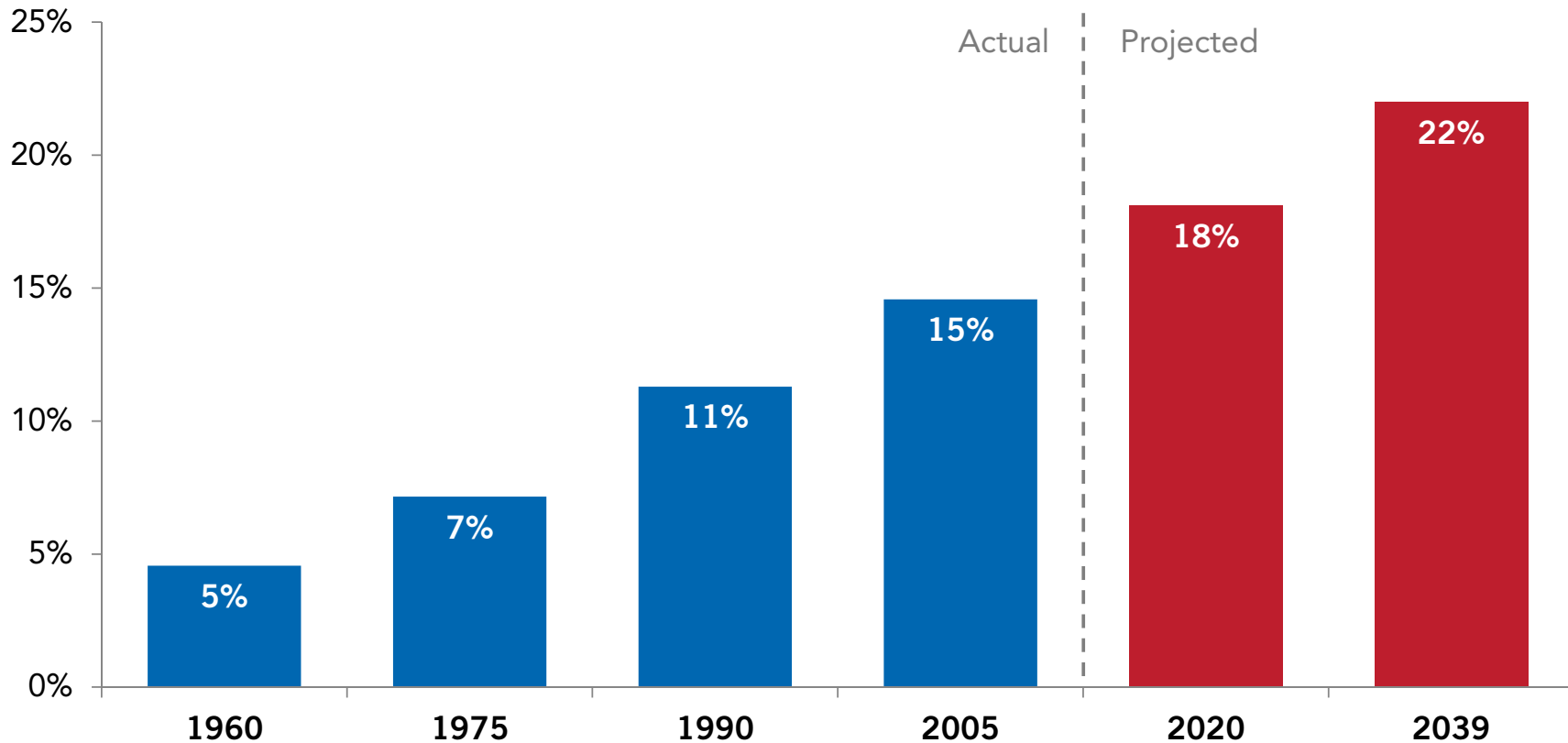


SOURCE: Centers for Medicare and Medicaid Services, *National Health Expenditures by Age and Gender*, May 2014. Data are for 2010. Compiled by PGPF.



Total U.S. health expenditures (both public and private) are projected to rise to nearly one-quarter of the economy by 2039

### NATIONAL HEALTH SPENDING (% OF GDP)



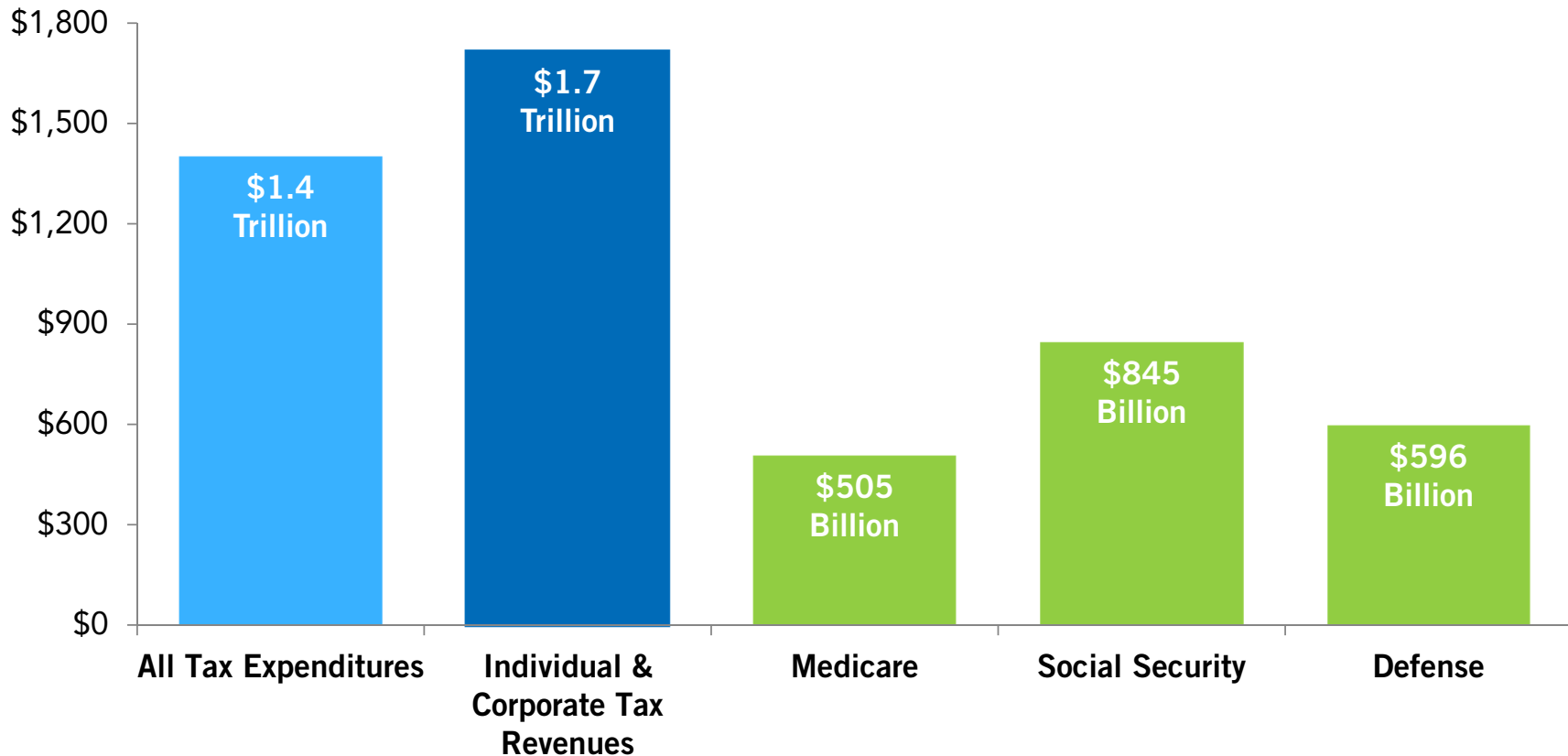
SOURCE: Centers for Medicare and Medicaid Services, *National Health Expenditures*, December 2014; and the Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 2014. Compiled by PGPF.

NOTE: CMS data are for 1960–2020. The 2039 figure is based on the latest projection from CBO. National spending on healthcare is health consumption expenditures as defined in the national health expenditure accounts and excludes spending on medical research, structures, and equipment.



Corporate and individual tax expenditures are large in comparison to annual taxes collected, as well as to the government's major programs

**BUDGETARY COST (BILLIONS OF DOLLARS)**

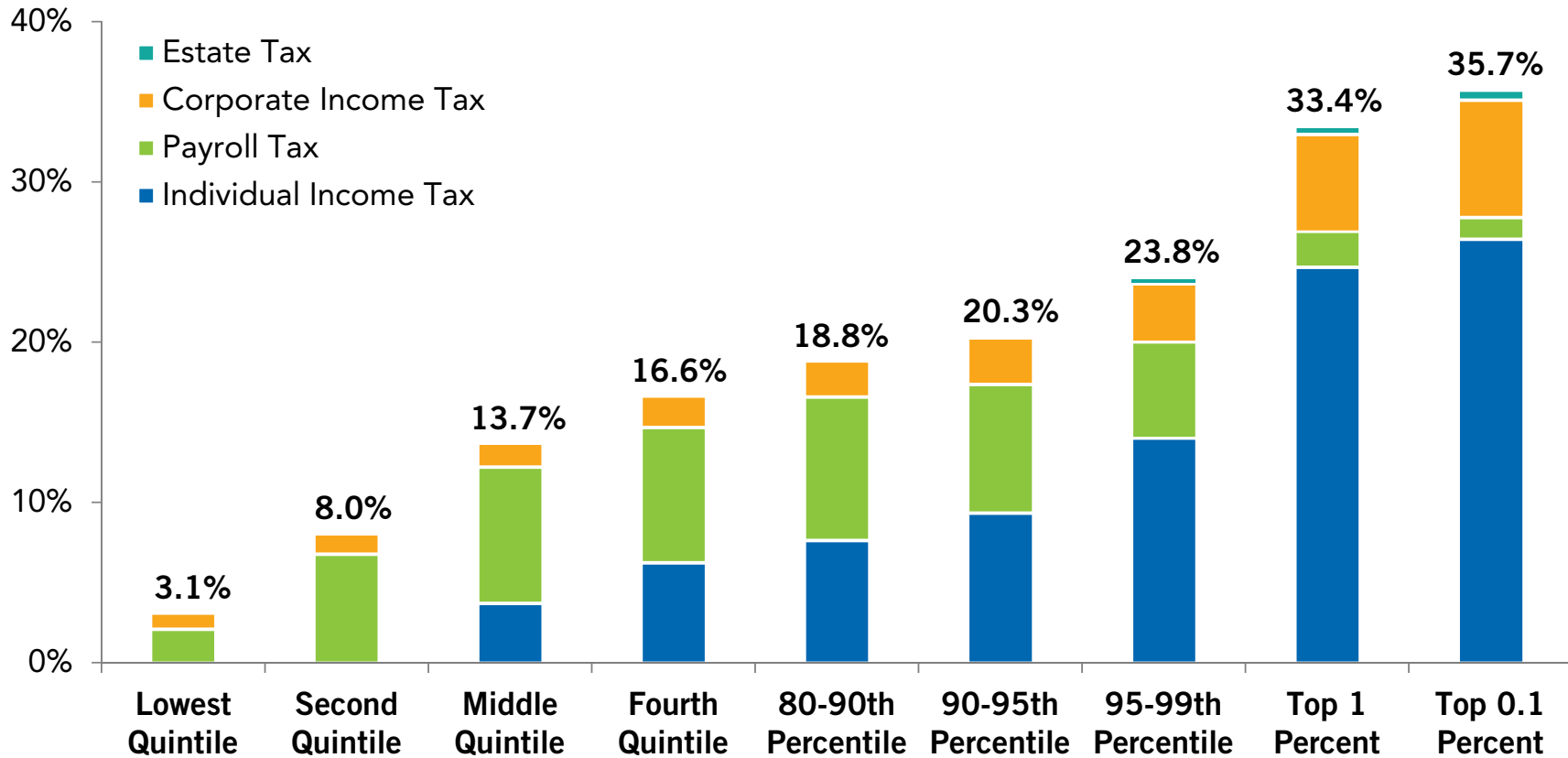


SOURCE: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2016*, February 2015. Data are for 2014. Compiled by PGPF.

NOTE: Medicare spending is net of premiums and payments from the states. Those receipts were \$95 billion in 2014. Defense represents discretionary defense spending. Income tax revenues includes both individual and corporate income tax receipts. Tax expenditures are deductions, credits, exclusions, and preferential rates. The estimates include effects on income, payroll, and excise tax revenues, as well as effects on outlays.



**AVERAGE TAX RATE (% OF CASH INCOME)**

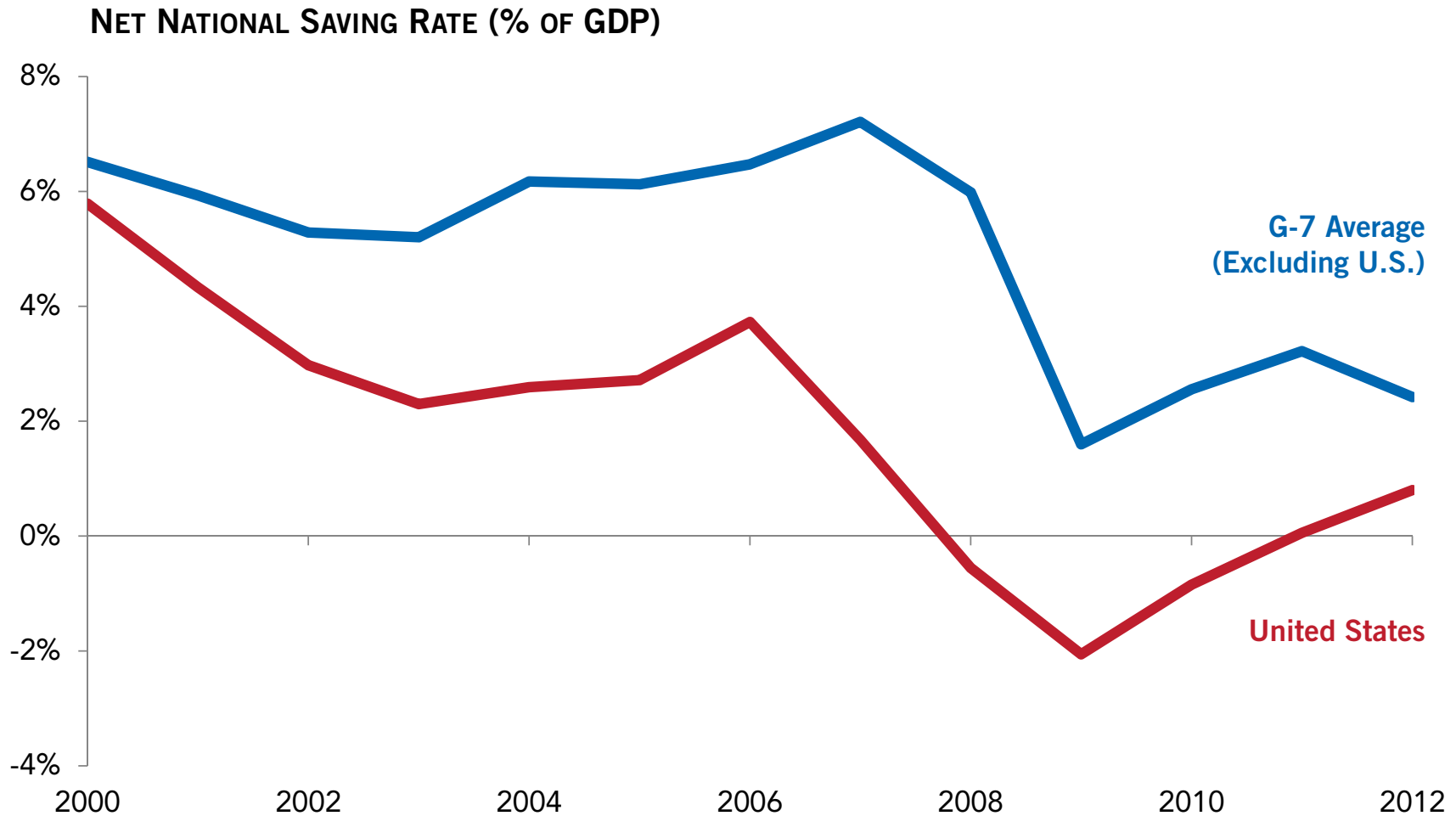


SOURCE: Tax Policy Center, *Baseline Average Effective Federal Tax Rates by Cash Income Percentile; 2014*, July 2013. Compiled by PGPF.

NOTE: Data are for 2014. Individual income tax rates for the lowest and second lowest quintiles are negative and are netted against the payroll tax rate. A quintile is one fifth of the population. In 2013 dollars, the income breaks are 20%: \$24,191; 40%: \$47,261; 60%: \$79,521; 80%: \$134,266; 90%: \$180,482; 95%: \$261,471; 99%: \$615,048; 99.9%: \$3,170,865.



Compared with other major countries, the United States has had a low national saving rate



SOURCE: Organization for Economic Cooperation and Development, *National Accounts at a Glance*, November 2014. Compiled by PGPF.  
NOTE: The G-7 is a group of seven advanced economies: Canada, France, Germany, Italy, Japan, the U.K., and the United States.

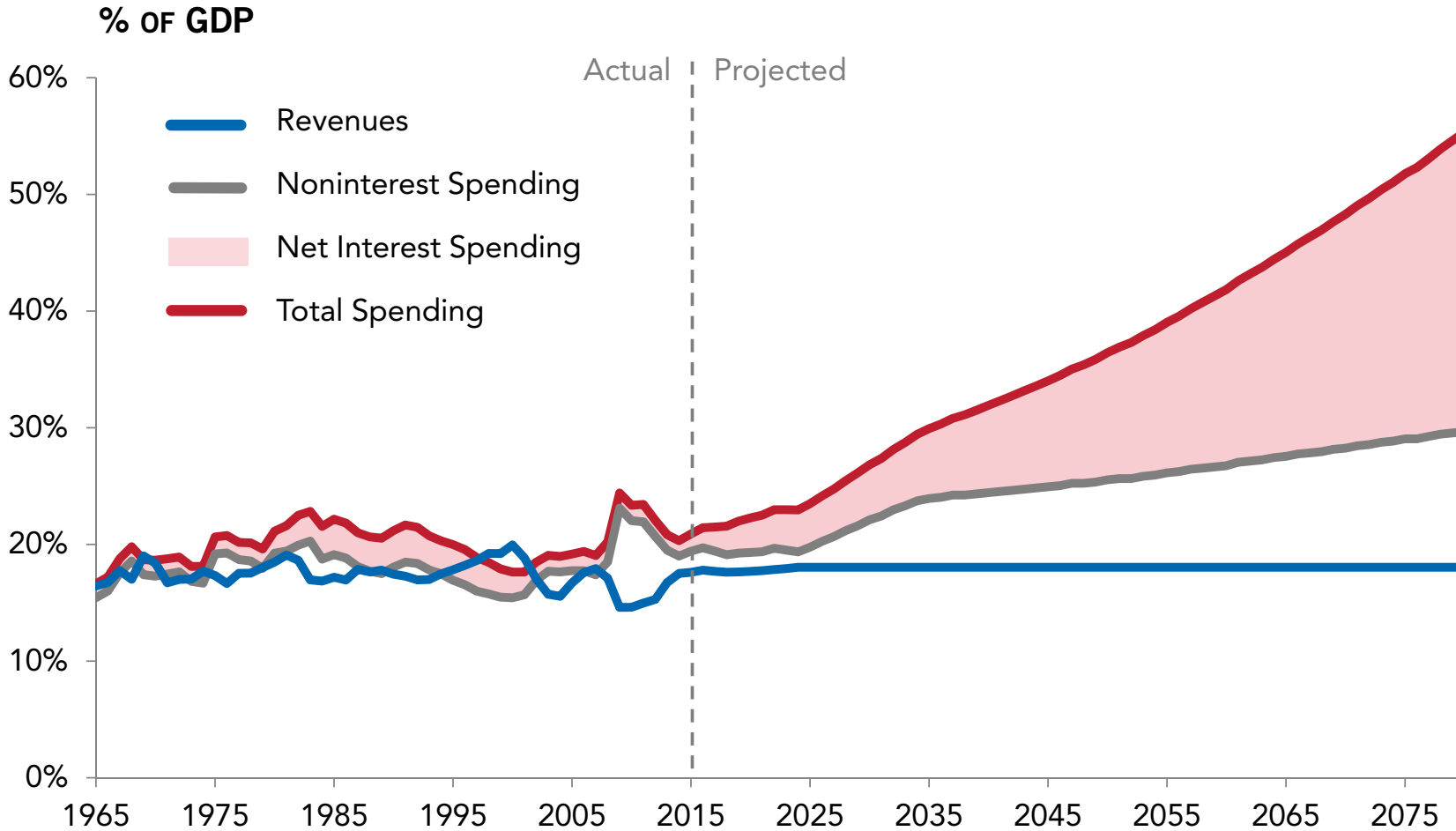


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# RISING INTEREST COSTS



## Interest costs are projected to grow to unsustainable levels if current policies aren't changed

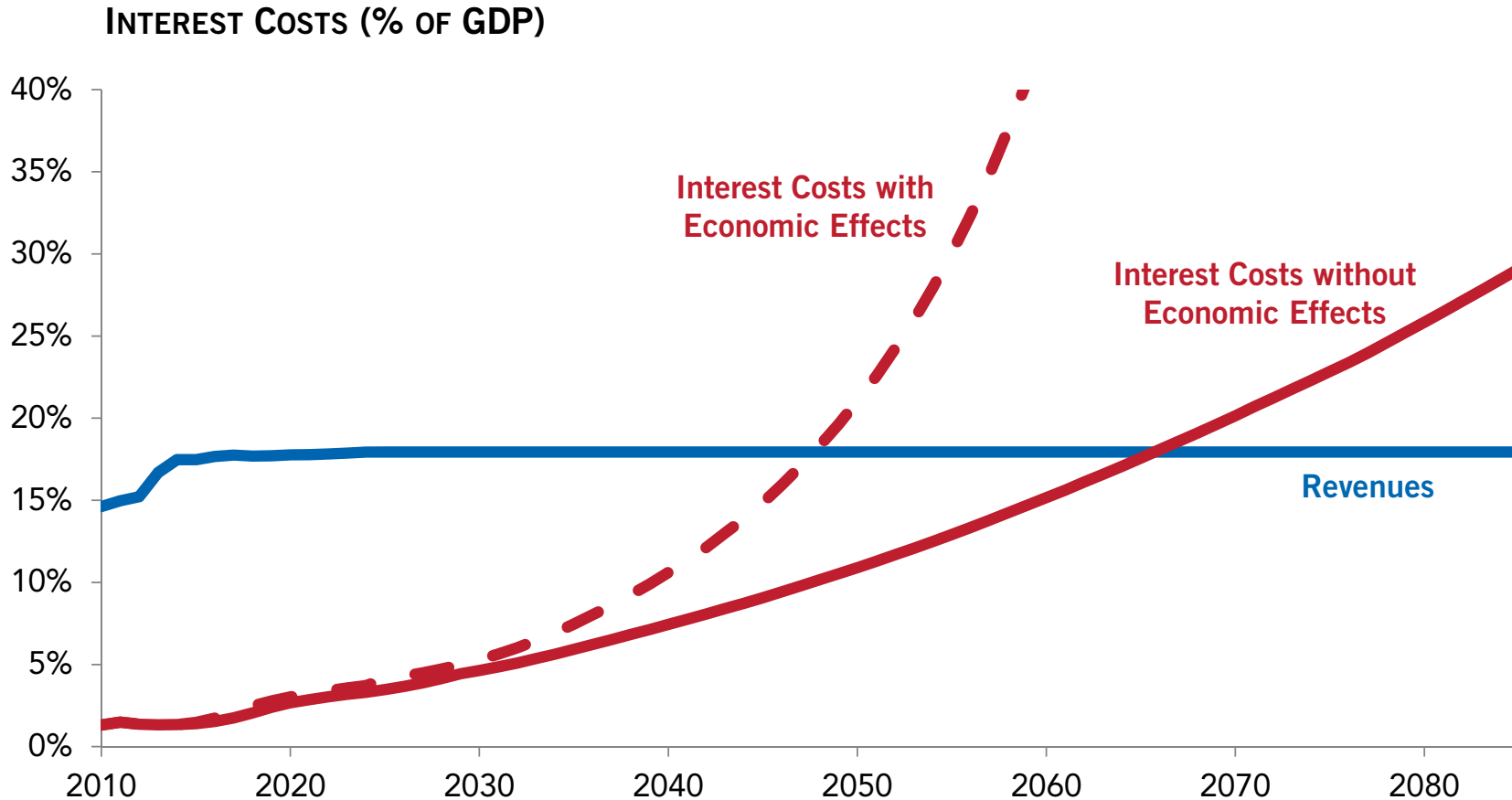


SOURCE: Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 2014; and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2016, Historical Tables*, February 2015. Calculated by PGPF.

NOTE: Projections are based on CBO's alternative fiscal scenario.



By 2066, interest costs on the federal debt will exceed federal revenues. If the economic effects of debt on interest rates are included, that date will occur in 2048.



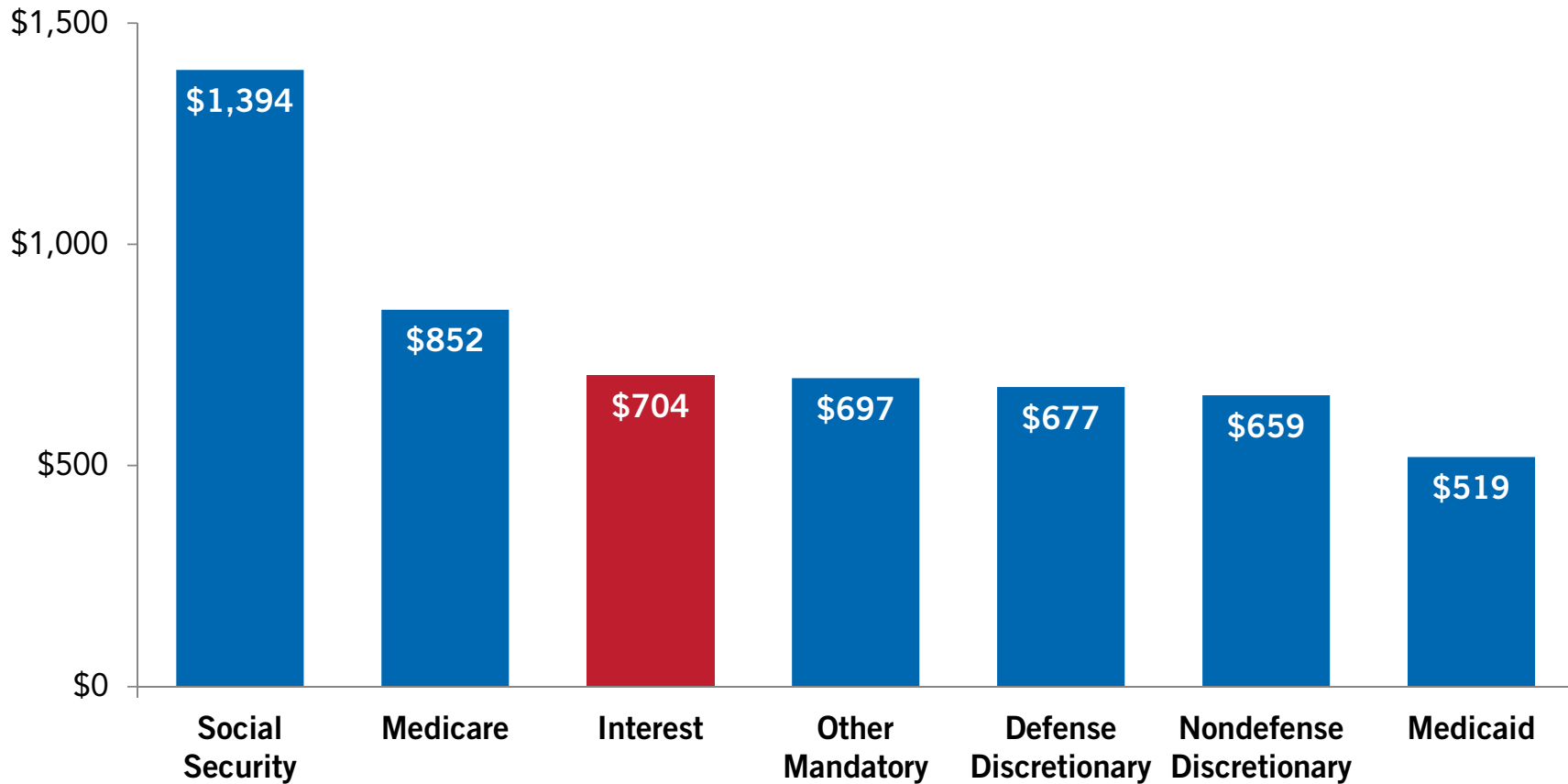
SOURCE: Congressional Budget Office, *The Budget and Economic Outlook: 2014 to 2024*, February 2014, and *The 2014 Long-Term Budget Outlook*, July 2014. Calculated by PGPF.

NOTE: Projections are based on CBO's alternative fiscal scenario and CBO's assumptions about the effects of high debt levels on interest rates. The effective interest rate on federal debt rises gradually until it is one-and-one-third percentage points higher in 2039 than in CBO's economic benchmark projections.



Interest costs will be the third largest category of the budget in 2023

**FEDERAL SPENDING IN 2023 (BILLIONS OF DOLLARS)**



SOURCE: Congressional Budget Office, *Updated Budget Projections: 2015 to 2025*, March 2015. Compiled by PGPF.

NOTE: Medicare is net of offsetting receipts.

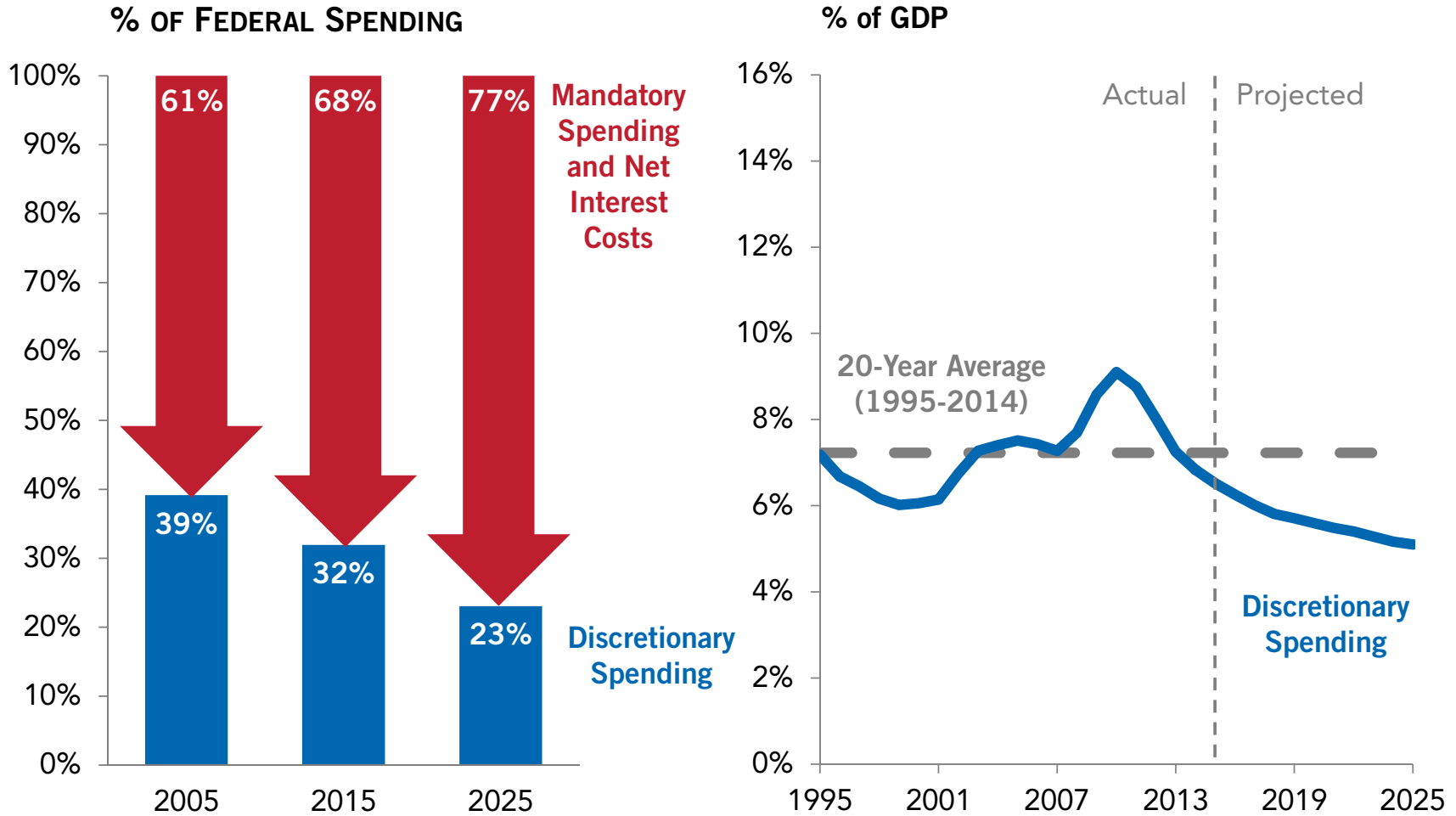


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# DISCRETIONARY SPENDING TRENDS



Mandatory spending and interest costs will climb significantly, while discretionary spending will fall to well below historical averages

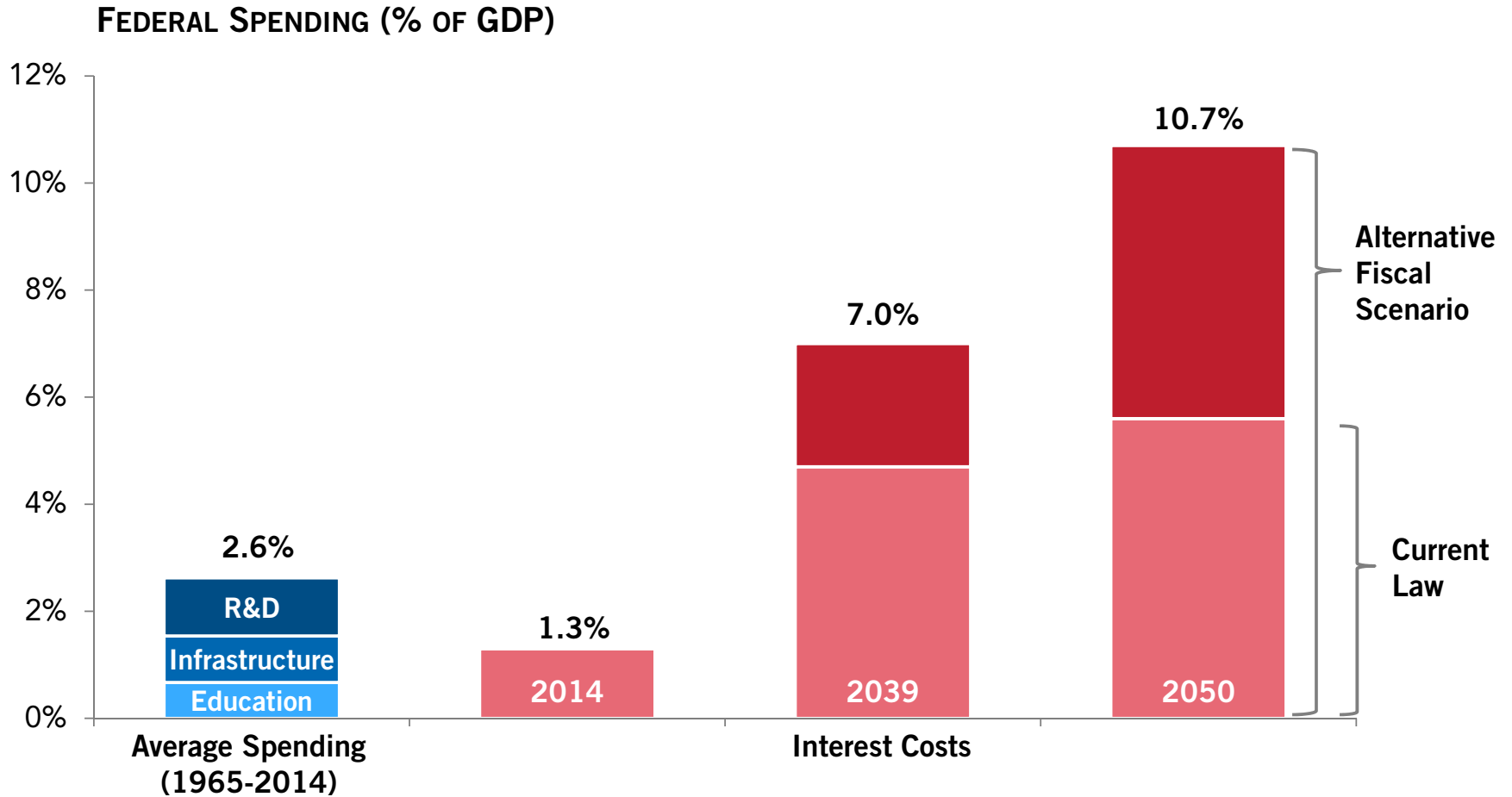


SOURCE: Congressional Budget Office, *Updated Budget Projections: 2015 to 2025*, March 2015. Compiled by PGPF.





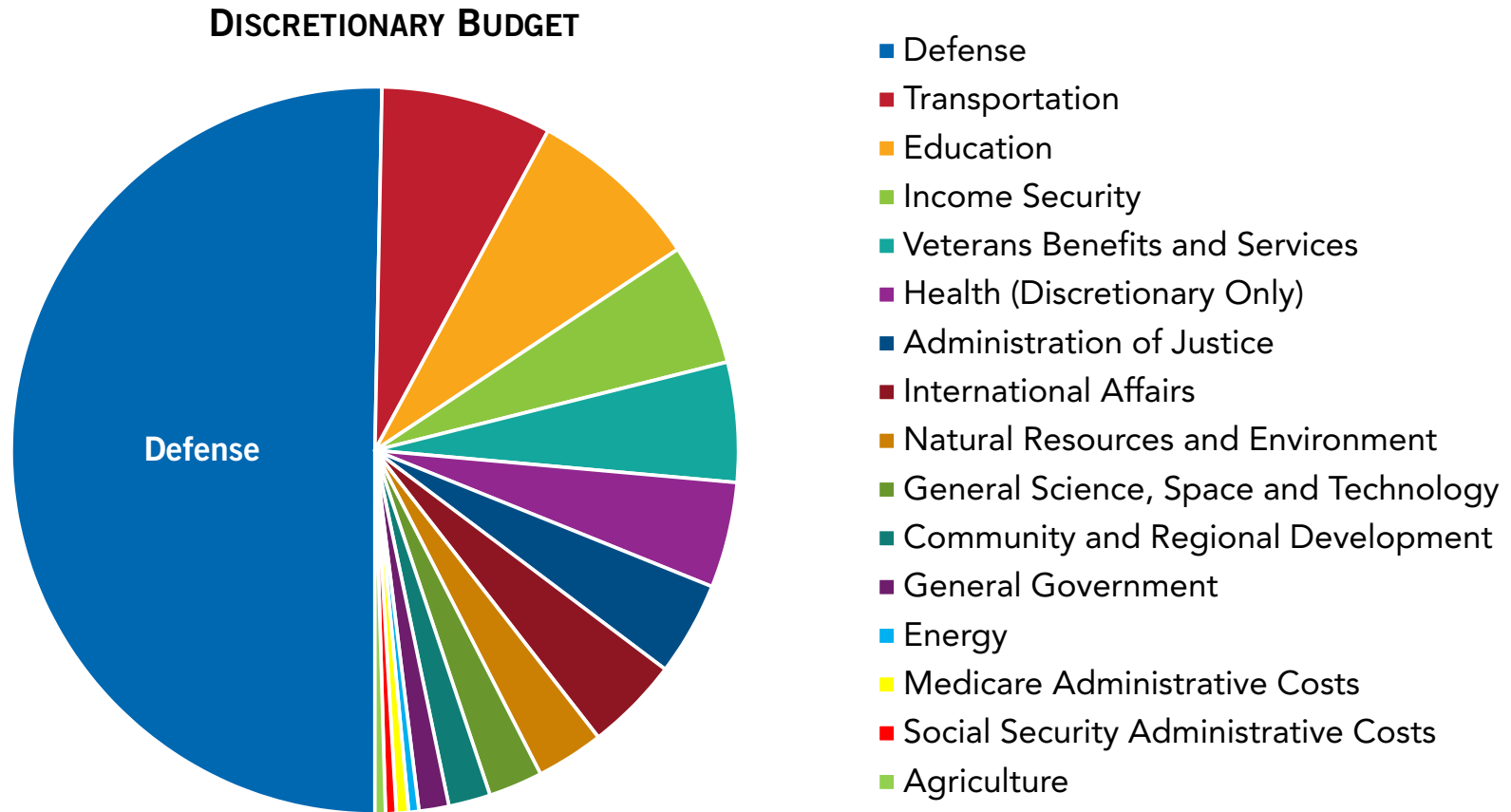
By 2050, interest costs on the debt are projected to be four times what the federal government has historically spent on education, R&D, and infrastructure combined



SOURCE: Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 2014; and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2016, Historical Tables*, February 2015. Compiled by PGPF.

NOTE: Infrastructure excludes defense. Data for the alternative fiscal scenario does not include economic feedback.

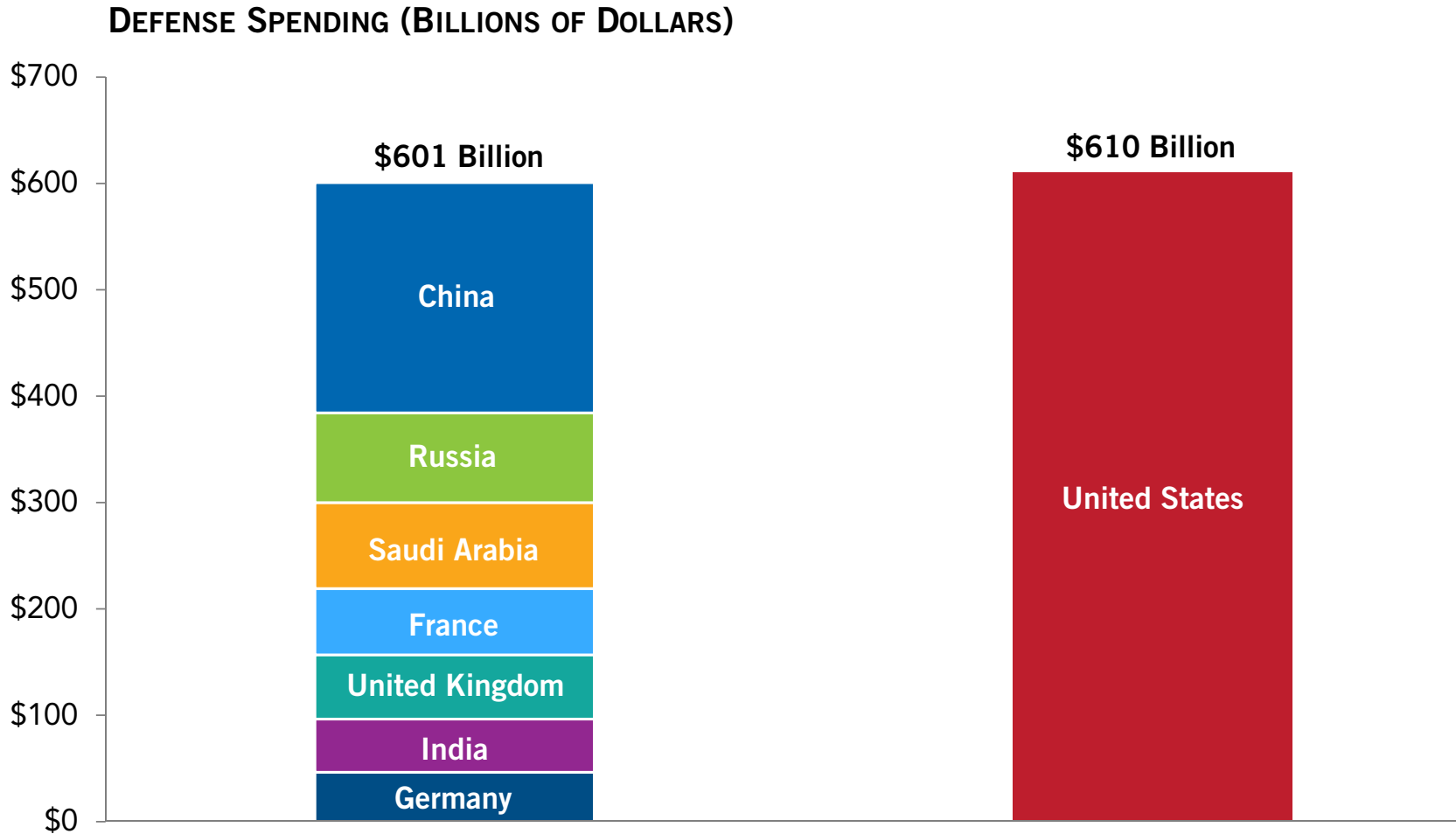
## Discretionary spending funds a wide range of government programs



SOURCE: Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2016*, February 2015. Data are for 2014. Compiled by PGPF.

NOTE: Data excludes function 900, 990, and functions with negative outlays. Health (discretionary only) includes National Institutes of Health, Center for Disease Control and Prevention, veterans' healthcare, and administrative costs for Medicaid.

## The United States spends more on defense than the next seven countries combined



SOURCE: Stockholm International Peace Research Institute, *SIPRI Military Expenditure Database*, April 2015. Data are for 2014. Compiled by PGPF.  
NOTE: Figures are in U.S. dollars, converted from local currencies using market exchange rates.



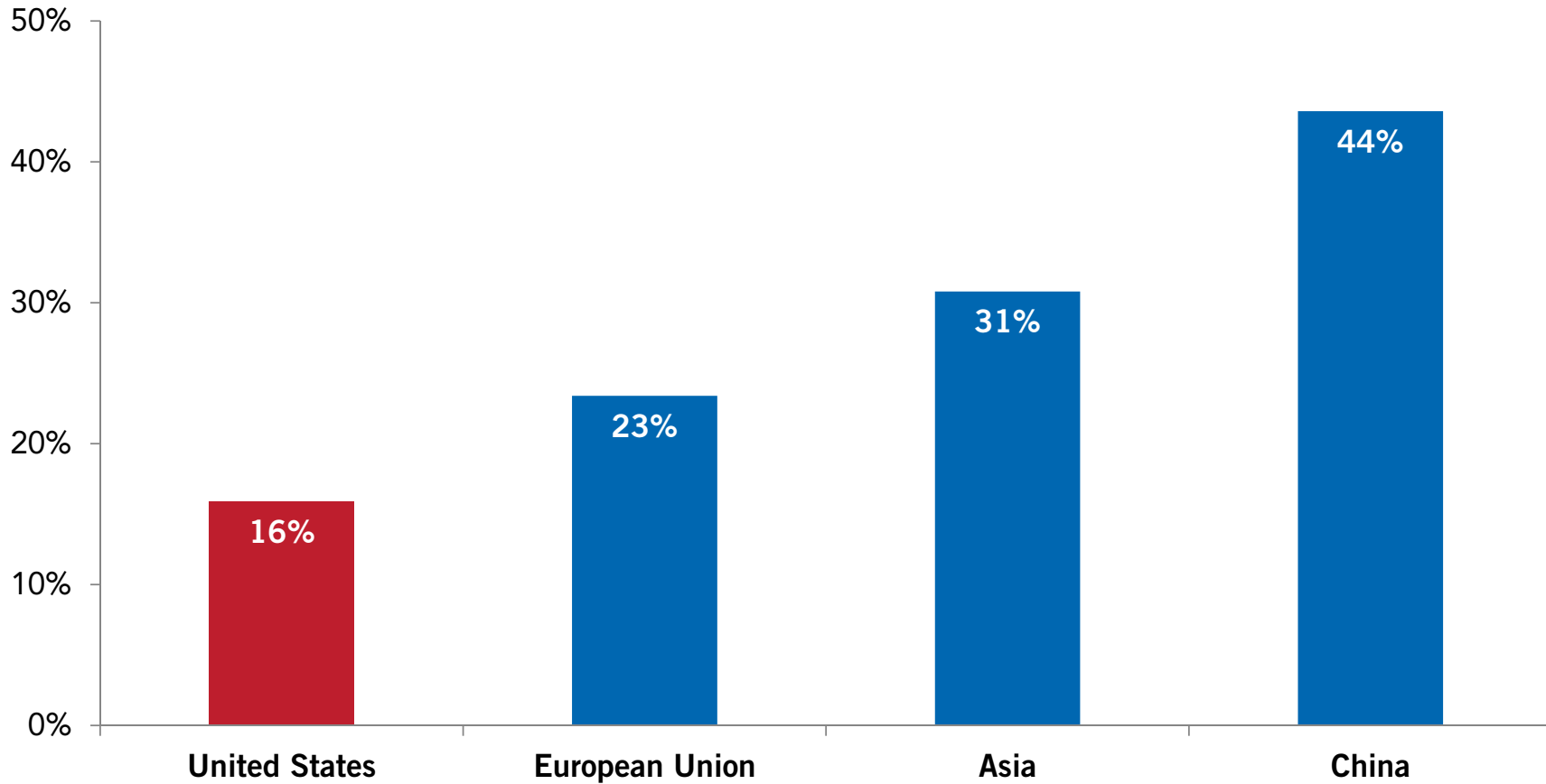


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# ECONOMIC OPPORTUNITY



### SCIENCE AND ENGINEERING DEGREES (% OF UNDERGRADUATE DEGREES)



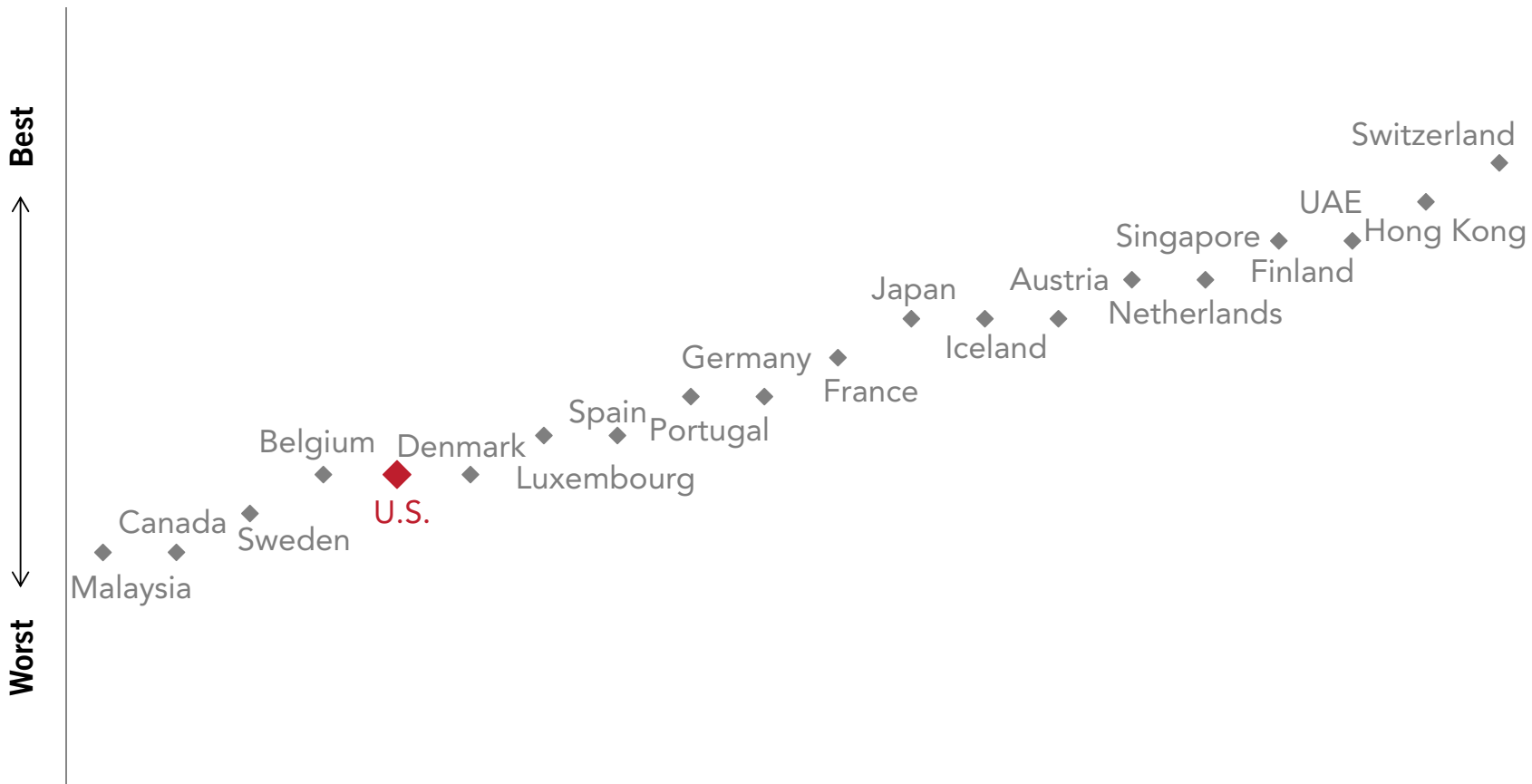
SOURCE: National Science Foundation, *Science and Engineering Indicators 2014*, February 2014. Compiled by PGPF.

NOTE: This chart includes natural sciences (physical, biological, agricultural, computer science, and mathematics) and engineering but excludes social sciences.



The United States ranks only 16<sup>th</sup> in quality of overall infrastructure according to the World Economic Forum

**QUALITY OF OVERALL INFRASTRUCTURE**



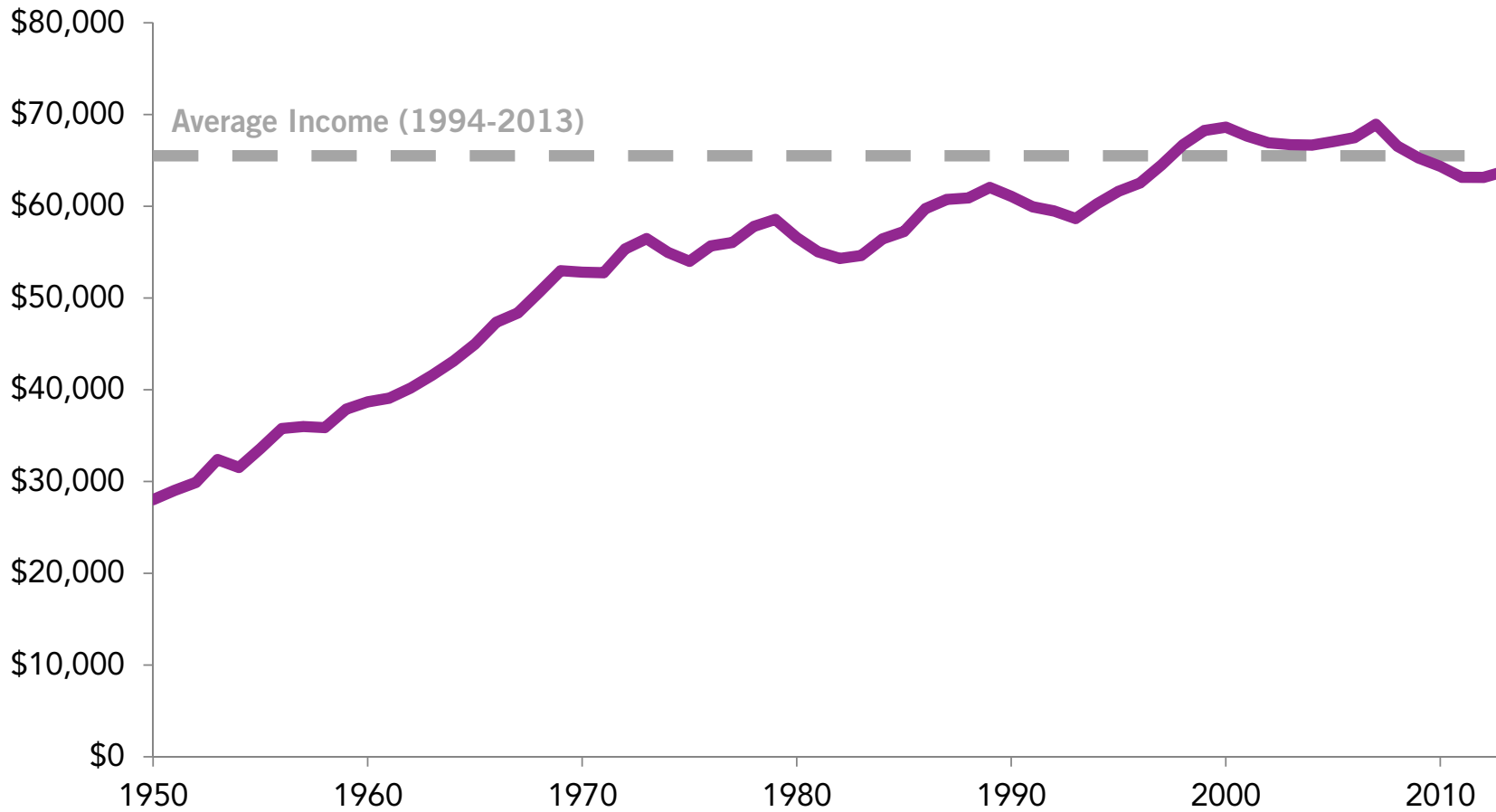
SOURCE: World Economic Forum, *The Global Competitiveness Report 2014-2015*, 2014. Compiled by PGPF.

NOTE: The World Economic Forum score on overall infrastructure includes transport, telephony, and energy. Only the top 20 ranked countries are shown.



The median real income for families in the United States has been relatively stagnant for two decades

**MEDIAN FAMILY INCOME (2013 DOLLARS)**



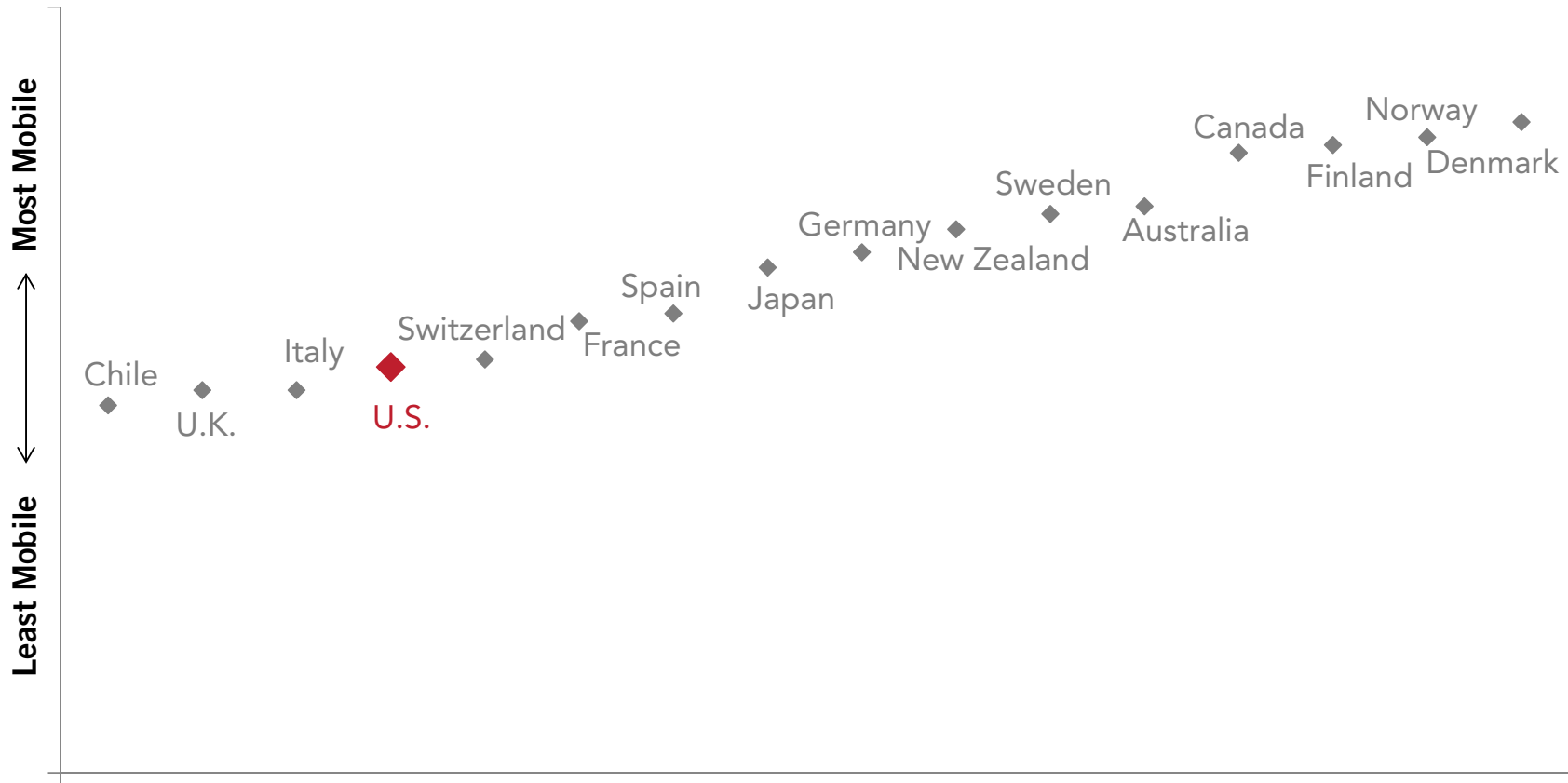
SOURCE: U.S. Census Bureau, *Historical Income Tables*, September 2014. Compiled by PGPF.





The United States ranks only 13<sup>th</sup> in income mobility from one generation to the next

### INTERGENERATIONAL INCOME MOBILITY

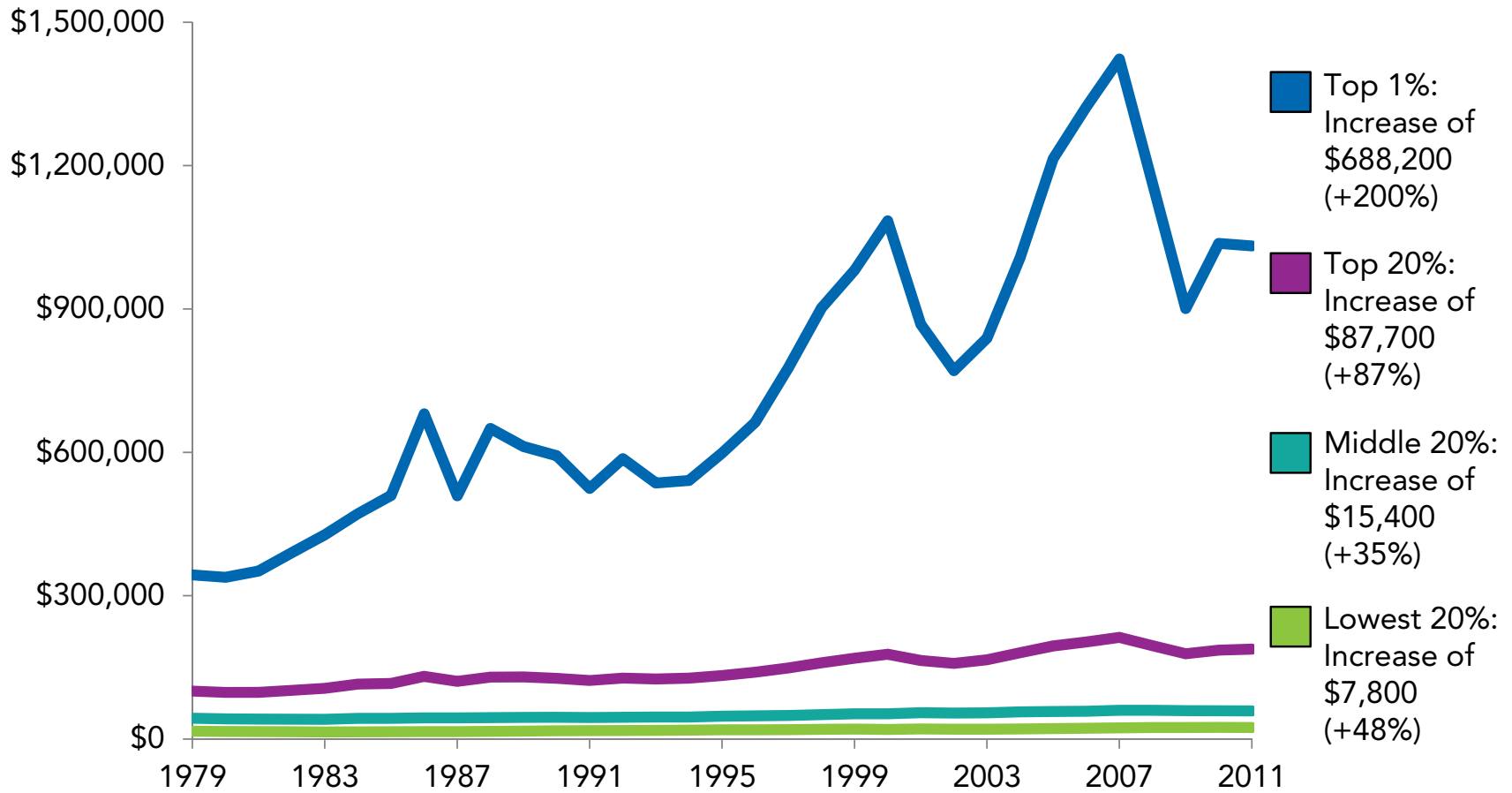


SOURCE: Miles Corak, *Inequality from Generation to Generation: the United States in Comparison*, 2012. Compiled by PGPF.

NOTE: Mobility is measured as intergenerational earnings elasticity, an indicator of how closely children's earnings are related to those of their parents. In low-mobility countries, children's earnings in adulthood depend heavily on their parents' earnings.

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

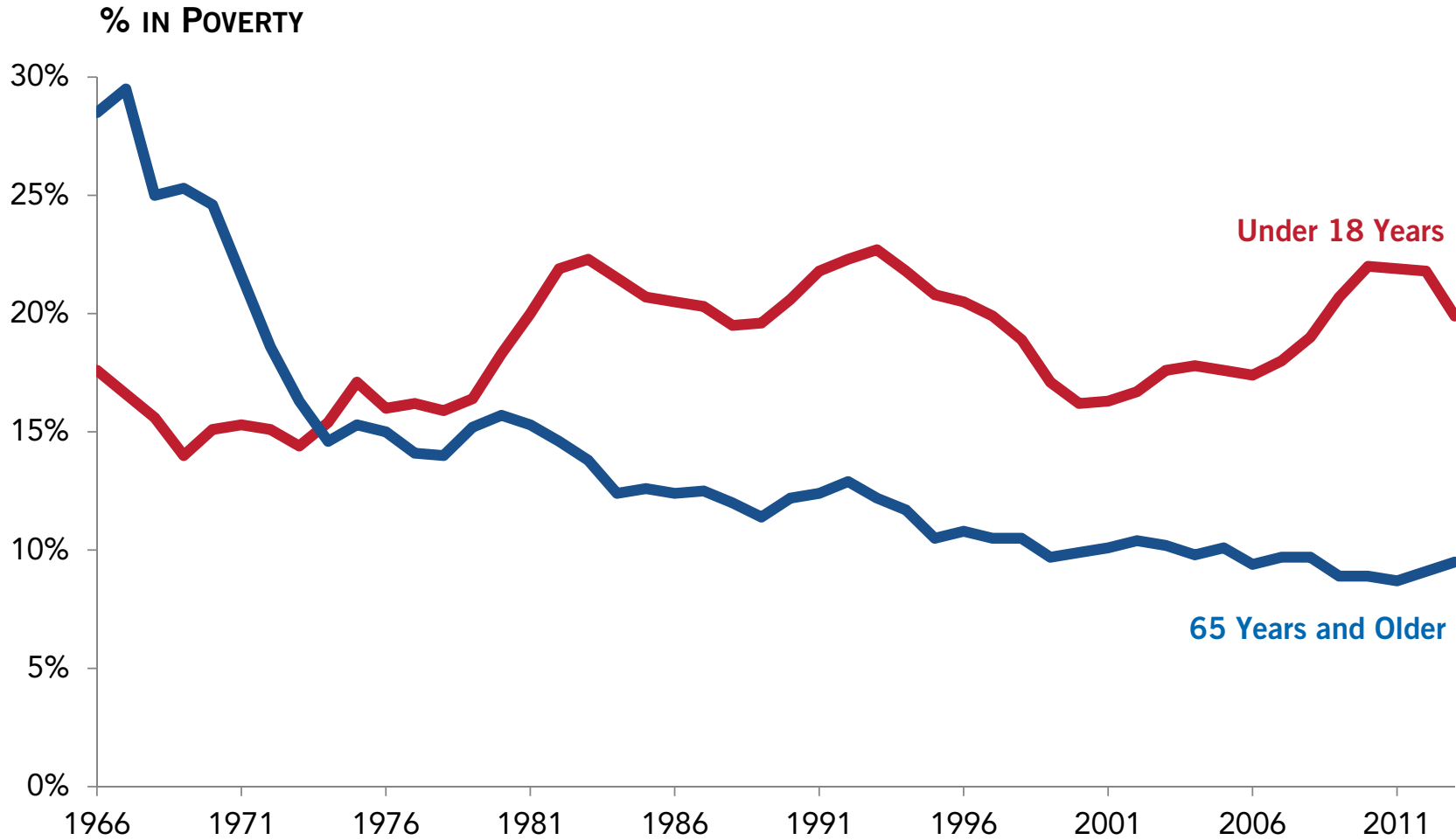
**AVERAGE ANNUAL AFTER-TAX INCOME (2011 DOLLARS)**



SOURCE: Congressional Budget Office, *The Distribution of Household Income and Federal Taxes, 2011*, November 2014. Compiled by PGPF.



## Poverty levels among children have remained high, while poverty levels among the elderly have declined

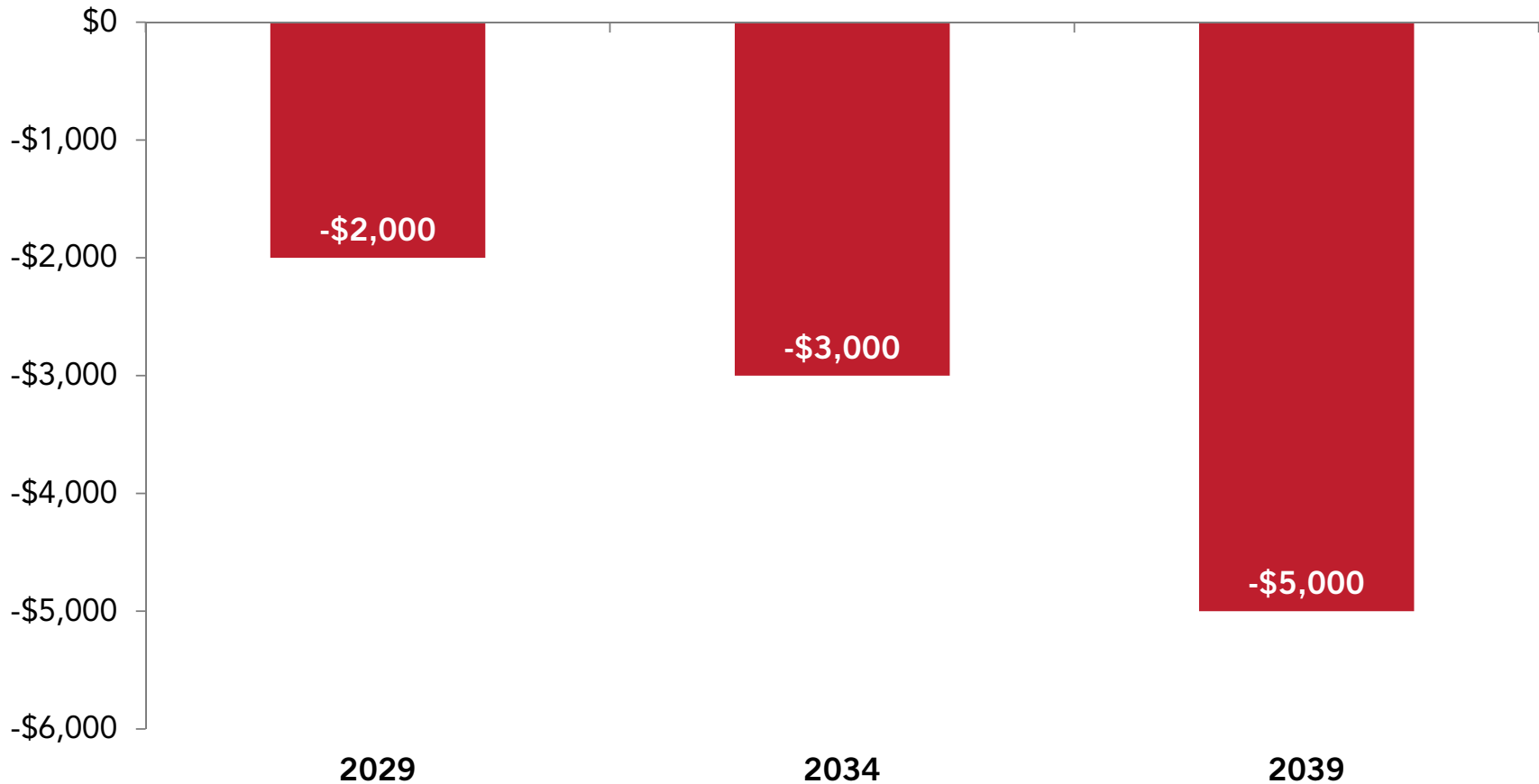


SOURCE: U.S. Census Bureau, *Historical Poverty Tables*, September 2014. Data are for 2013. Compiled by PGPF.



The growing federal debt is projected to reduce average income per person by \$5,000 in 2039

**AVERAGE INCOME LOSS PER CAPITA (2014 DOLLARS)**



SOURCE: Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 2014. Compiled by PGPF.

NOTE: Income is measured as real gross national product (GNP) per person. The reduction to income is the difference between the level of income if debt rises as it does under the alternative fiscal scenario and the level of income if debt remains near its current share of GNP.



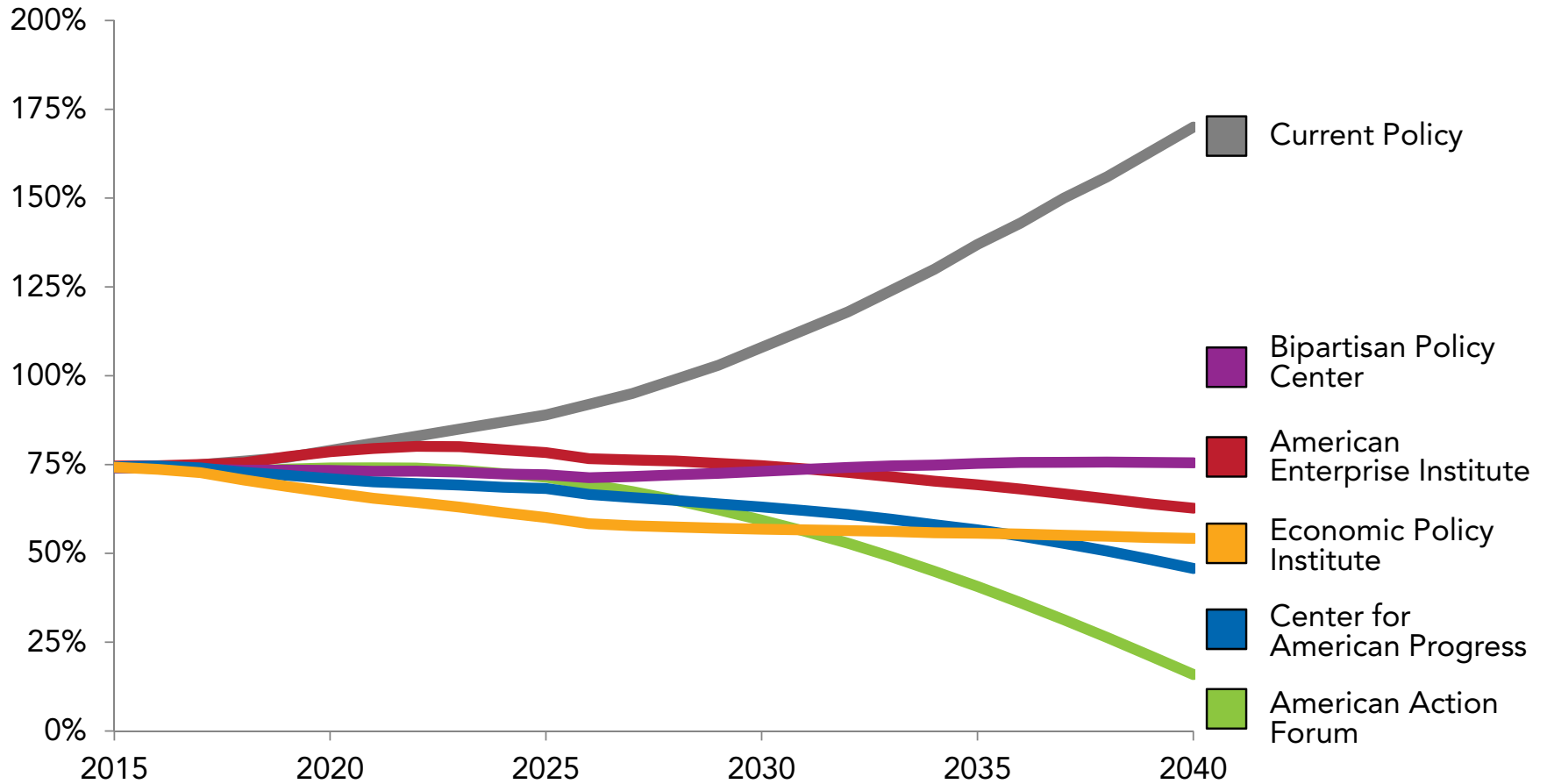
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# SOLUTIONS



## Solutions do exist: PGPF Solutions Initiative III plans from five think tanks show stable or declining federal debt through 2040

**DEBT HELD BY THE PUBLIC (% OF GDP)**

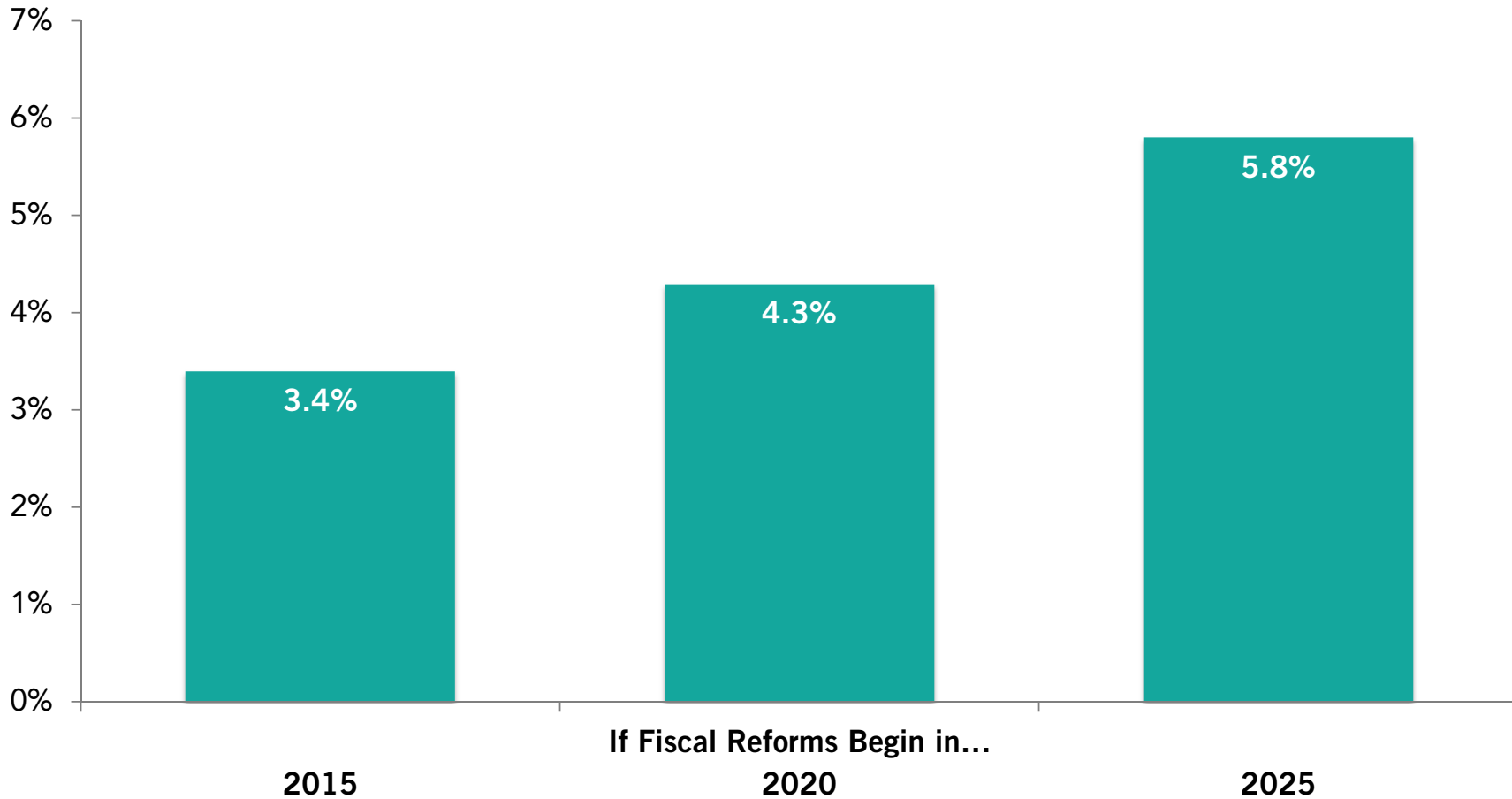


SOURCE: Peter G. Peterson Foundation, *Solutions Initiative III*, May 2015. See [pgpf.org/solutions-initiative-iii](http://pgpf.org/solutions-initiative-iii) for more details.

NOTE: Current policy is defined as the alternative fiscal scenario without economic feedback from CBO's *2014 Long-Term Budget Outlook*.



**SIZE OF BUDGET CHANGES NEEDED TO STABILIZE THE DEBT (% OF GDP)**



SOURCE: Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, July 2014. Calculated by PGPF.

NOTE: Calculations are based on CBO's alternative fiscal scenario.



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