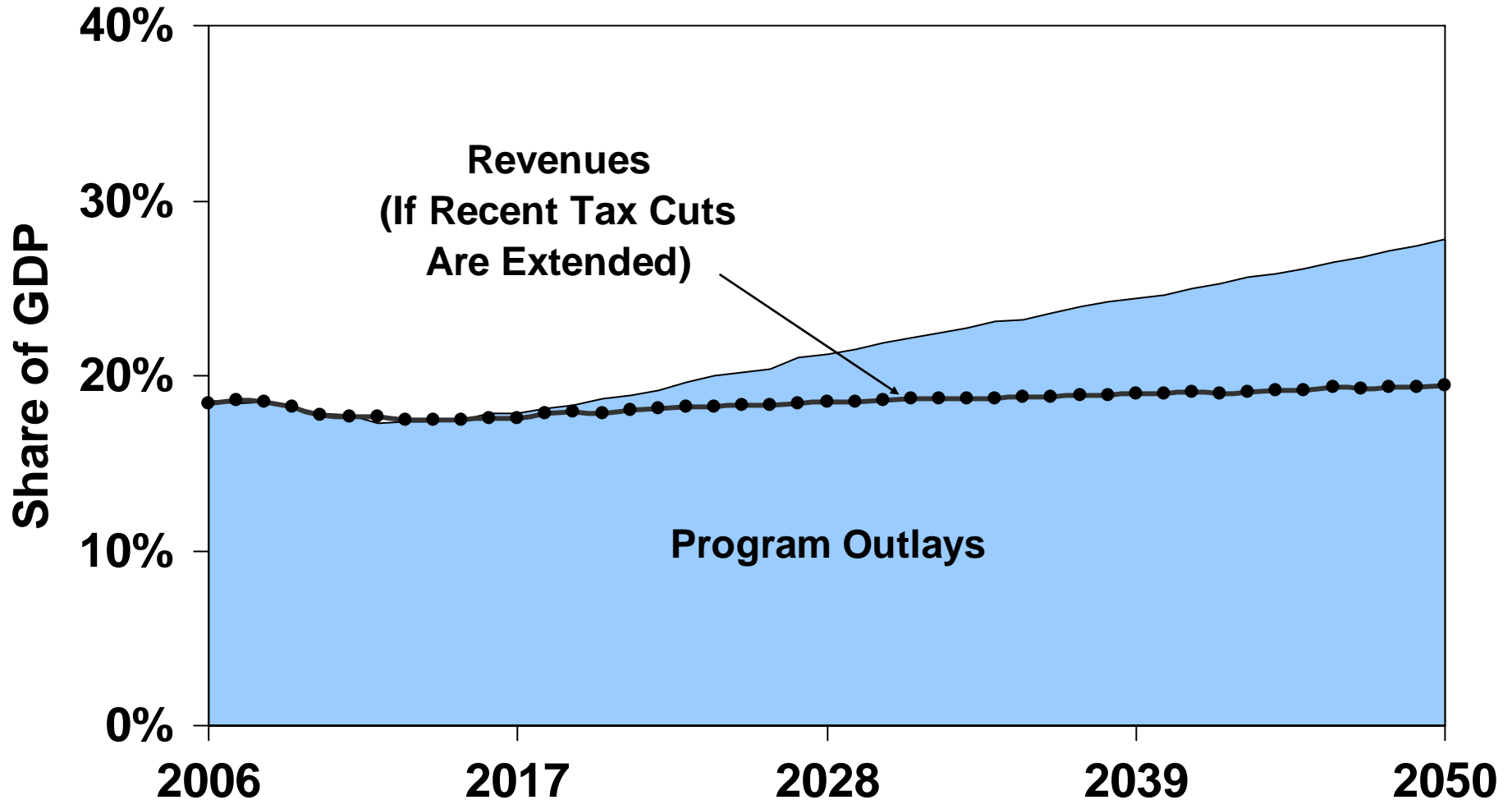
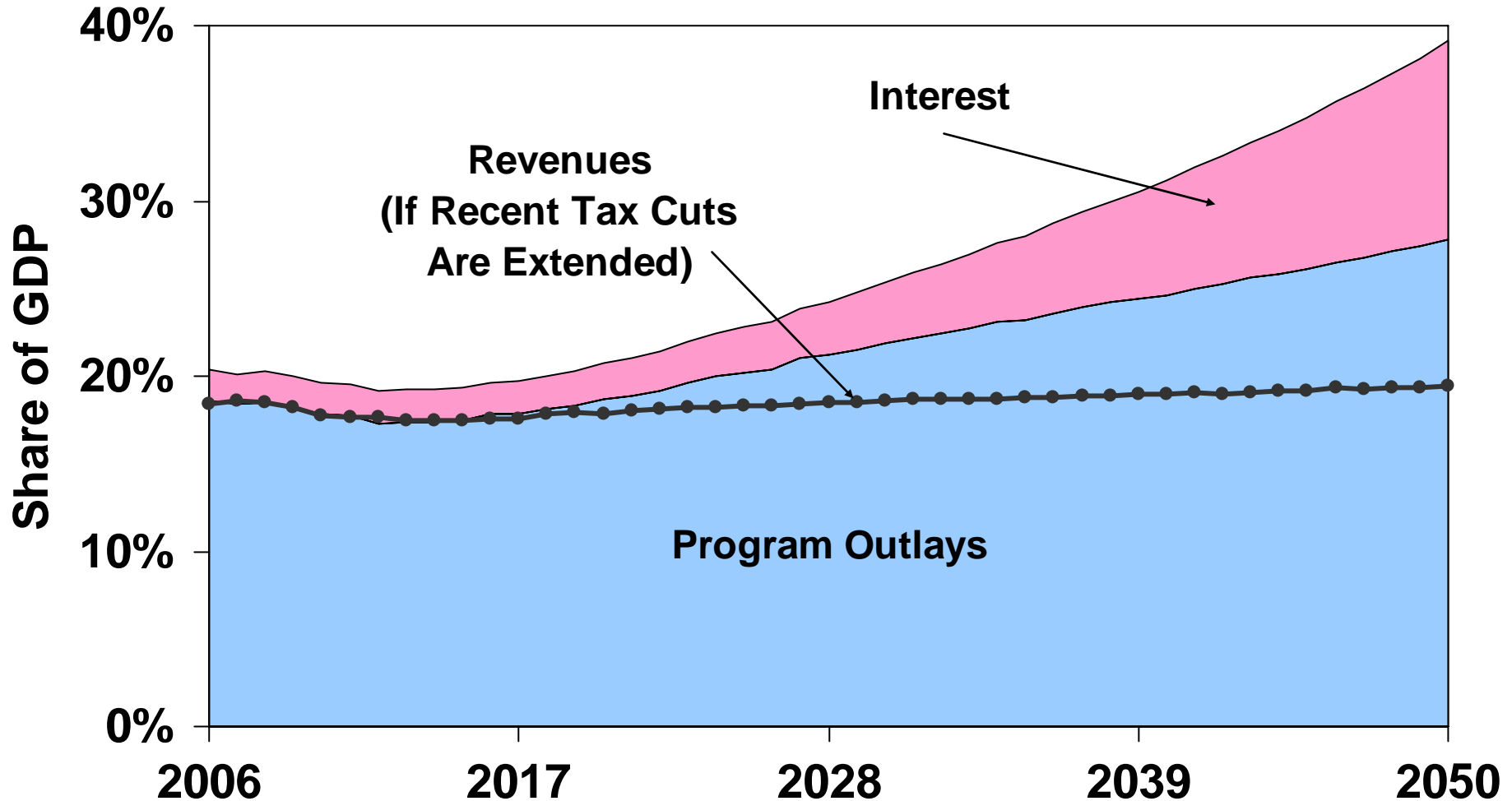


The Current Path of Federal Revenues and Program Spending Is Unsustainable



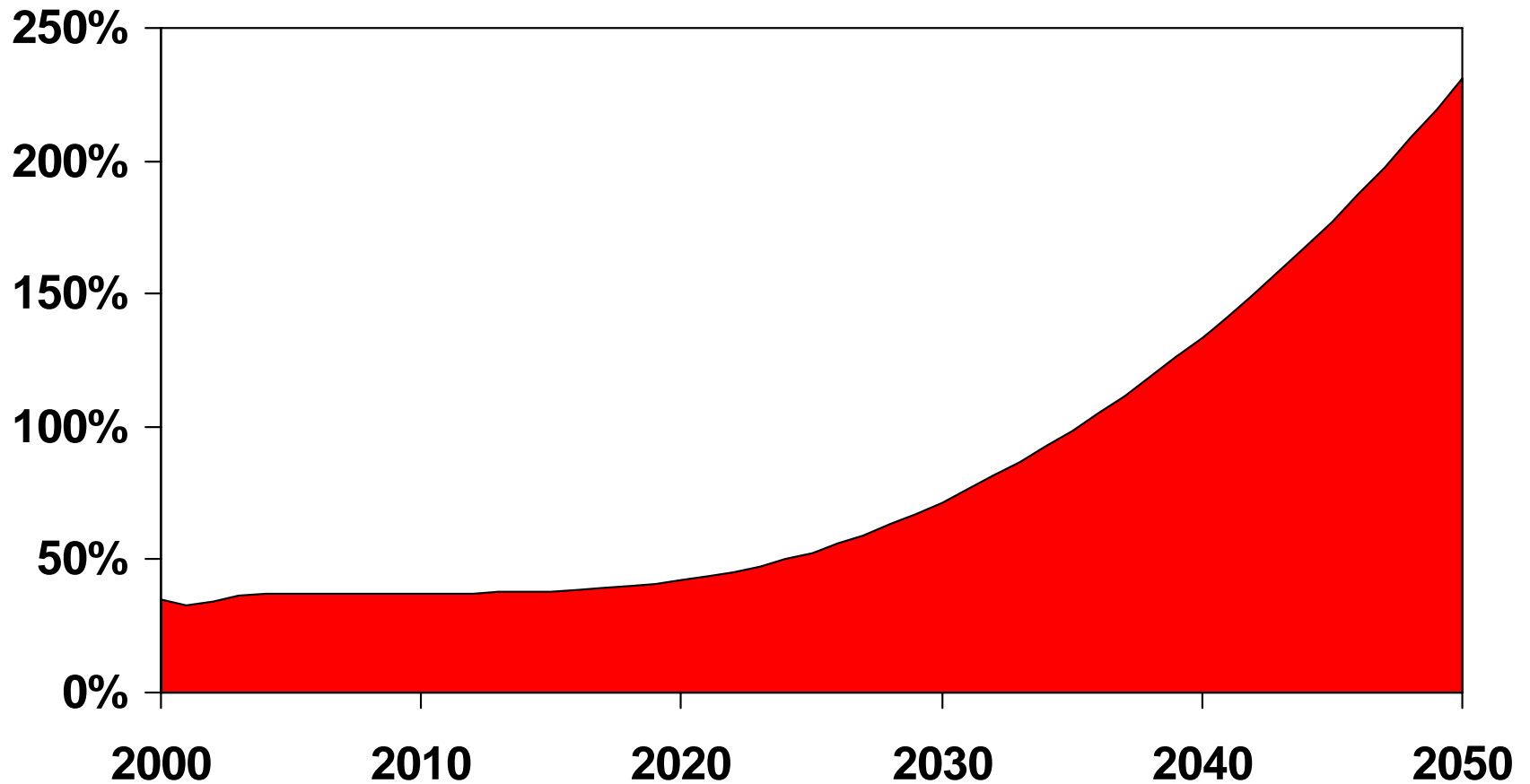
Source: CBPP projections based on CBO data.

Mismatch Between Revenues and Program Costs Leads to Rising Interest Costs



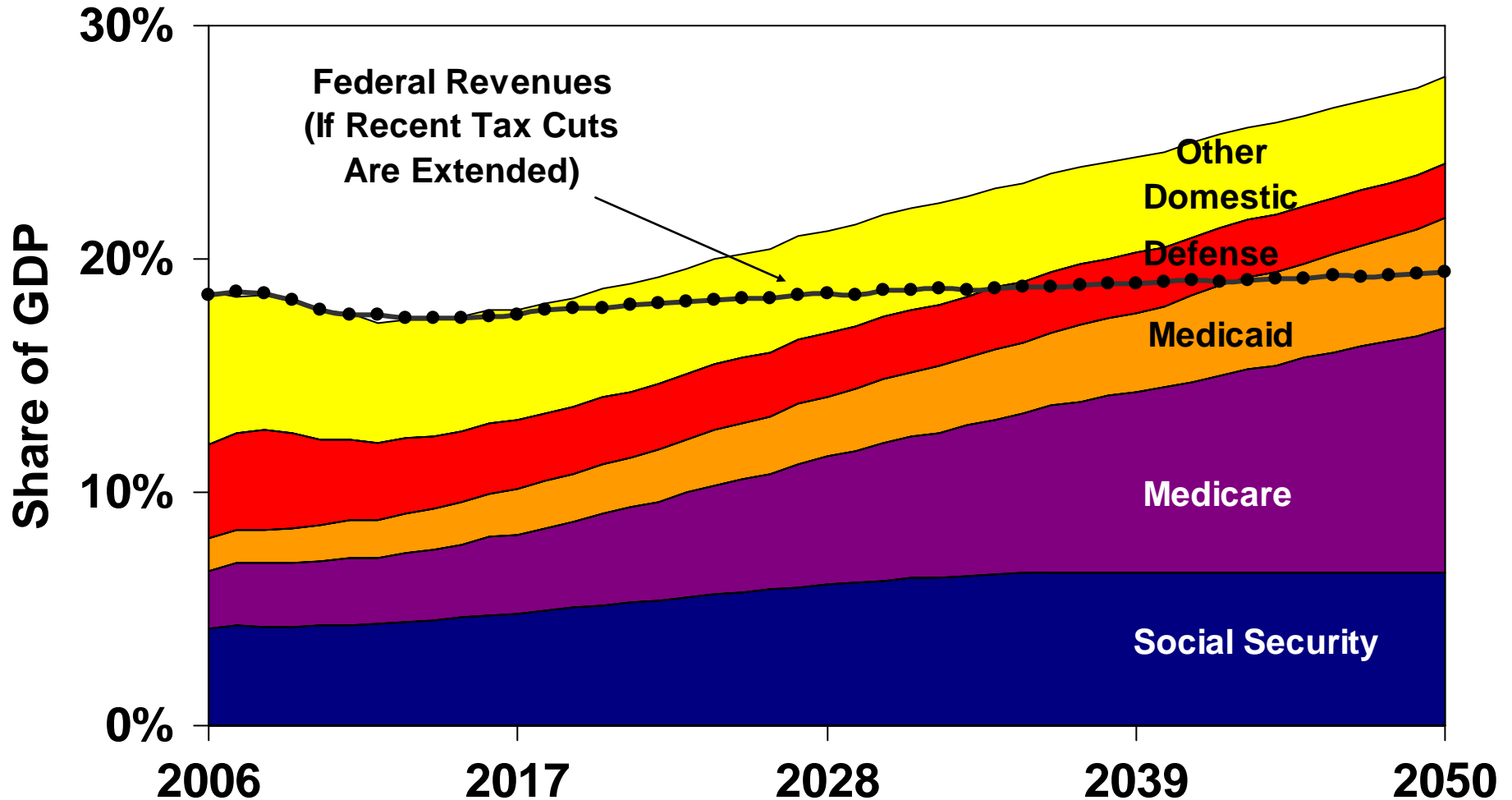
Under Current Policies, Debt Will Reach 231 Percent of GDP in 2050

Debt as a Share of GDP



Source: CBPP projections based on Congressional Budget Office data.

The Current Path of Federal Revenues and Program Spending Is Unsustainable



Source: CBPP projections based on CBO data.

Quantifying the Fiscal Problem

Traditional Measures

Deficits per GDP in 2050	19.8%
Debt per GDP in 2050	231%

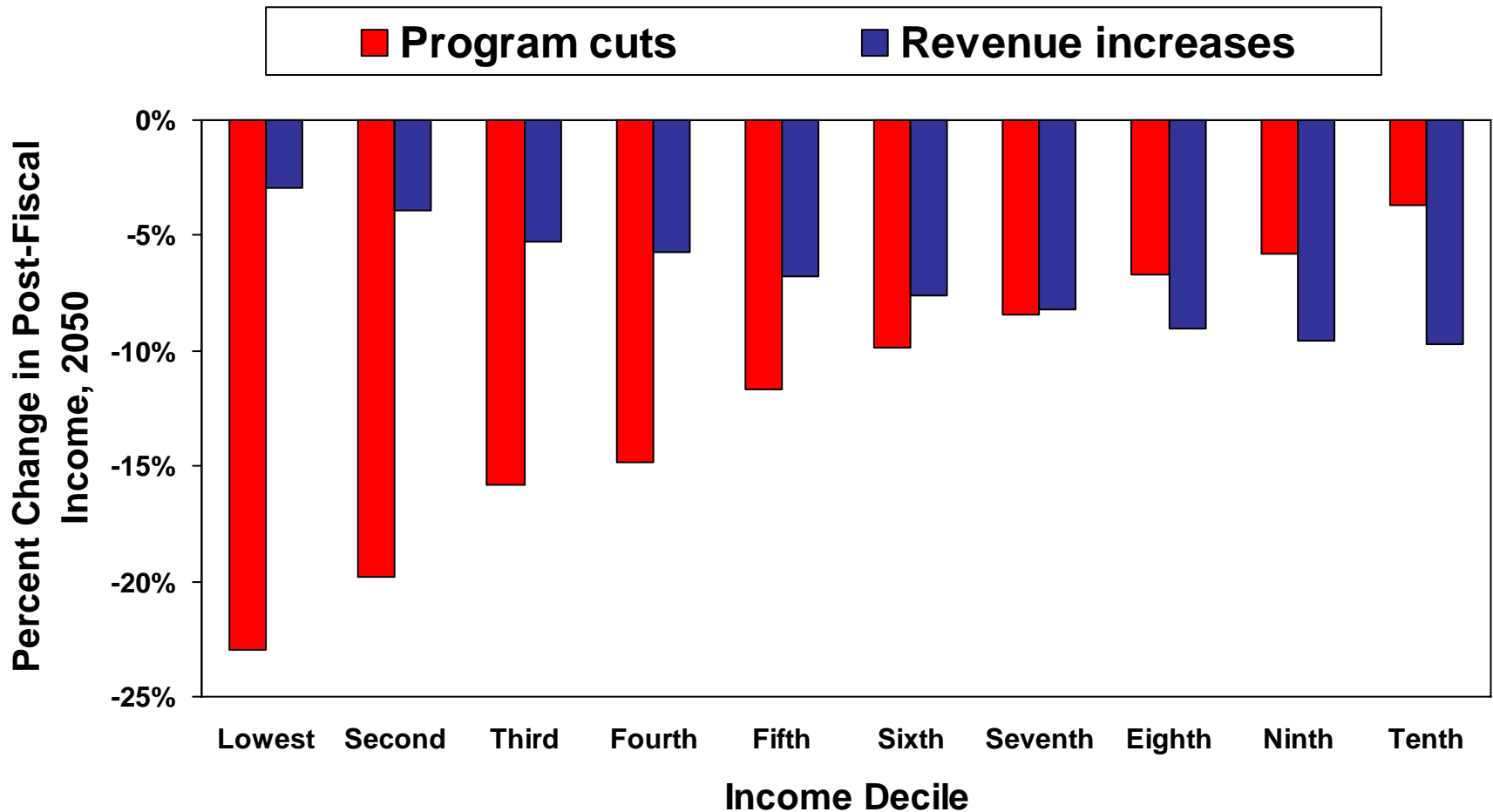
Increase in Primary Deficit by 2050, % of GDP

Medicare and Medicaid	+11.2%
Social Security	+ 2.3%
Other programs and revenues	- 4.8%

Fiscal Gap Concept

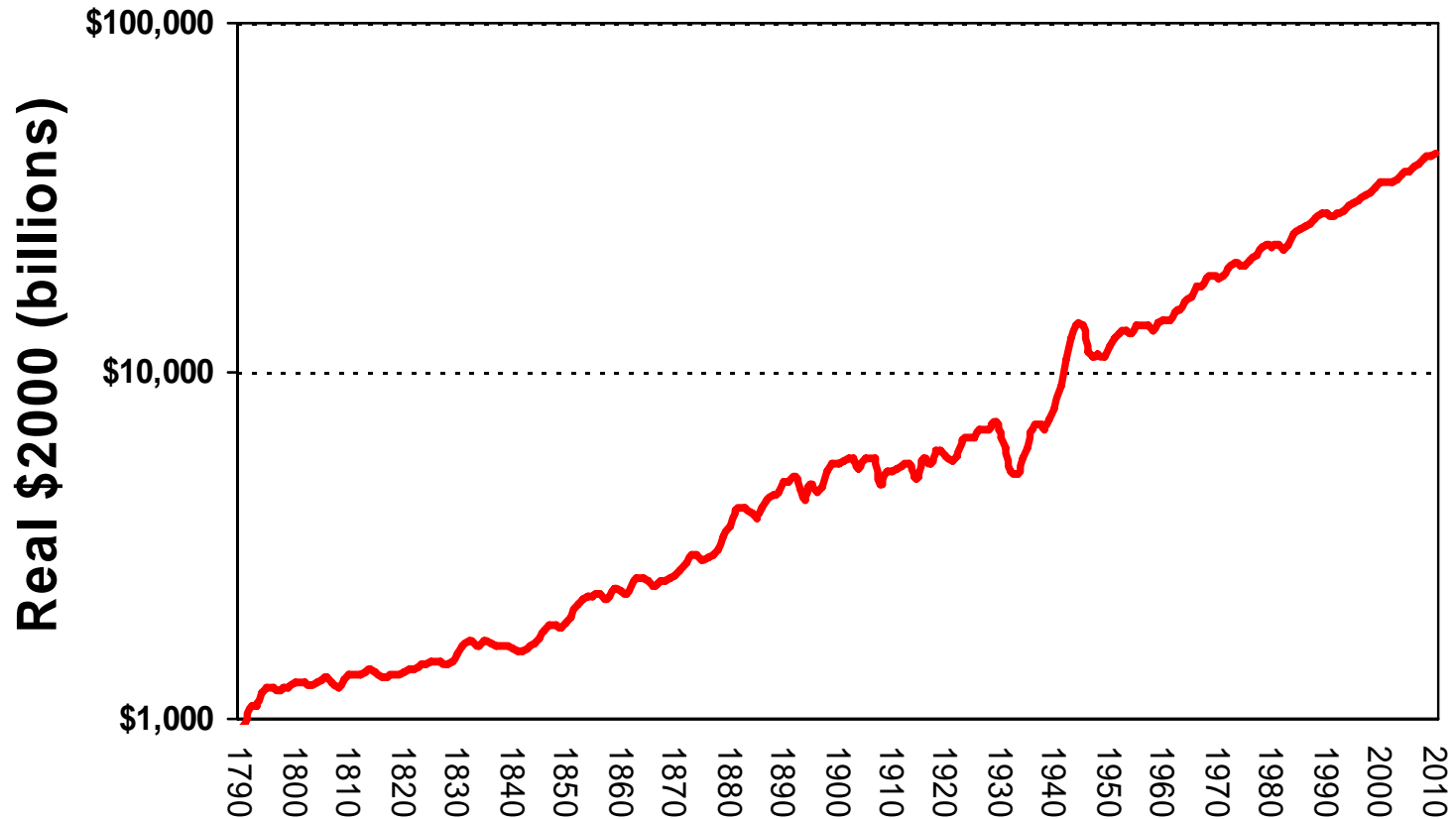
As share of projected GDP	3.2%
As share of projected expenditures	15.2%
As share of projected revenues	17.6%

Solving the Long-Term Problem Through Program Cuts Would Be Very Regressive



U.S. GDP per person

in constant 2000 dollars

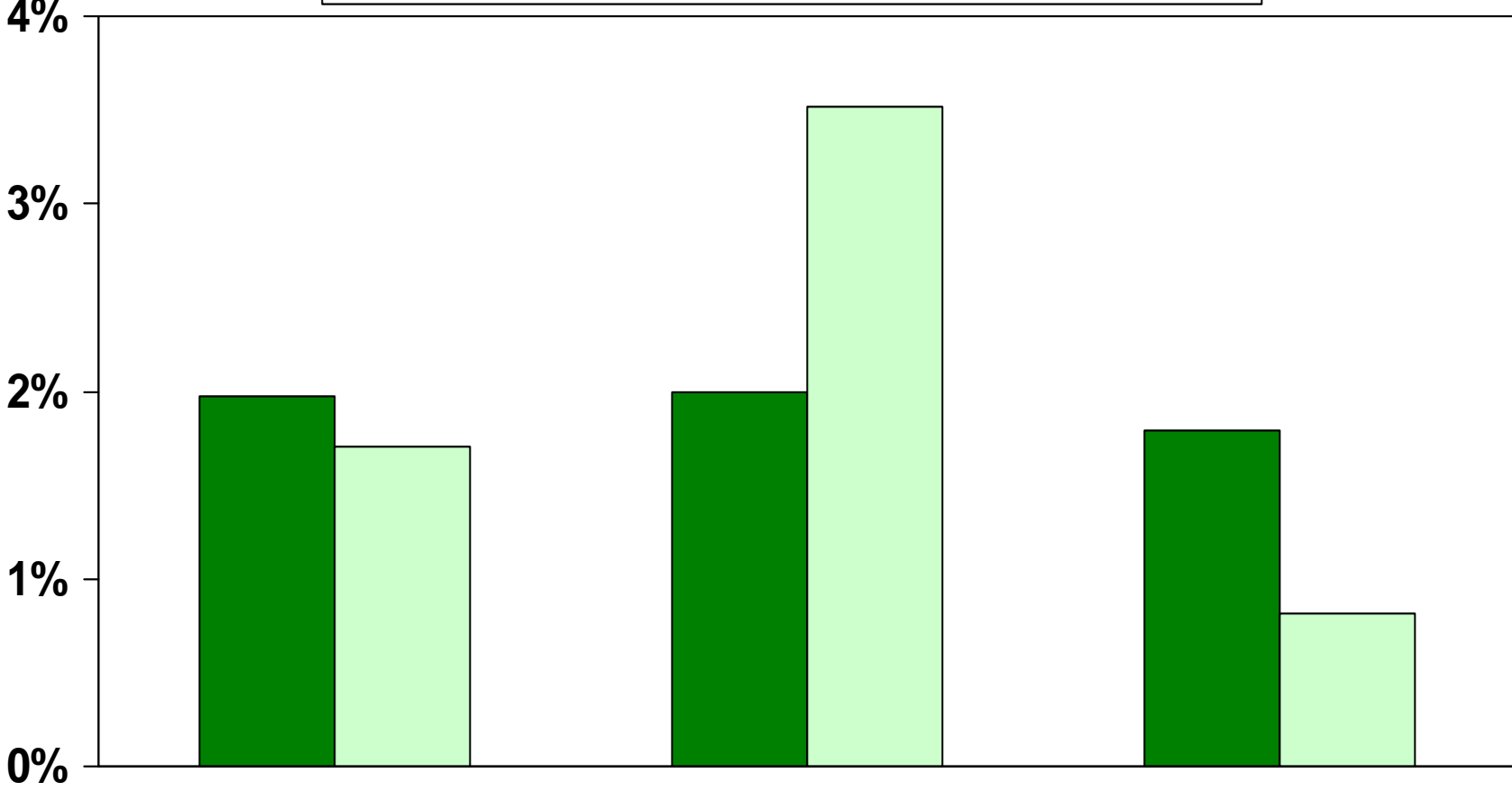


Source: EH.NET at www.eh.net/hmit/gdp/, March 2006;
CBO & Census, 2005-2010.

Economic and Revenue Growth Following 1980s and Recent Tax Cuts and 1990s Tax Increases

Growth Rates, Adjusted for Inflation and Population Growth

Economic growth **Revenue growth**



1980s

1990s

2000-2012

OMB Feb. 2007

Source: CBPP calculations based on Commerce Department and Office of Management and Budget data.

Studies Find Recent Tax Cuts, If Not Offset, Are at Least as Likely to Reduce Long-Term Economic Growth as to Increase It

"Nearly all of the simulations [done of the tax cuts' effects on the economy] showed that the tax cuts would have positive effects in the short run and negative effects in the long run."

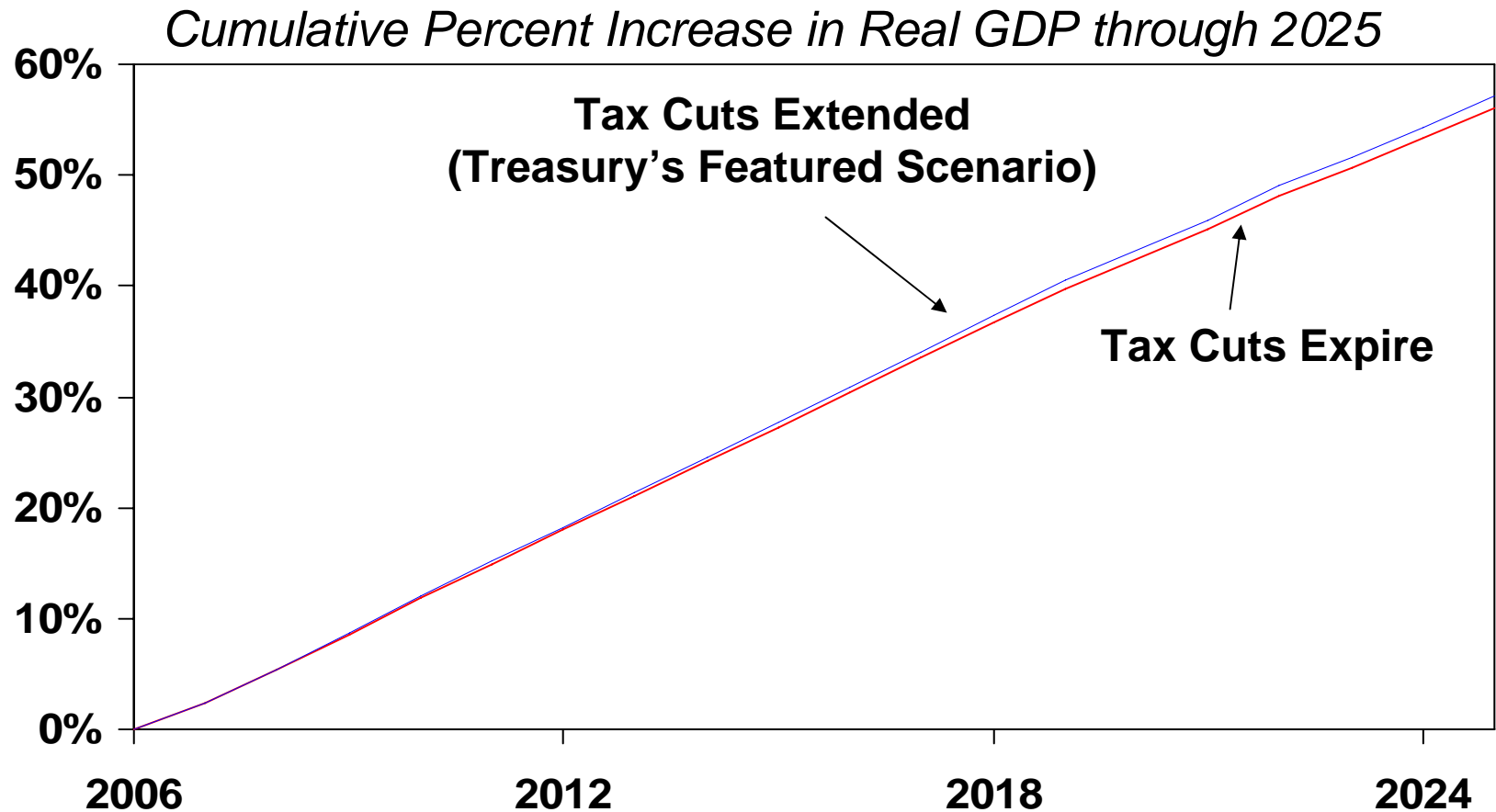
-- Congressional Research Service

"making the 2001 and 2003 tax cuts permanent would raise the cost of capital for new investments, reduce long-term investment, and reduce economic growth."

**-- William Gale, Brookings Institution; and
Peter Orszag (formerly of the Brookings Institution,
now director of Cong. Budget Office)**

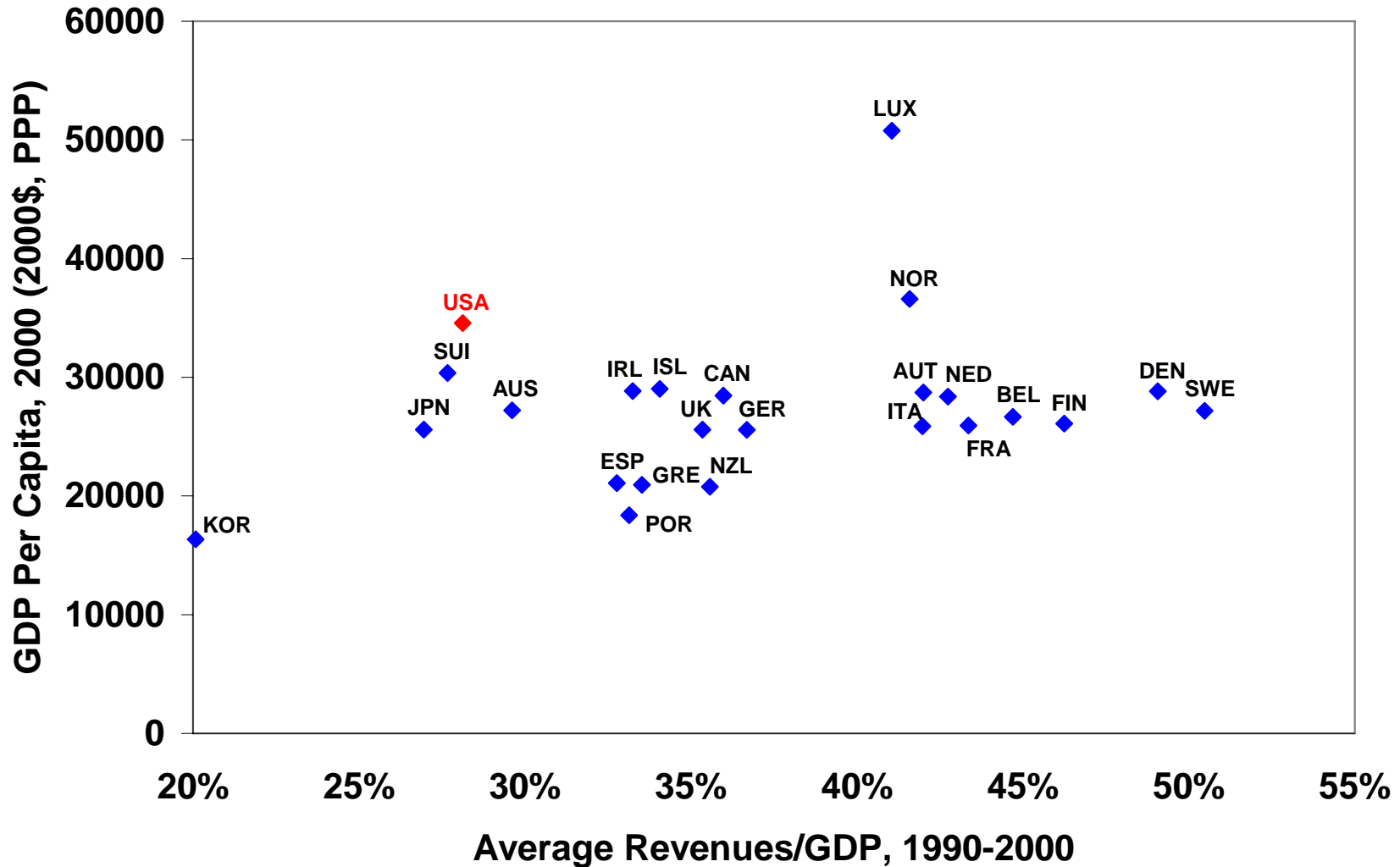
Studies by **Federal Reserve economists, the Congressional Budget Office, the Joint Committee on Taxation**, and other noted experts have produced similar findings regarding the effects of unpaid for tax cuts.

Treasury Department: Long-Run Effects of Tax Cuts on Economy Small, Possibly Negative

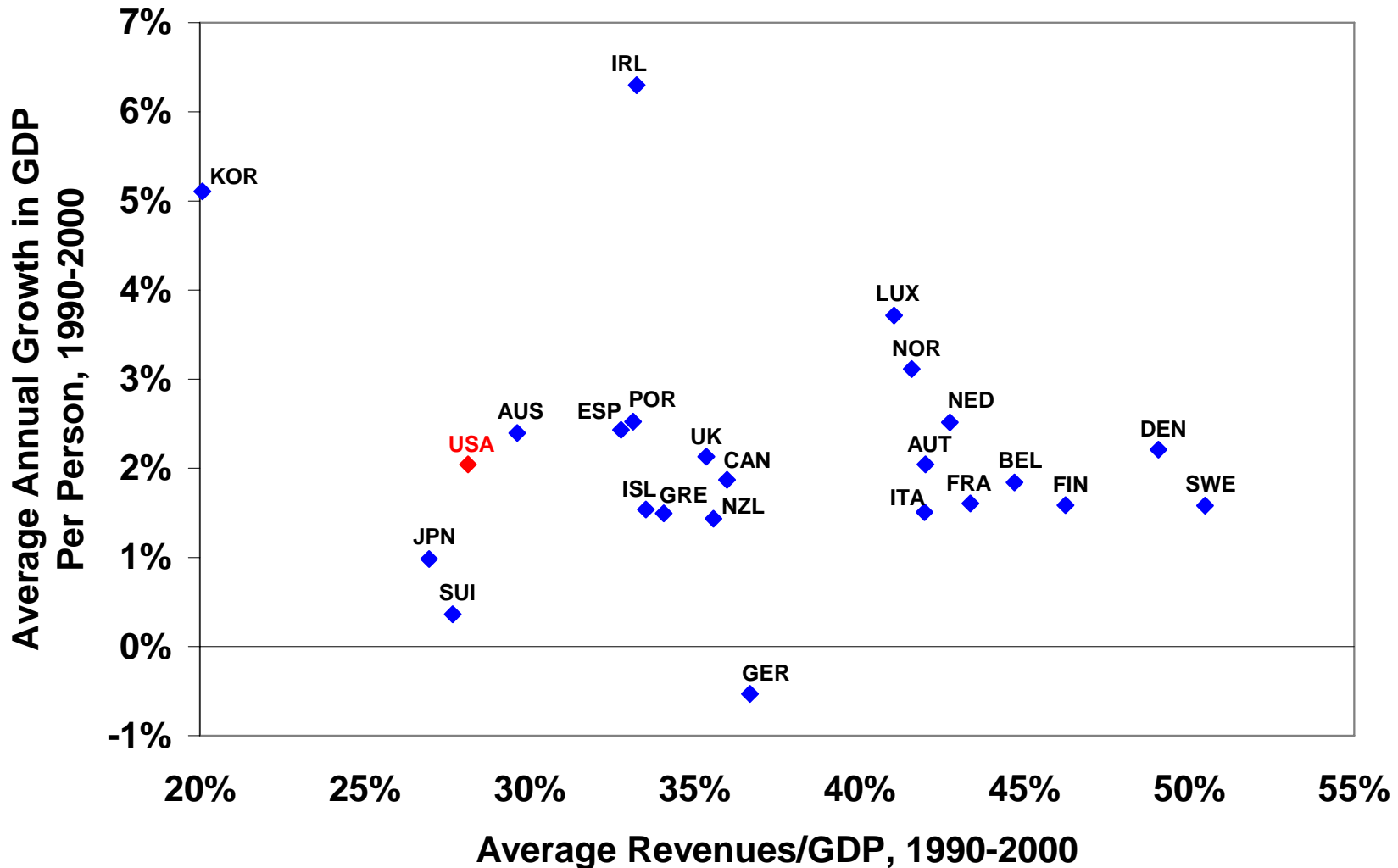


Source: CBPP calculations based on Treasury "Dynamic Analysis." Treasury did not provide year-by-year figures, so the path provided is illustrative only. Path assumes full benefits materialize by 2025.

No Clear Relationship Between Tax Rates and Output Levels



No Clear Relationship Between Tax Rates and Economic Growth



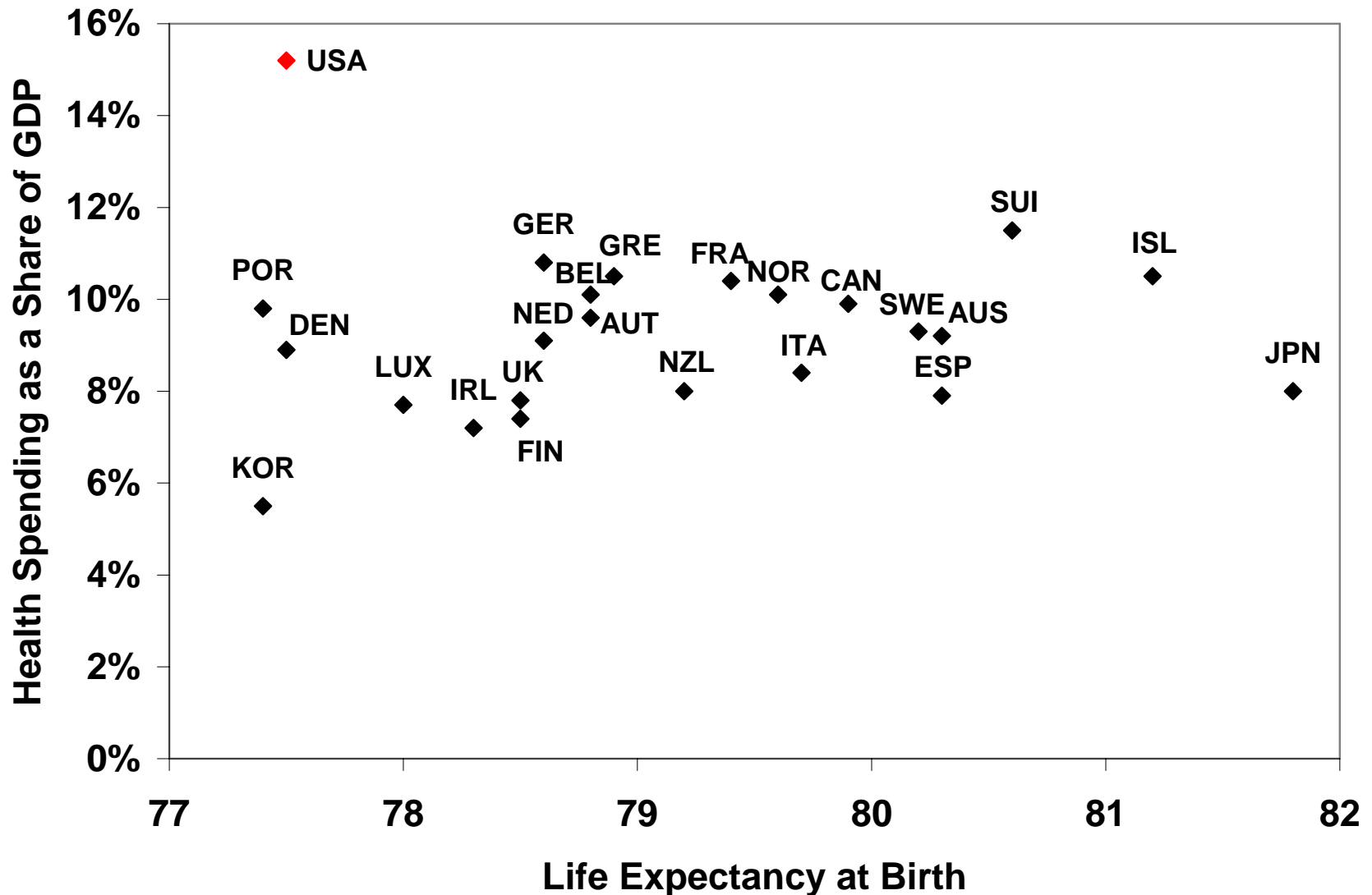
Public and Private Health Spending Have Seen Similar Growth

Health Cost Growth in Public Programs and the Entire Economy, 1975-2004

	Growth in Per-Beneficiary Health Costs Compared to Growth in Per-Person GDP
Entire economy	+ 2.4
Medicare	+ 2.8
Medicaid	+ 2.4

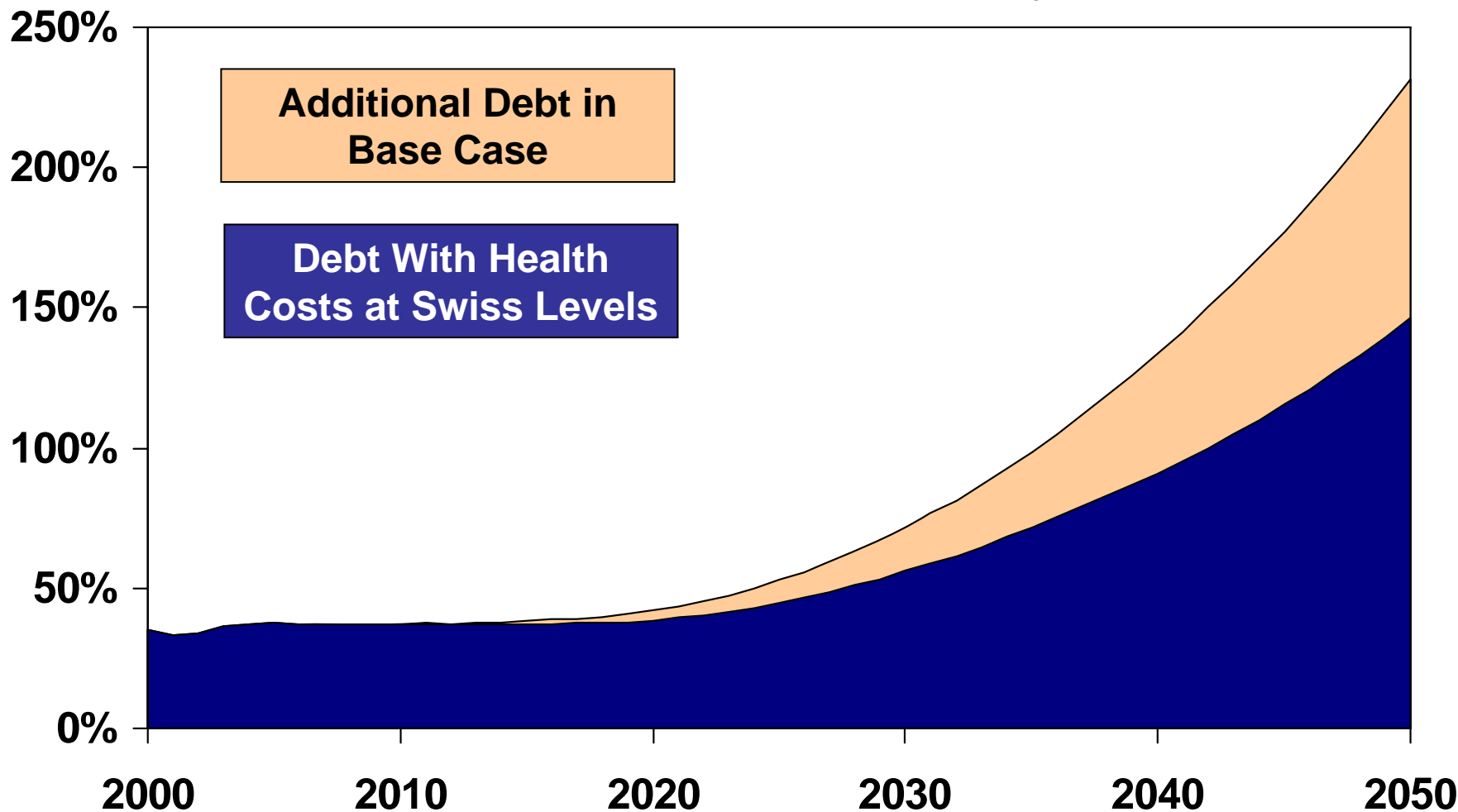
Source: Medicaid data from CBO. Medicare and entire economy from CBPP calculations based on Center for Medicare and Medicaid Services and Medicare Trustees data.

Health Spending versus Life Expectancy at Birth in Developed Countries, 2003



Debt if Health Costs Gradually Fall to Swiss Levels

Debt as a Share of the Economy



Source: CBPP projections based on Congressional Budget Office data. Calculations assume US health costs phase down to Swiss levels over 30 years.