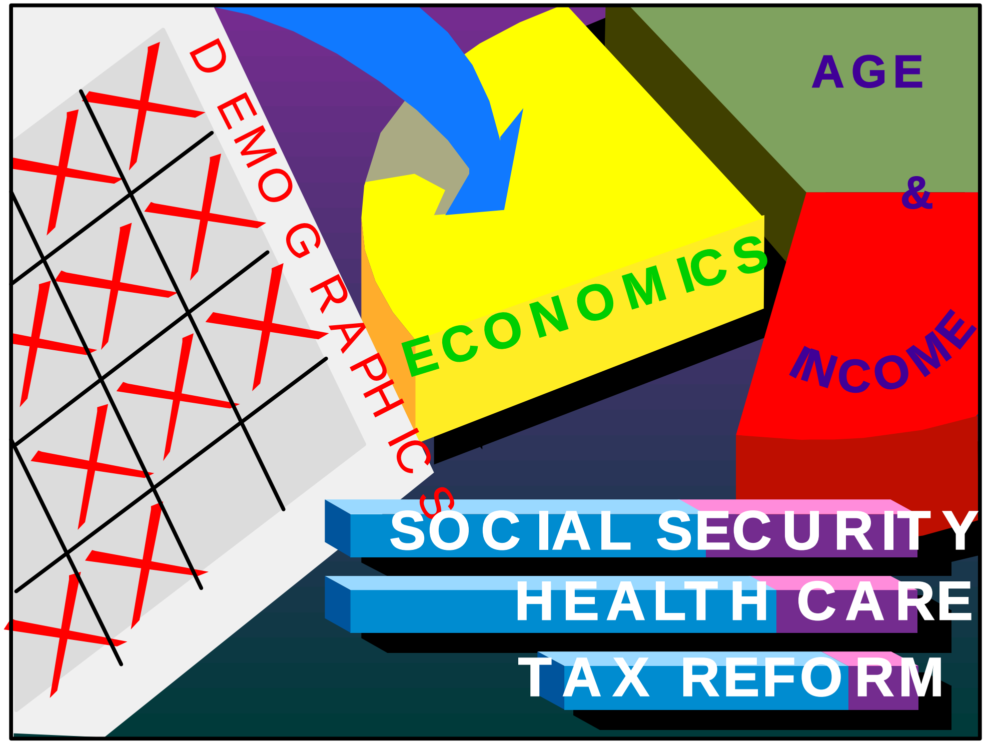
BUILDING A BETTER FUTURE

CHART BOOK



The Committee
For A
Responsible
Federal Budget

January 2000

About the Committee for a Responsible Federal Budget

The Committee is a bipartisan, non-profit educational organization committed to educating the public regarding the budget process and issues that have significant fiscal policy impact. The Committee sponsors analysis and research, conducts educational symposia, and prepares and distributes educational materials.

Goals

The broad long-range goal is to educate the public on the federal budget process and on the need for discipline and order in making spending and revenue decisions. The immediate, specific goal is to point out the prospect and consequences of continuing to delay action to address the longer-term fiscal and social policy challenges facing the nation.
The public must understand that such delay could lead to deficits much larger than the country faced in the last quarter century—deficits and debt so large as to threaten the very fabric of the country's economic and political life.

What We Do

The Committee sponsors symposia on budget and economic issues. We provide speakers for civic, academic, and business groups, and hold Congressional breakfasts for Members of the House and Senate interested in dialogue on the budget and related issues. Committee staff and Board Members write about the budget and related issues for major media outlets, provide background information and educational materials, and help explain the budget and the budget process to many audiences.

In the fall of 1982, the Committee launched an ambitious education and outreach program on the problem of the deficit. ***The Exercise in Hard Choices*** is to inform the American people of the nature and magnitude of the deficit and debt problems facing the country and the limited choices available to solve those problems. *The Exercise is updated regularly to reflect the actual choices Congress and the Administration are considering to reduce the Federal deficit and reorder national priorities. The Committee provides the Exercise* workbook to educational organizations and other interested parties at cost.

The Committee is a 501[c][3] educational organization. All of its activities are funded through tax deductible contributions from individuals, foundations, corporations, and other interested groups. It accepts no government funding.

The most recent version of *The Exercise* is called *Building a Better Future: An Exercise in Hard Choices.* In a joint effort with American Express Financial Advisors, we adapted *The Exercise* to address issues raised in the *Fraying of America* project. Over a-year-and-a-half, from materials development to completion, we held eight *Exercises* around the country. Thirty organizations participated and the project contributed greatly to this report. We thank everyone who played a part in this tremendous information-gathering, public education effort.

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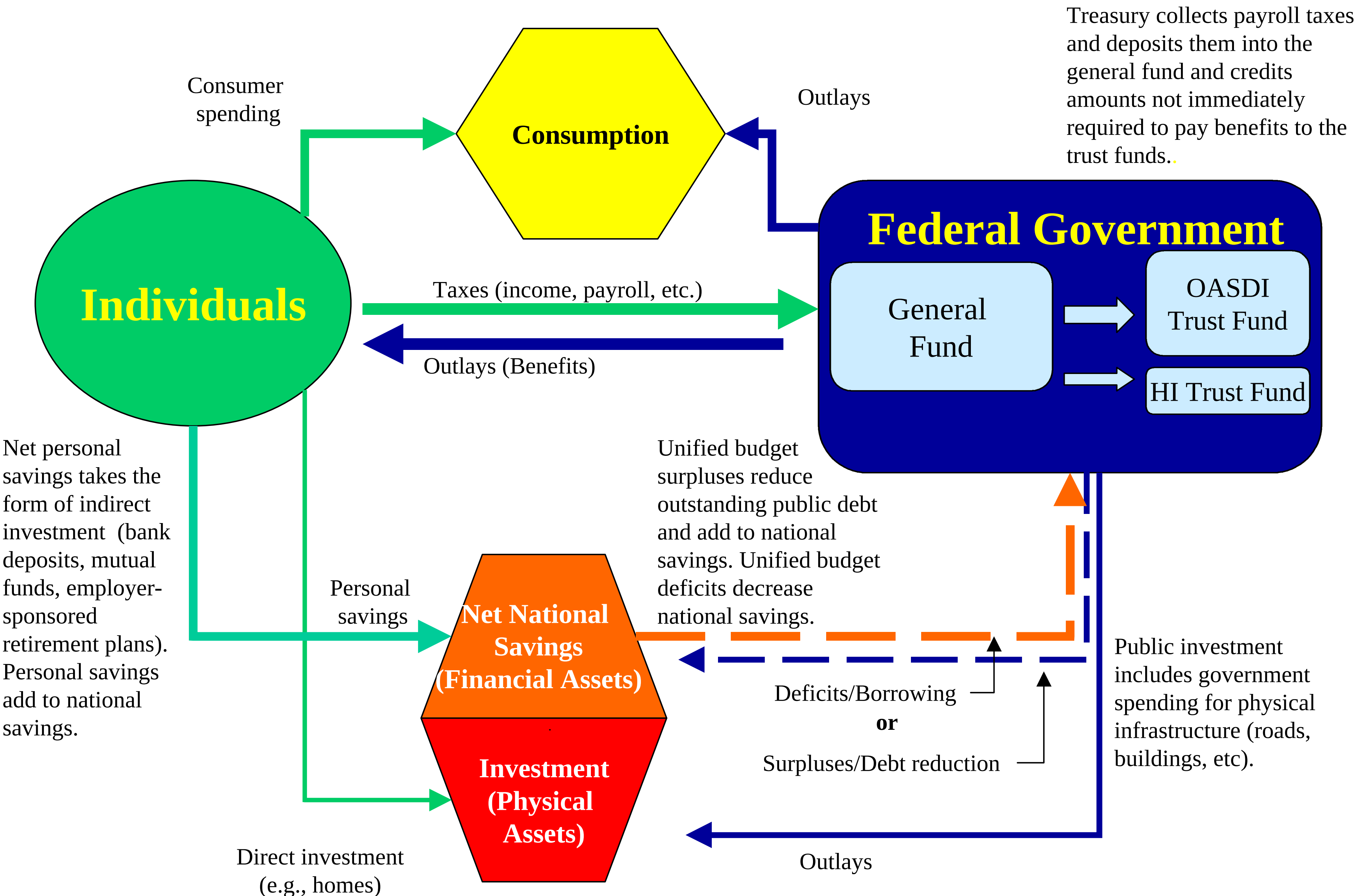
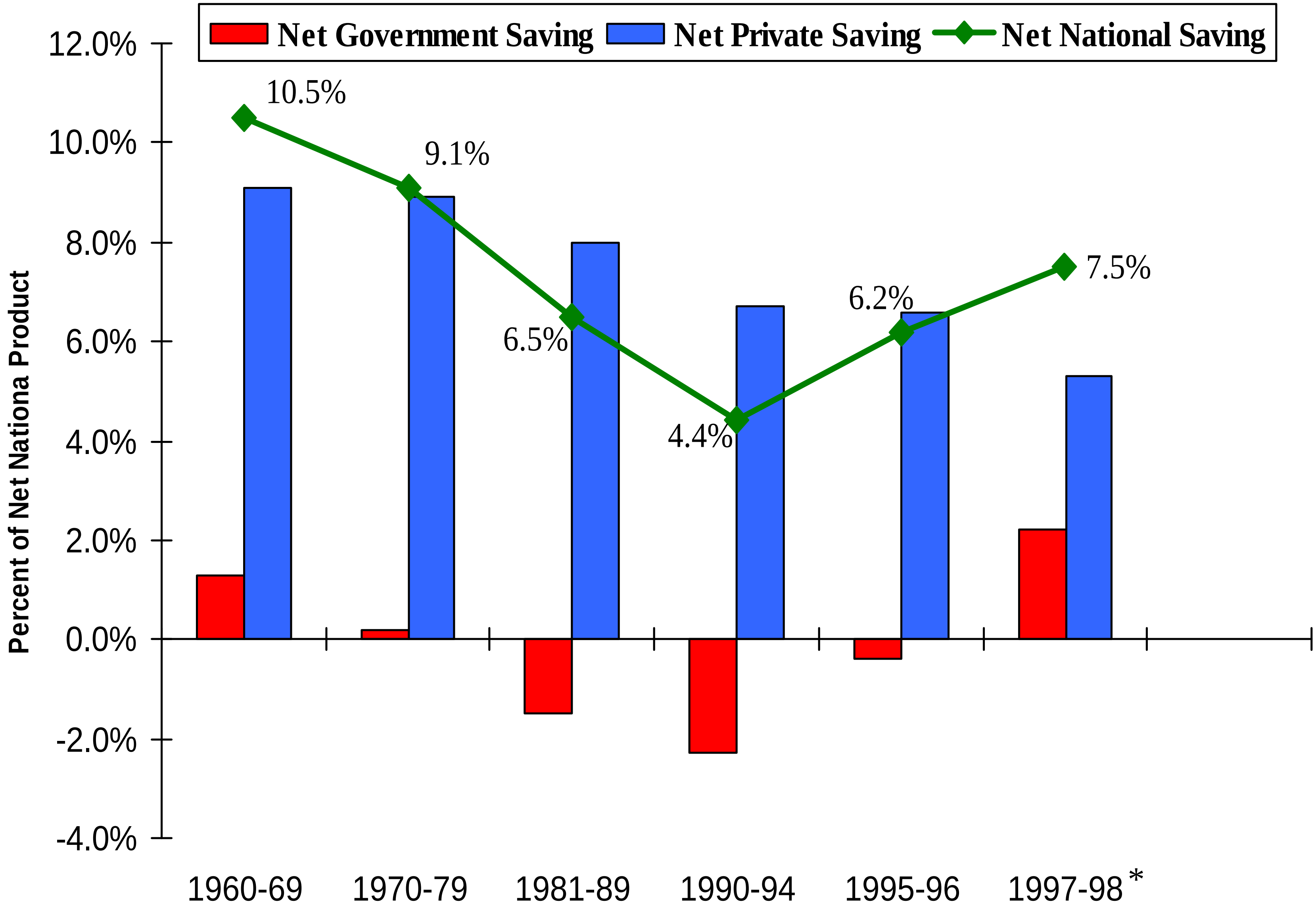

Consumer spending
Consumption
Outlays
Treasury collects payroll taxes and deposits them into the general fund and credits amounts not immediately required to pay benefits to the trust funds.
Individuals
Taxes (income, payroll, etc.)
Outlays (Benefits)
Federal Government
General Fund
OASDI Trust Fund
HI Trust Fund
Net personal savings takes the form of indirect investment (bank deposits, mutual funds, employer-sponsored retirement plans). Personal savings add to national savings.
Personal savings
Net National Savings (Financial Assets)
Unified budget surpluses reduce outstanding public debt and add to national savings. Unified budget deficits decrease national savings.
Deficits/Borrowing
or
Surpluses/Debt reduction
Public investment includes government spending for physical infrastructure (roads, buildings, etc).
Investment (Physical Assets)
Direct investment (e.g., homes)
Outlays

Net National Saving: 1960-1998

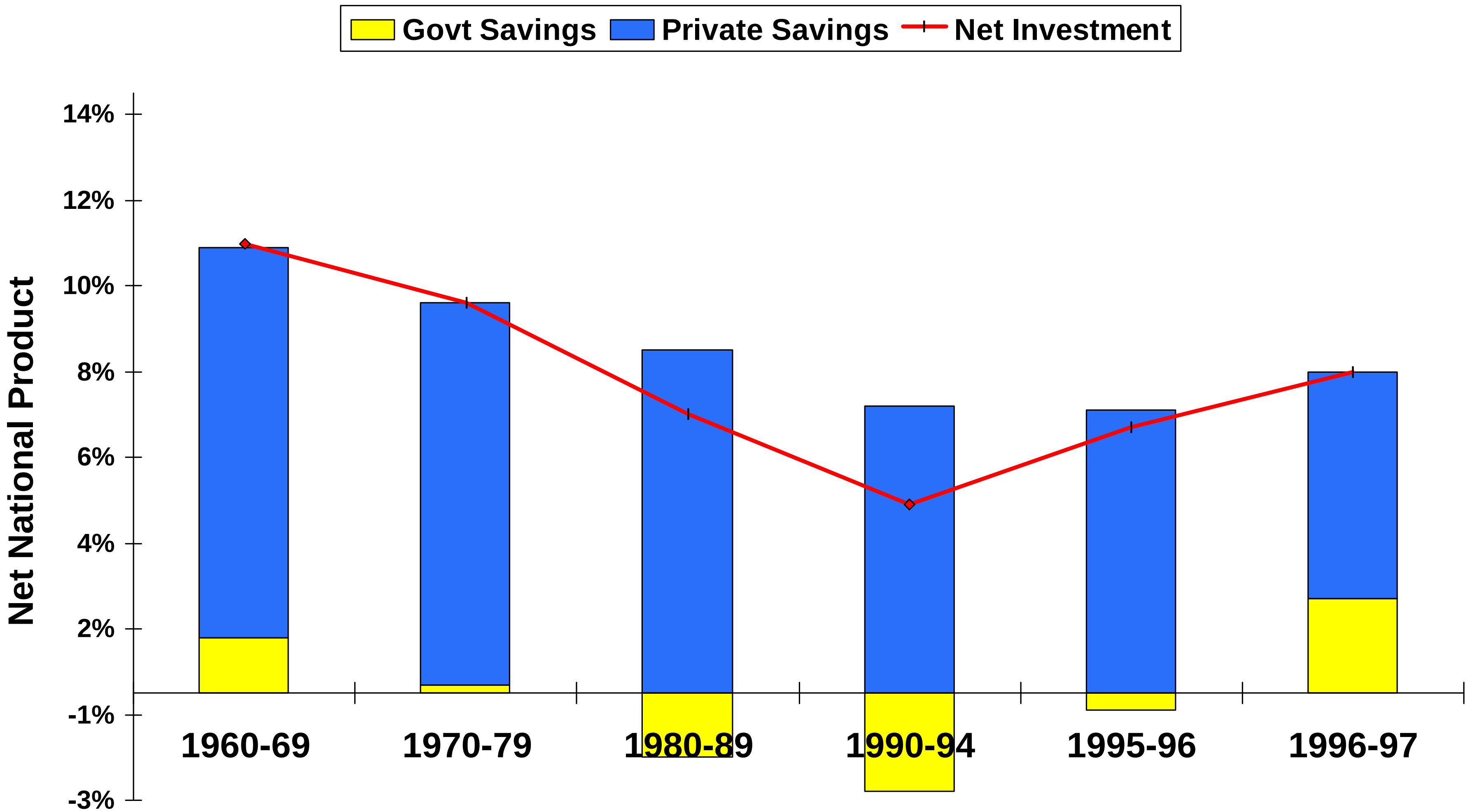


* 1998 is first six months.

Source: Committee for Economic Development

Savings Continue to Decline

(In percentage of NNP)



Source: Committee for Economic Development, 1998.

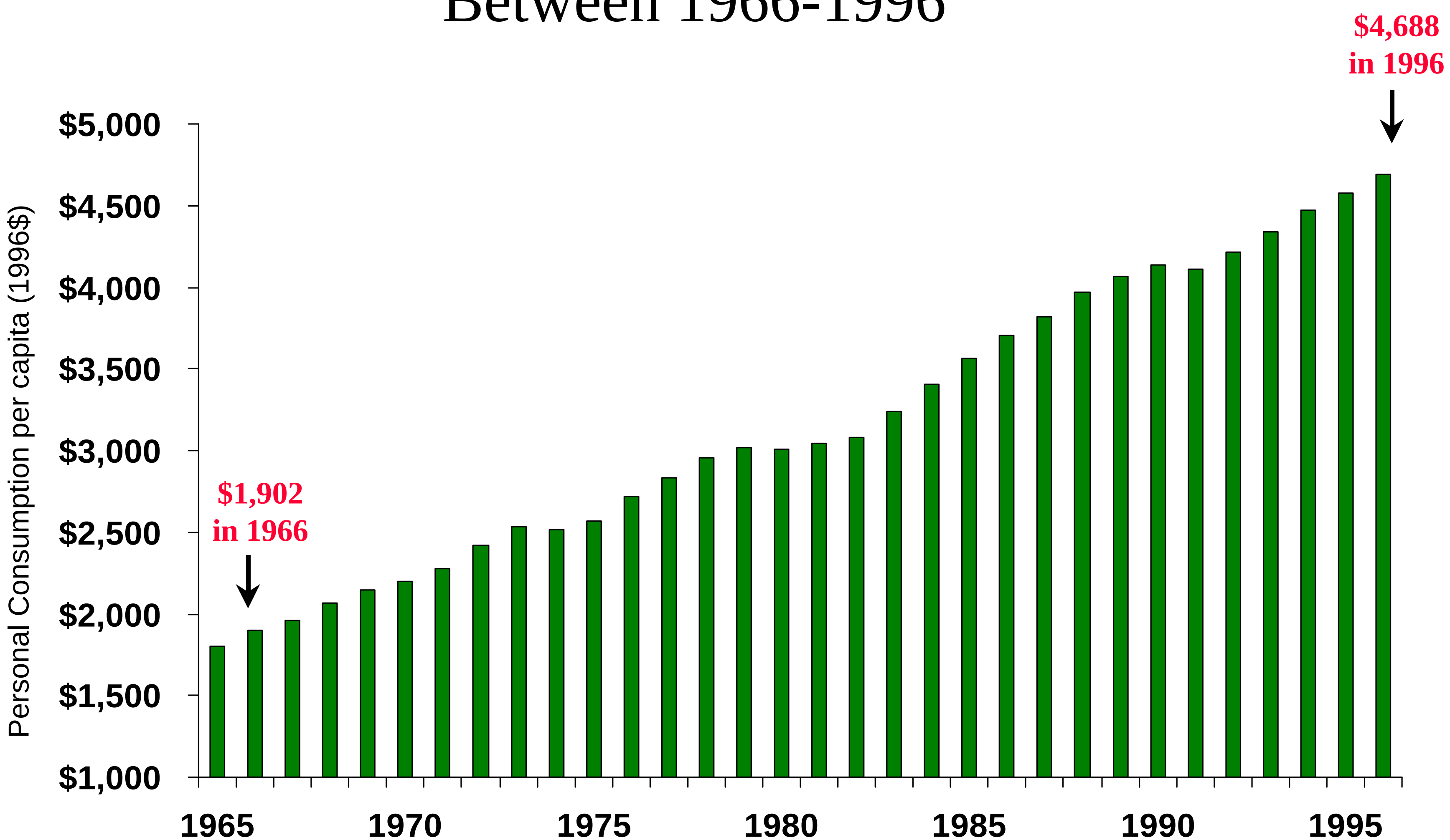
Savings Required to Achieve Desired Retirement Goals
(as a percent of salary)

Years to Retirement

Desired Retiree Income as a Percent of Annual Salary	10	15	20	25	30	35
30%	**36%**	**21%**	**13%**	**9%**	**6%**	**4%**
40%	**48%**	**27%**	**18%**	**12%**	**8%**	**6%**
50%	**60%**	**34%**	**22%**	**15%**	**10%**	**7%**
60%	**72%**	**41%**	**26%**	**18%**	**12%**	**9%**
70%	**84%**	**48%**	**31%**	**21%**	**14%**	**10%**

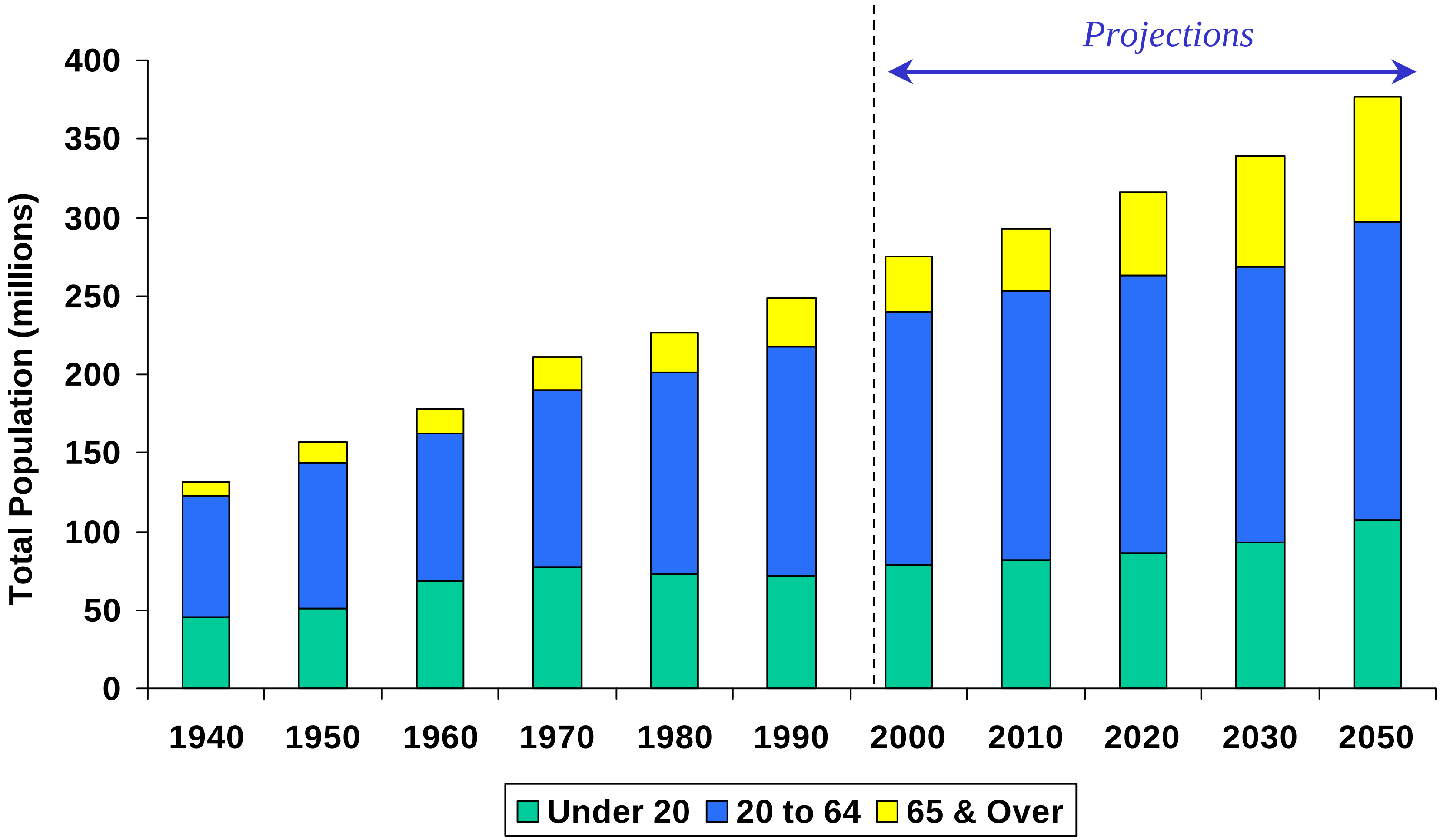
Source: Committee for Economic Development, 1996.

Standards of Living More Than Doubled Between 1966-1996



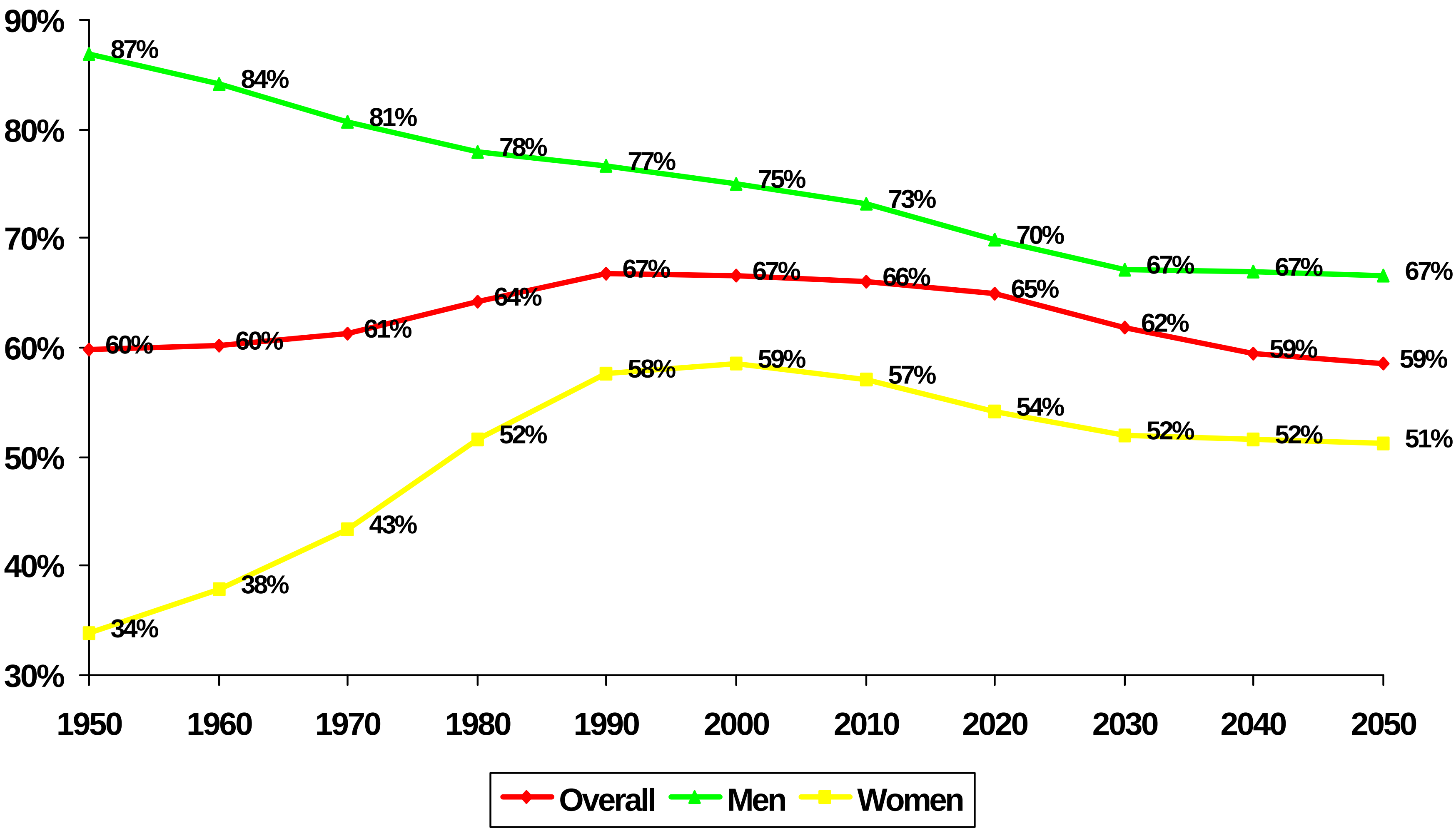
Source: Economic Report of the President, February 1997.

Decline in Working Age Population 1940 to 2050



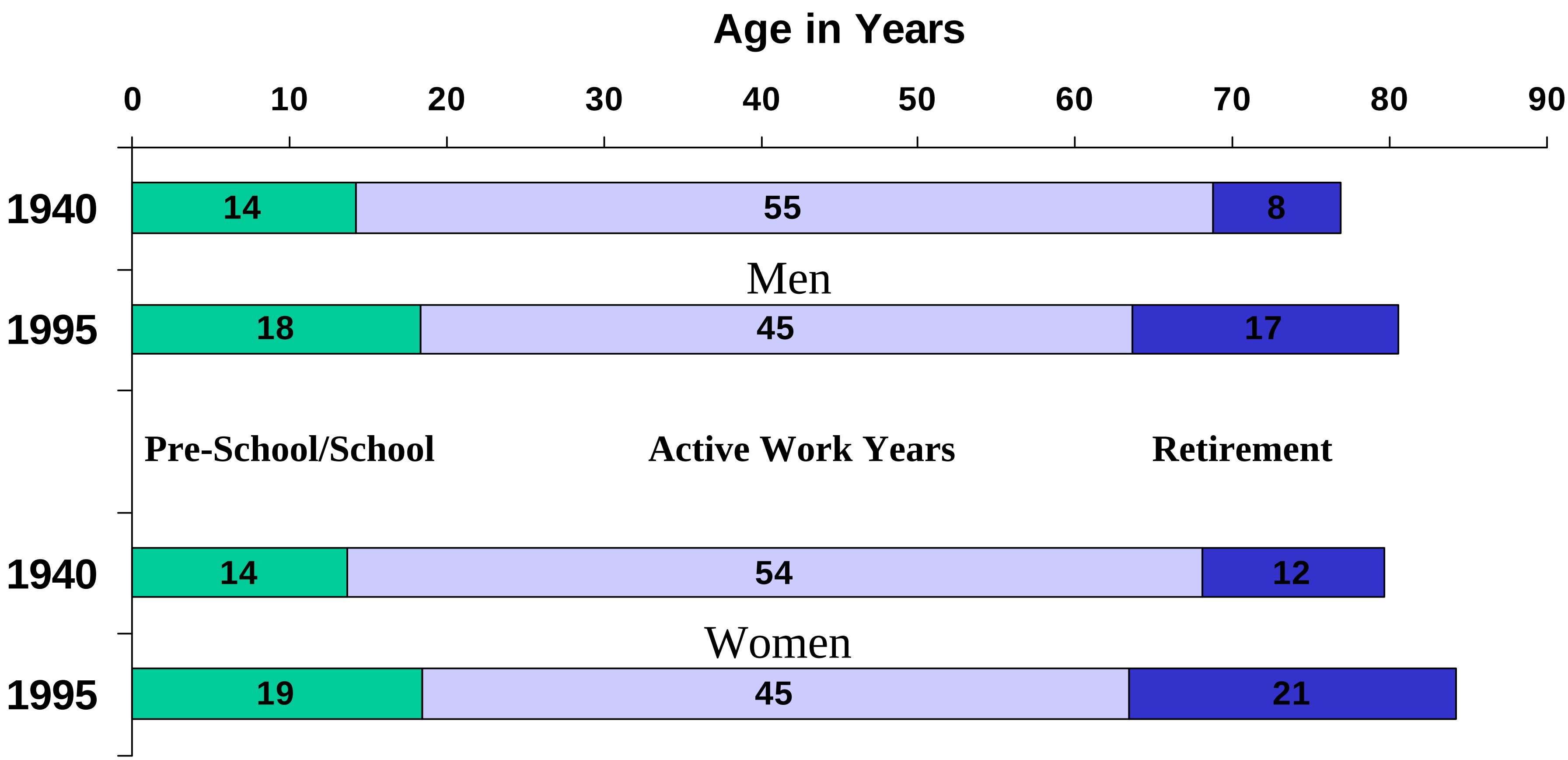
Source: Bureau of the Census.

Labor Force Participation: 1950-2050*



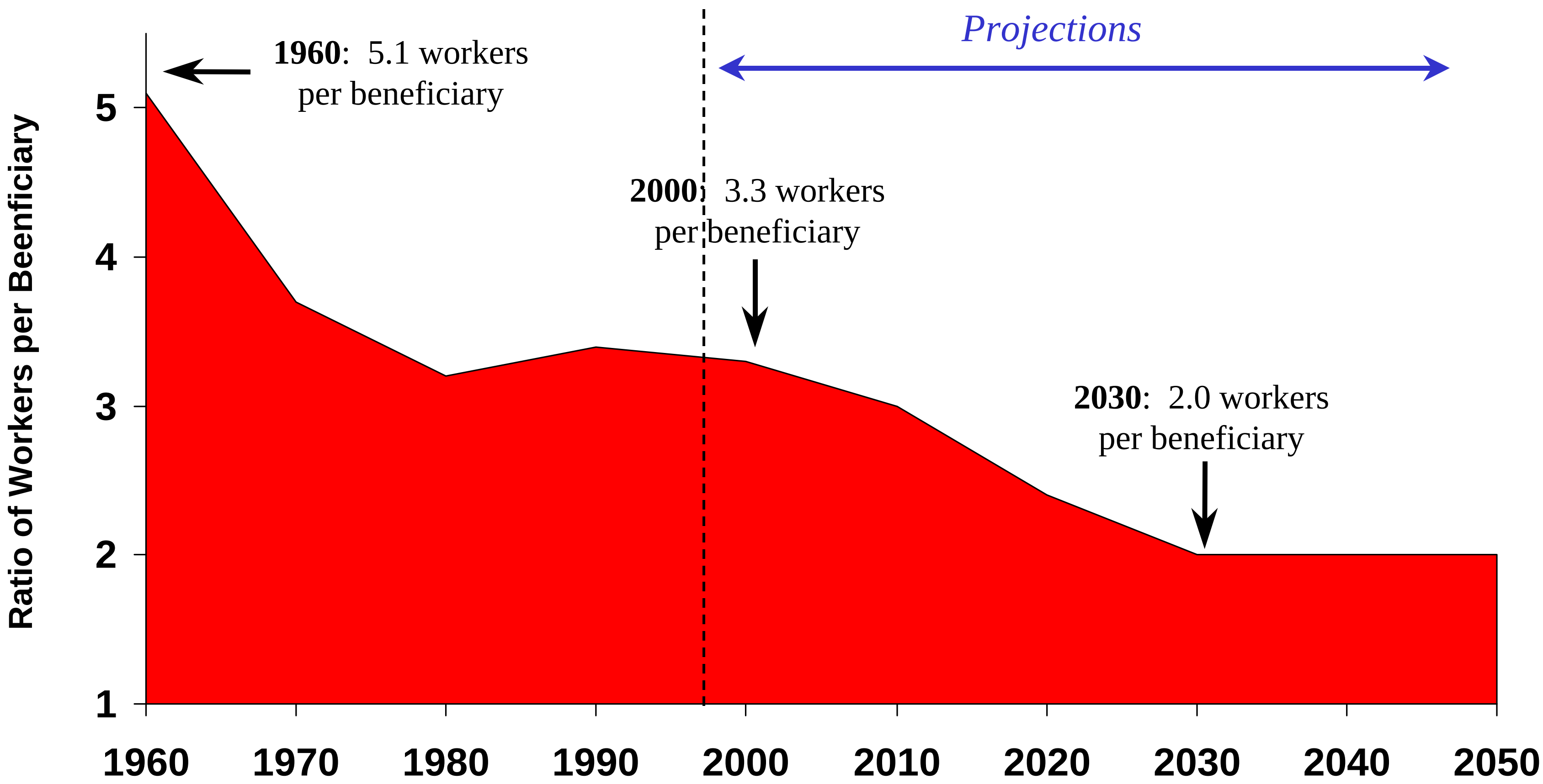
* Using midrange SSA actuarial projection from *Annual Statistical Supplement*, 1996.

Longer Life Expectancies, Shorter Working Lives



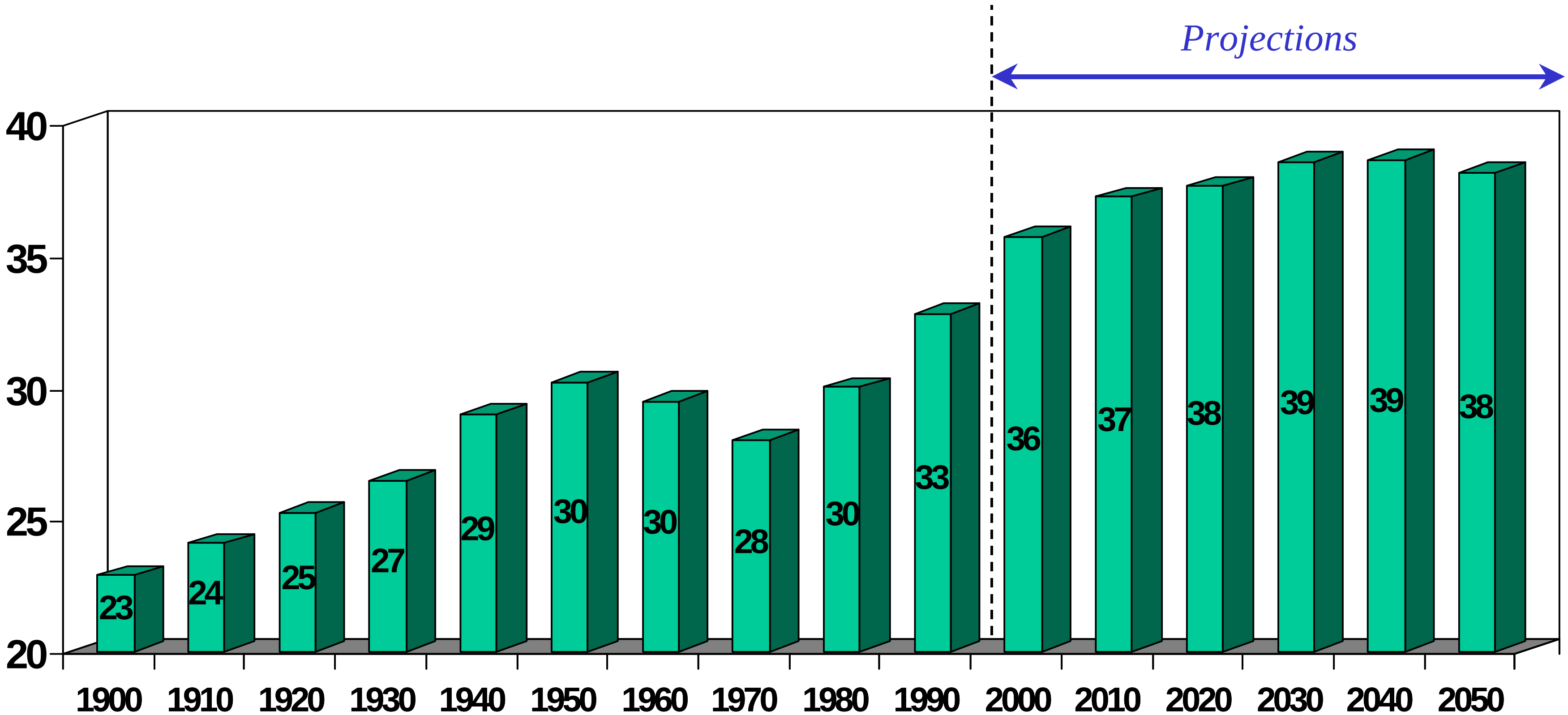
Source: Bureau of the Census, 1997.

Number of Workers per Beneficiary is Falling



Source: Board of Trustees of the Federal OASDI Trust Funds (1998).

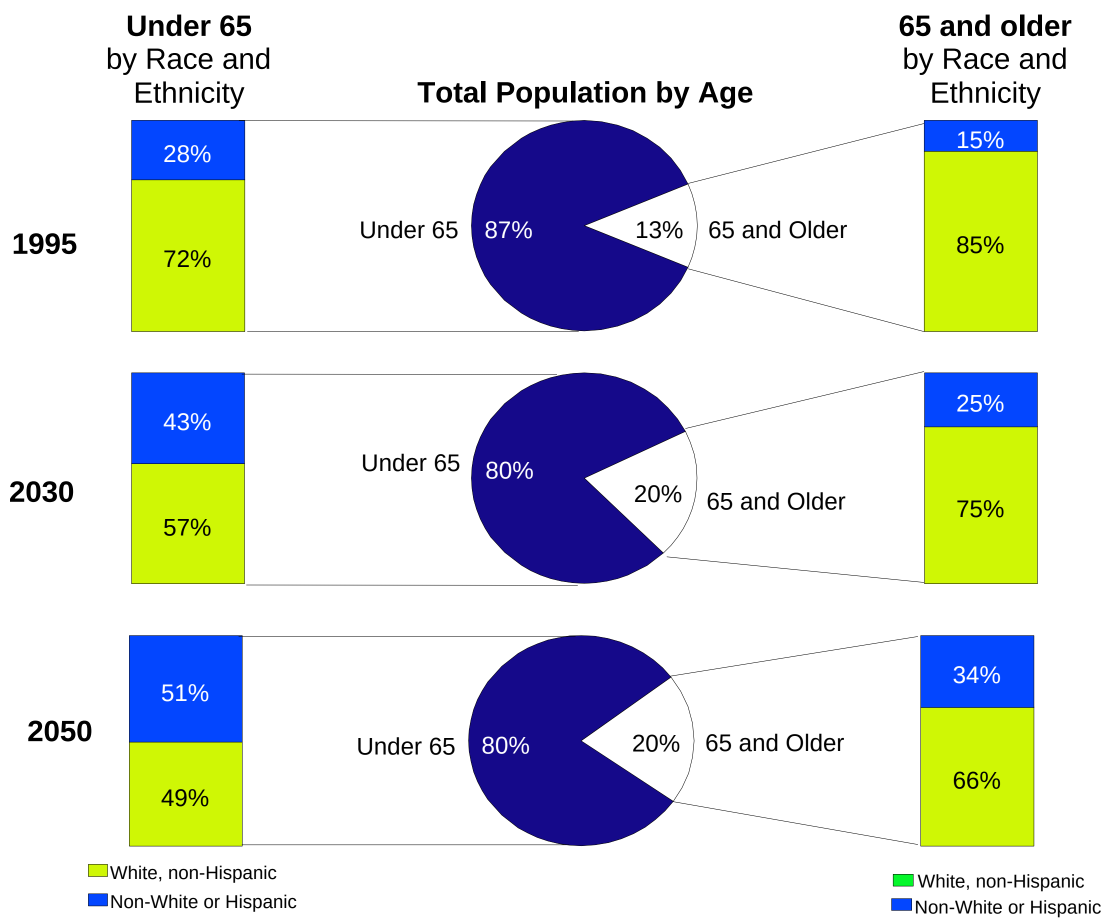
Median Age of the U.S. Population
(in years)



Source: Bureau of the Census, 1997.

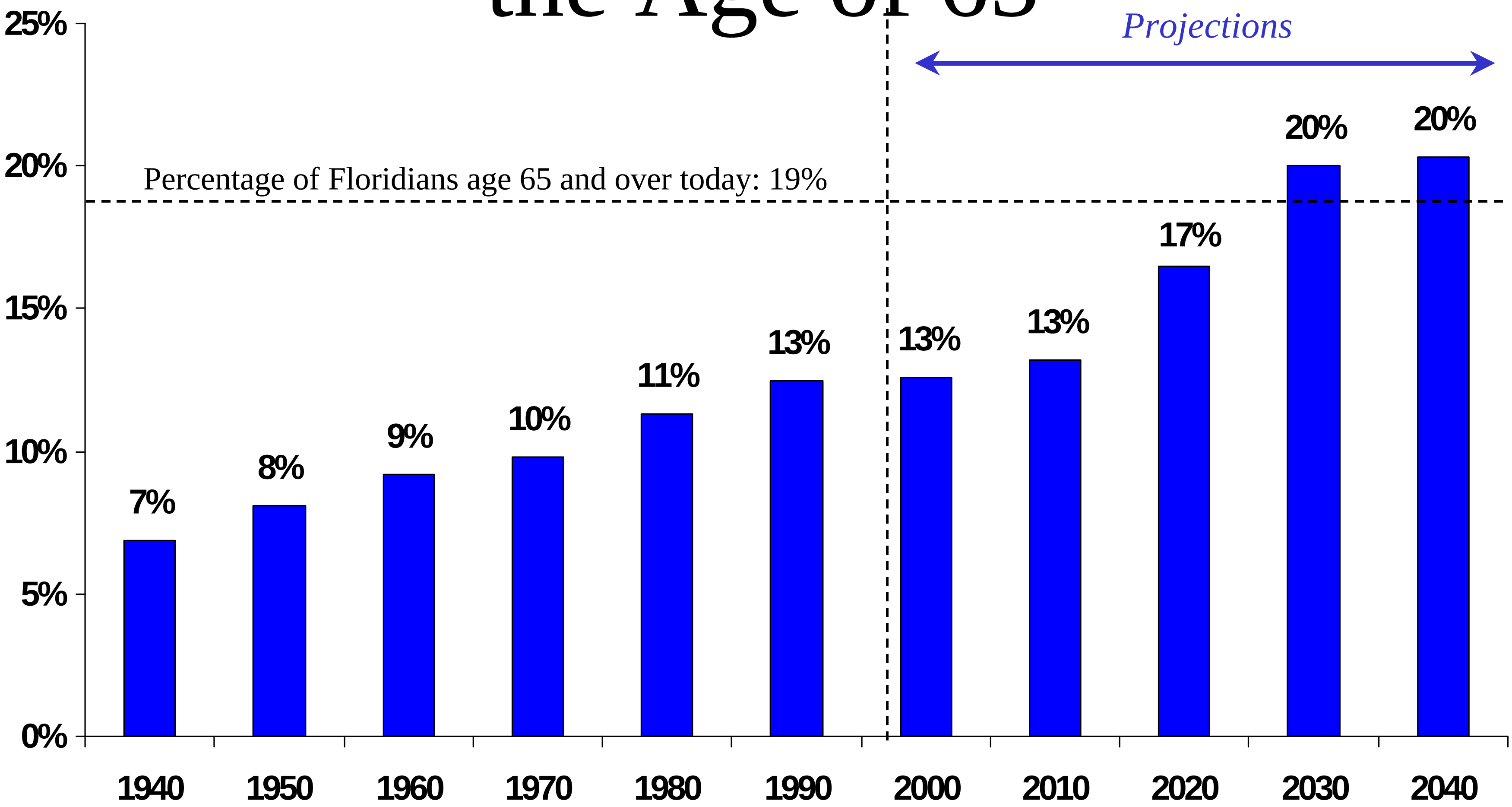
Projected Population Trends

U. S. Population: Race, Ethnicity and Age



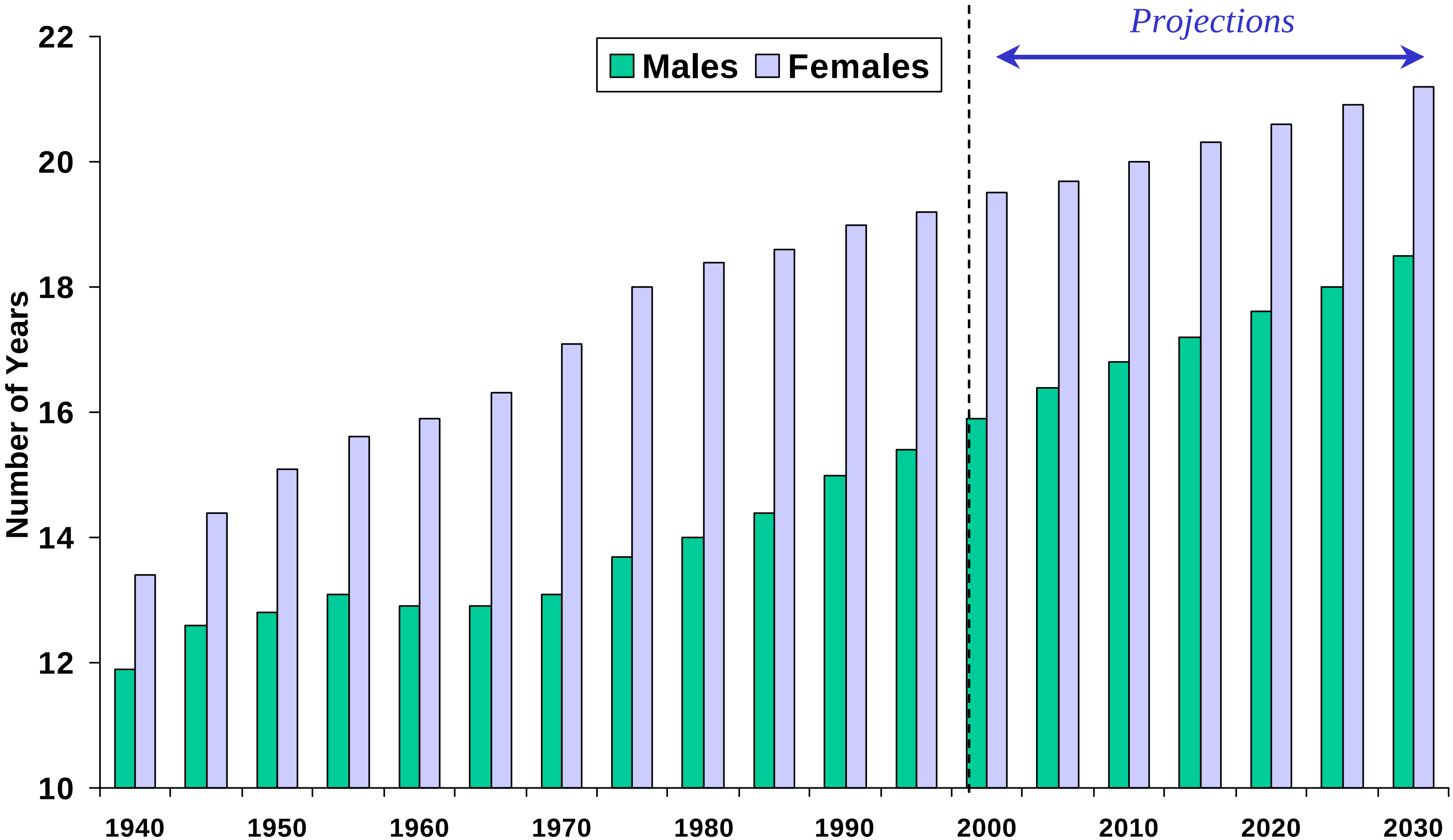
Source; U. S. Bureau of the Census, 1998

Percentage of Americans Over the Age of 65



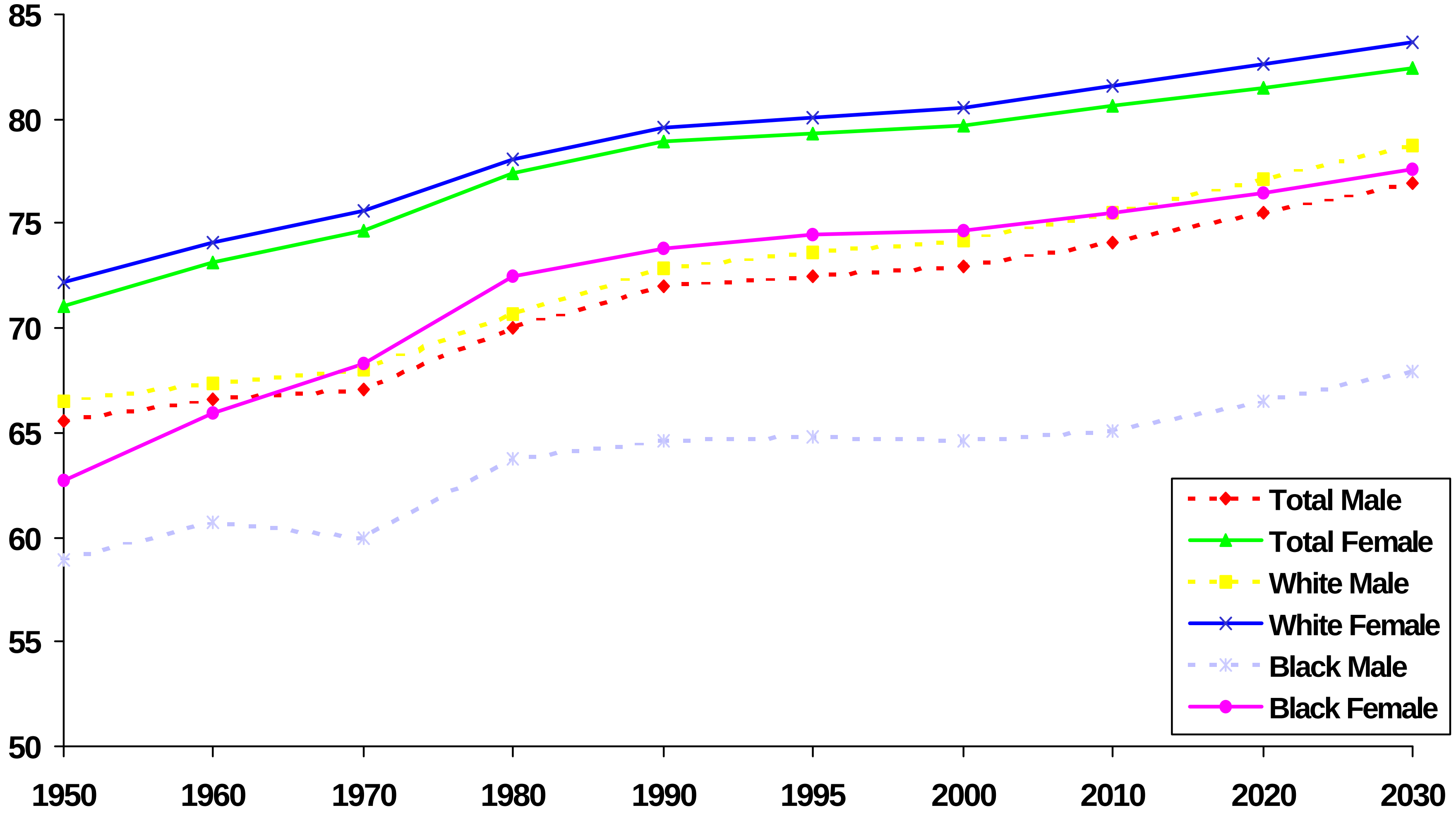
Source: Bureau of the Census.

Life Expectancy at Age 65



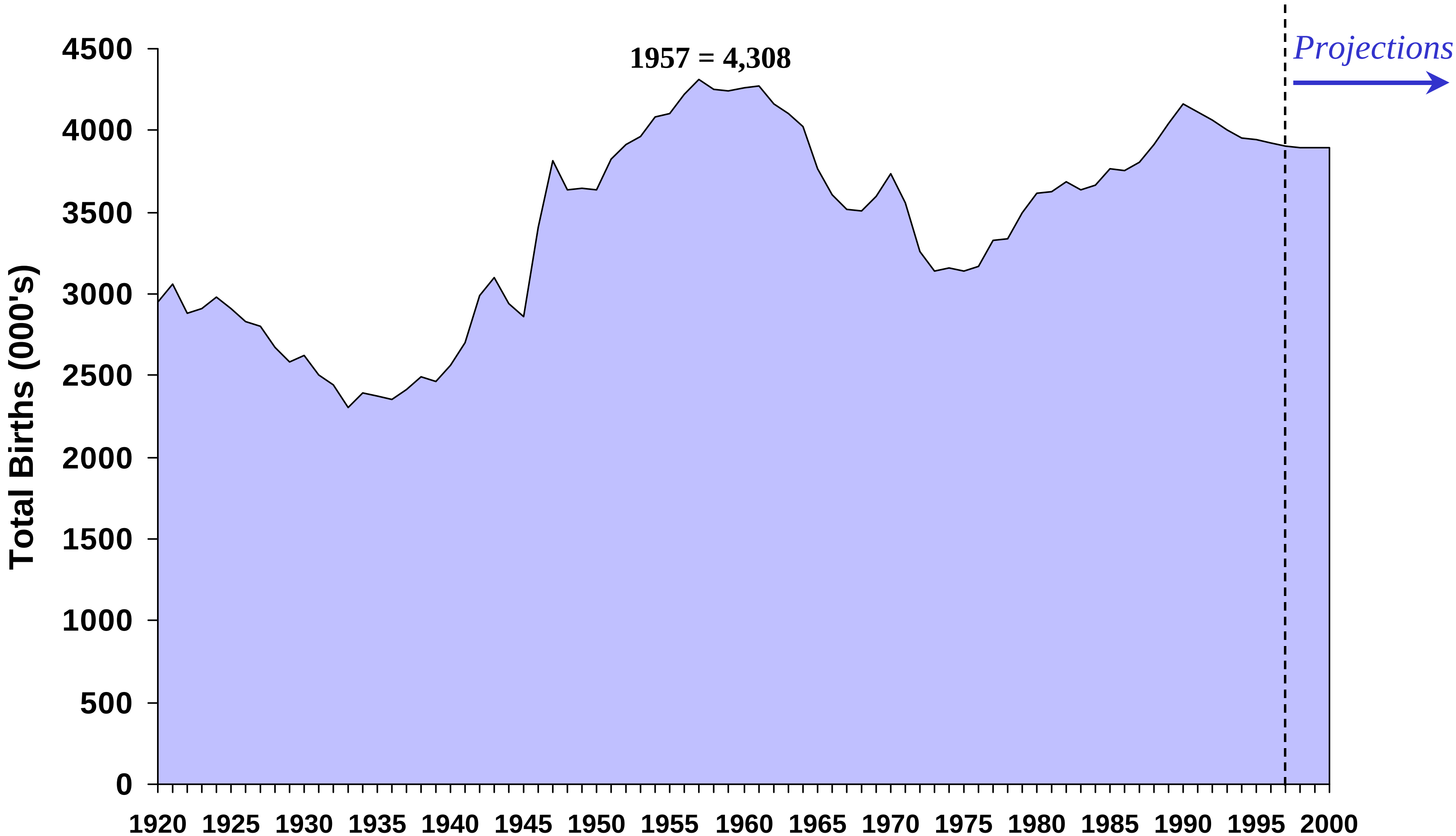
Source: Historical Data: Board of Trustees of the Federal OASDI Trust Funds (1997).
Bureau of the Census intermediate assumptions, (September 1996).

Life Expectancy at Birth



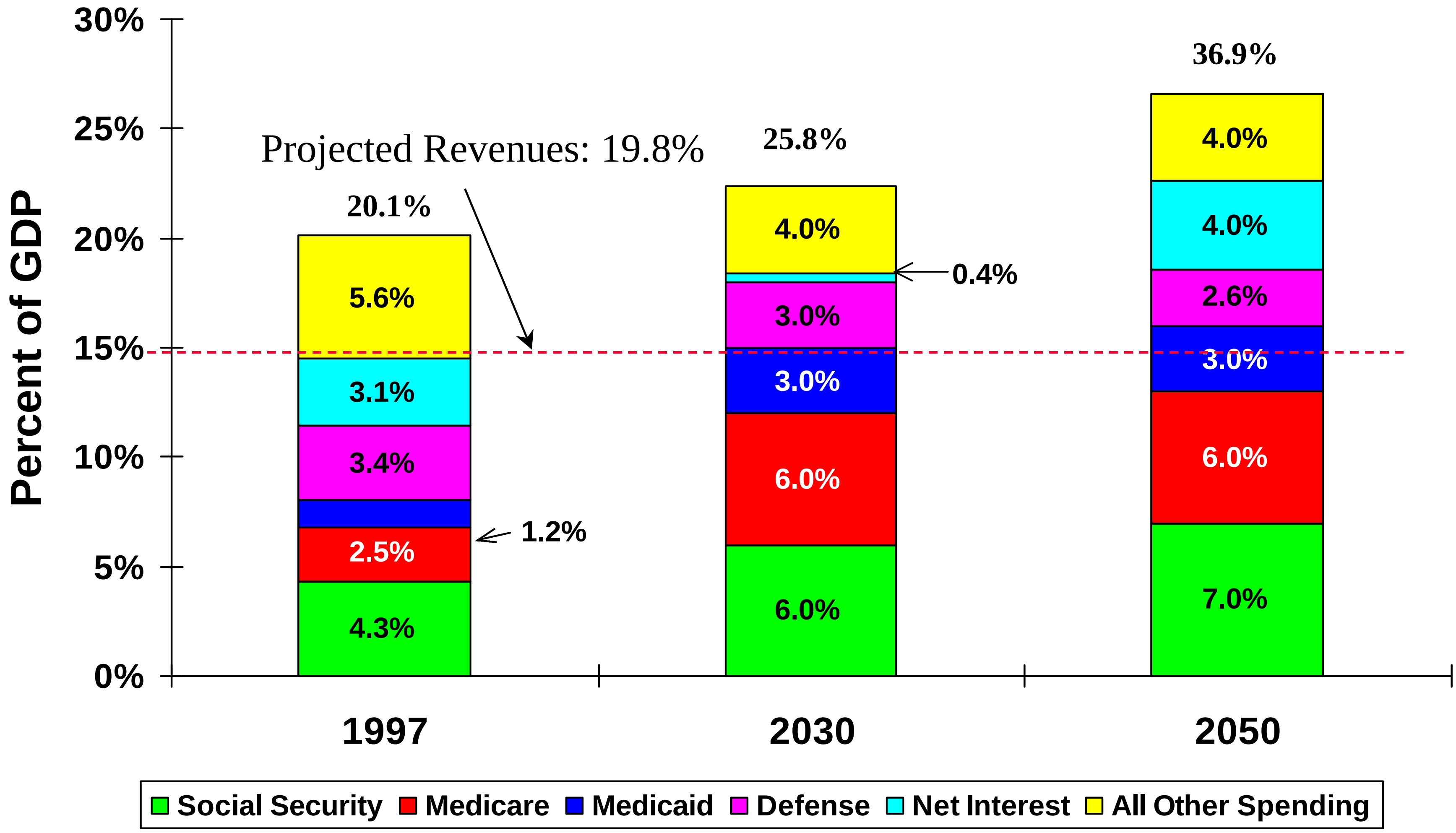
Source: Bureau of the Census, 1997.

Baby Boom -- Baby Bust



Source: Bureau of the Census and Office of National Health Statistics, 1997.

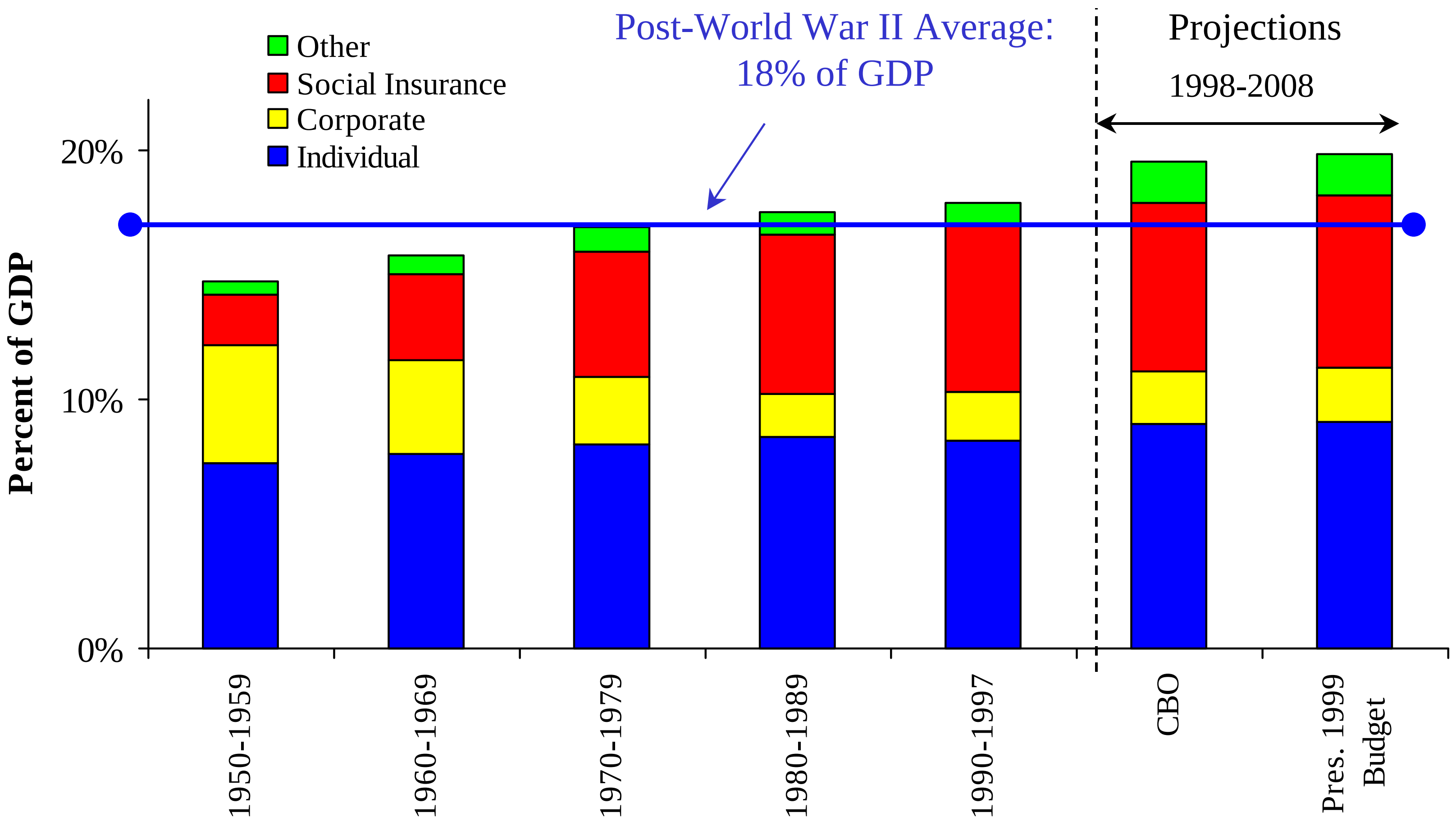
Federal Budget as a Percentage of GDP



Source: GAO, January 1999

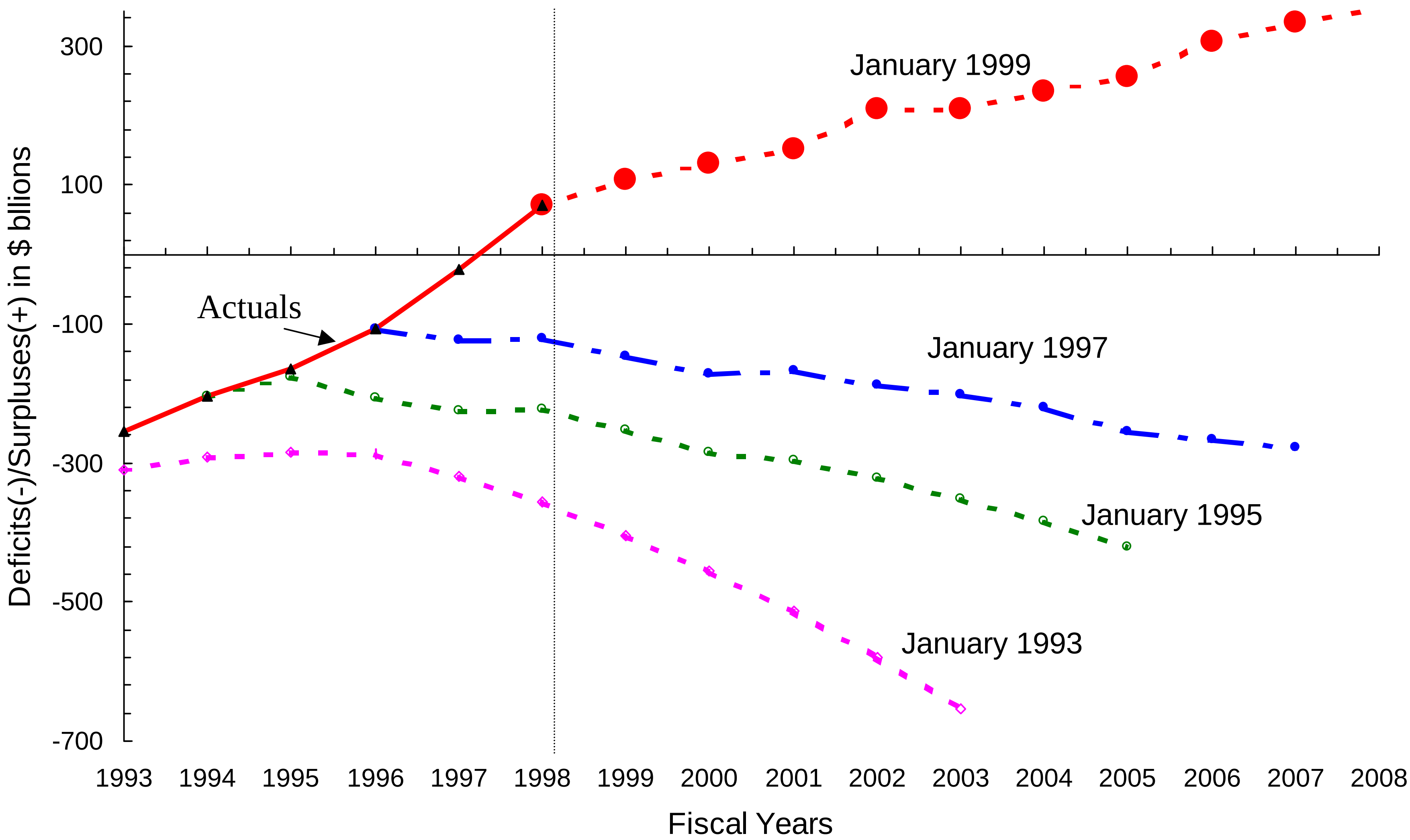
Federal Revenues

(Percentage of GDP)



Source: CBO January 1999

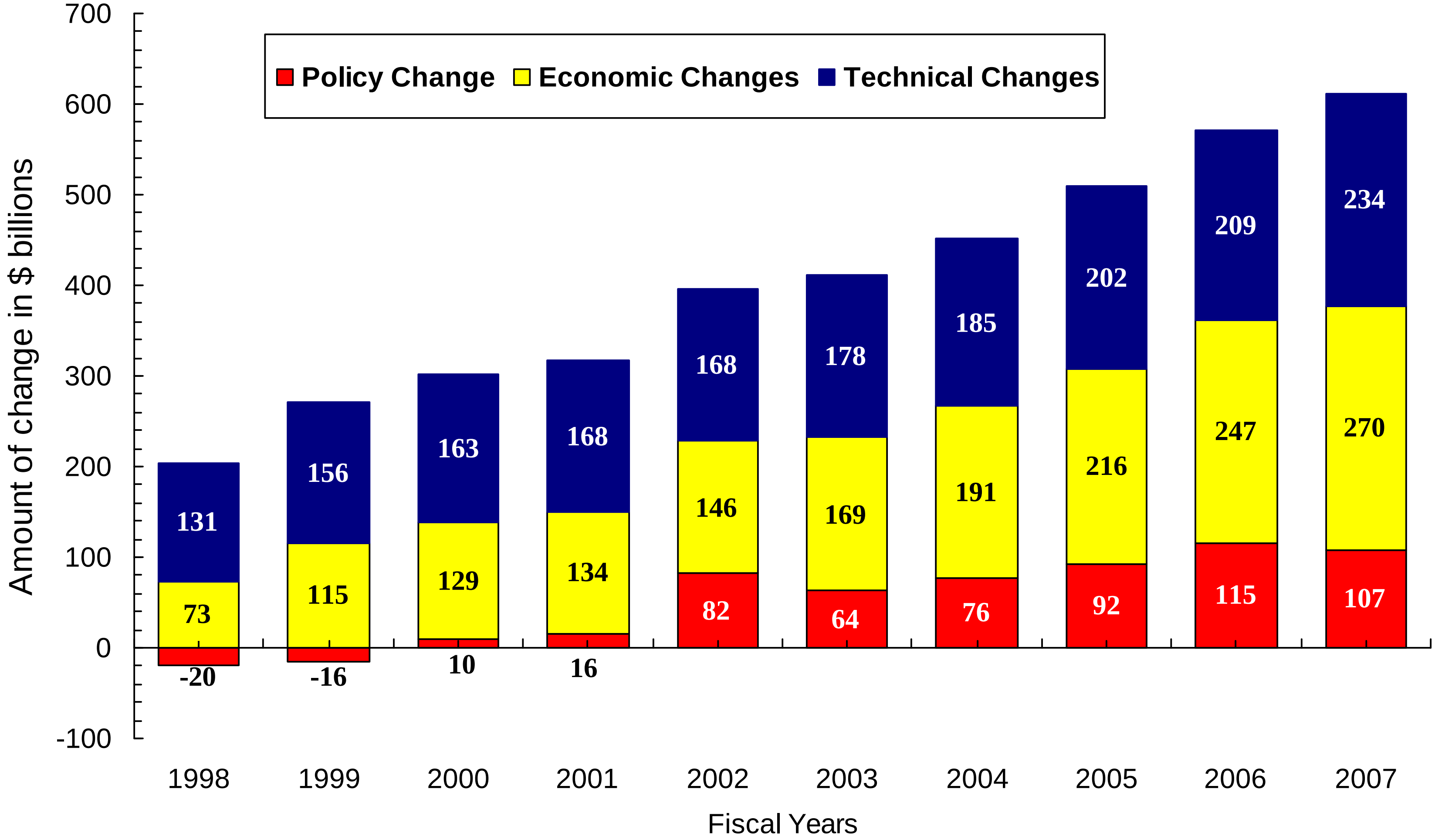
CBO Unified Deficit/Surplus Projections Continue to Improve



Source: CBO, *The Economic and Budget Outlooks* for January 1993, January 1995, January 1997 and January 1999.

Changes in CBO Deficit Projections by Source:

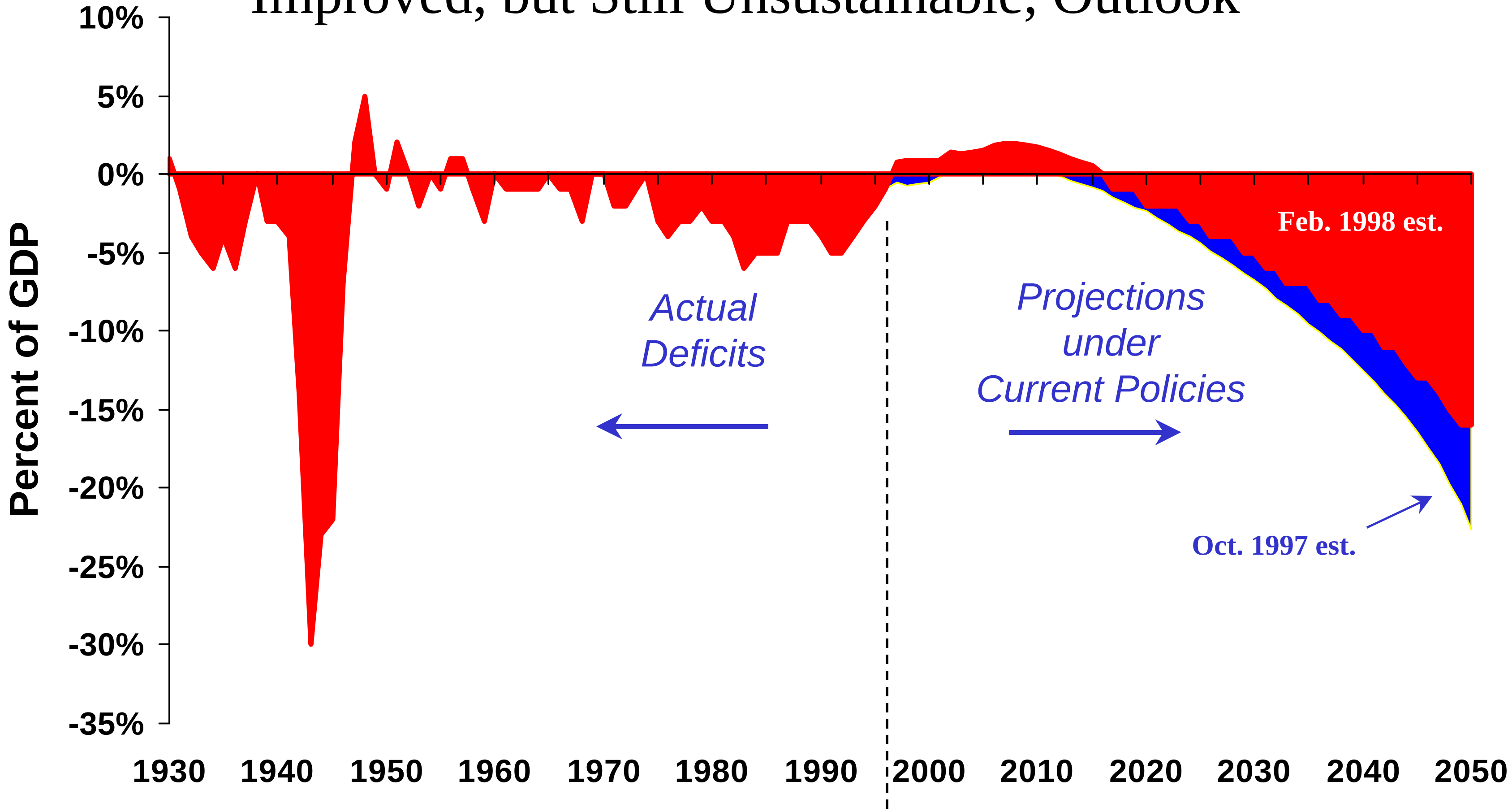
January 1997-January 1999



Source: CBO, *The Economic and Budget Outlooks:* January 1997, March 1997, September1997, January 1998, March 1998, July 1998, and January 1999.

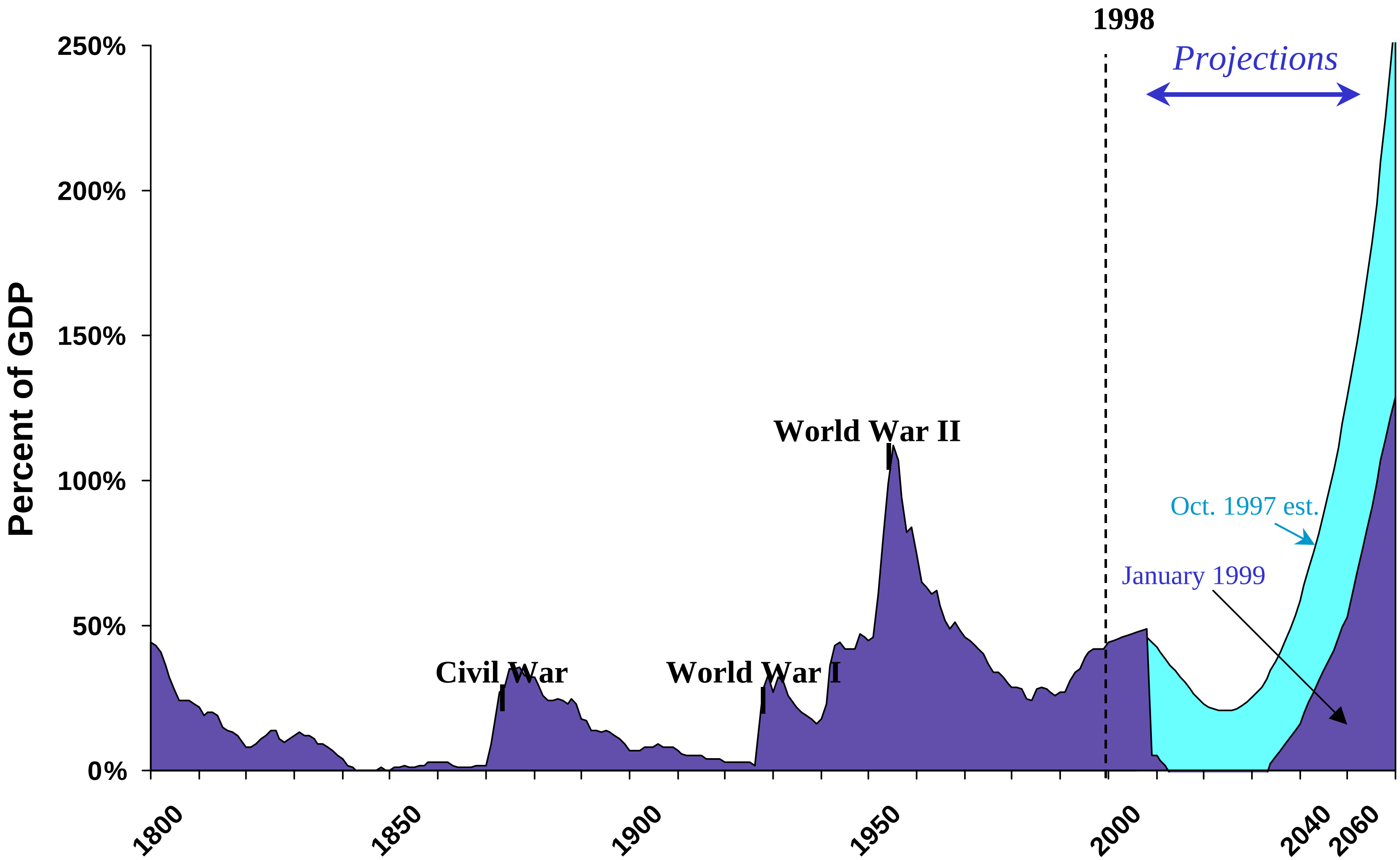
Federal Budget Deficits: 1930 to 2050

Improved, but Still Unsustainable, Outlook



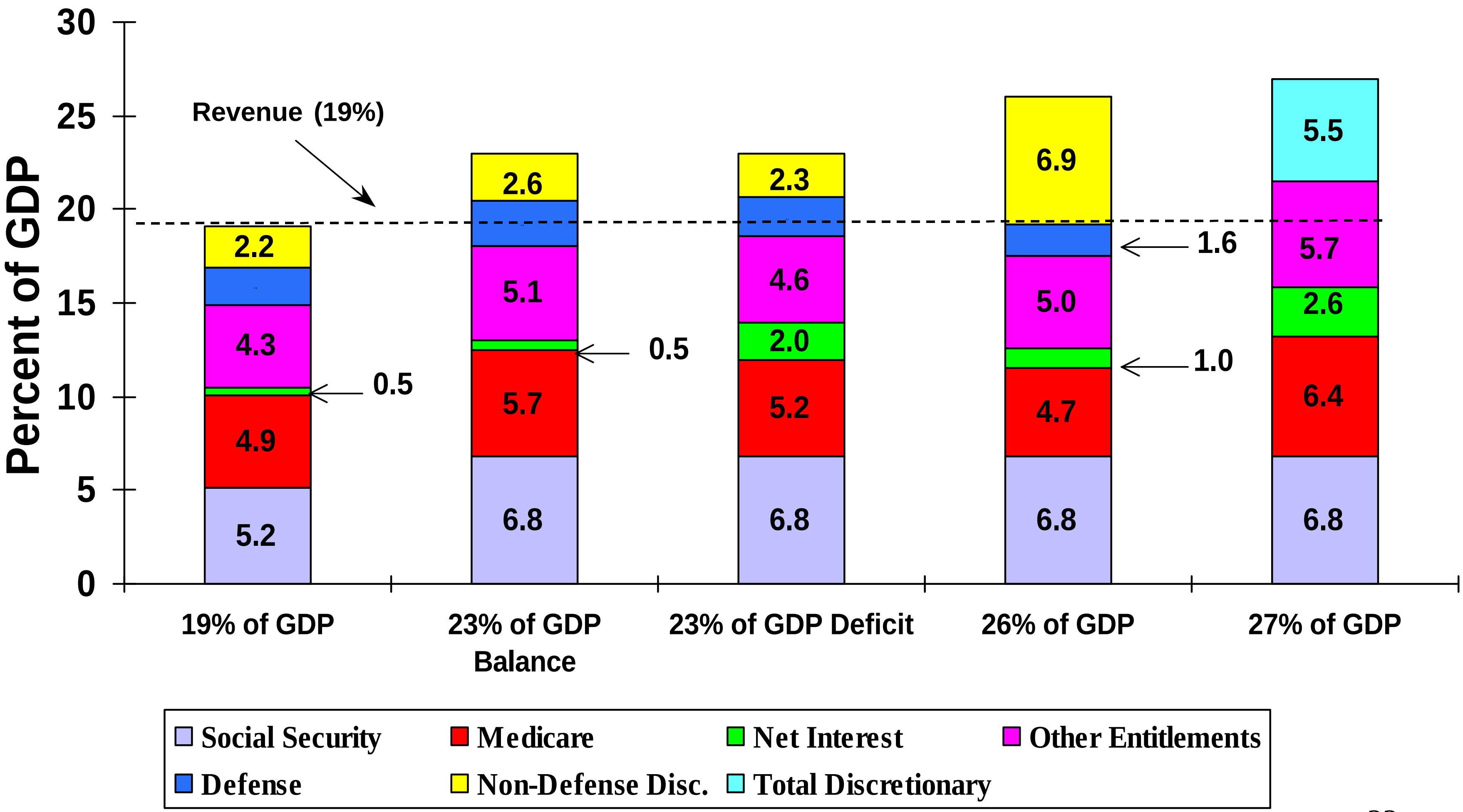
Source: CRFB based on OMB historical data (1998), CBO projections (July 1998), and GAO projections (October 1997 and February 1998).

Recent Improvements Delay, but Do Not Fix, Projected Deterioration in Long-Term National Debt Situation



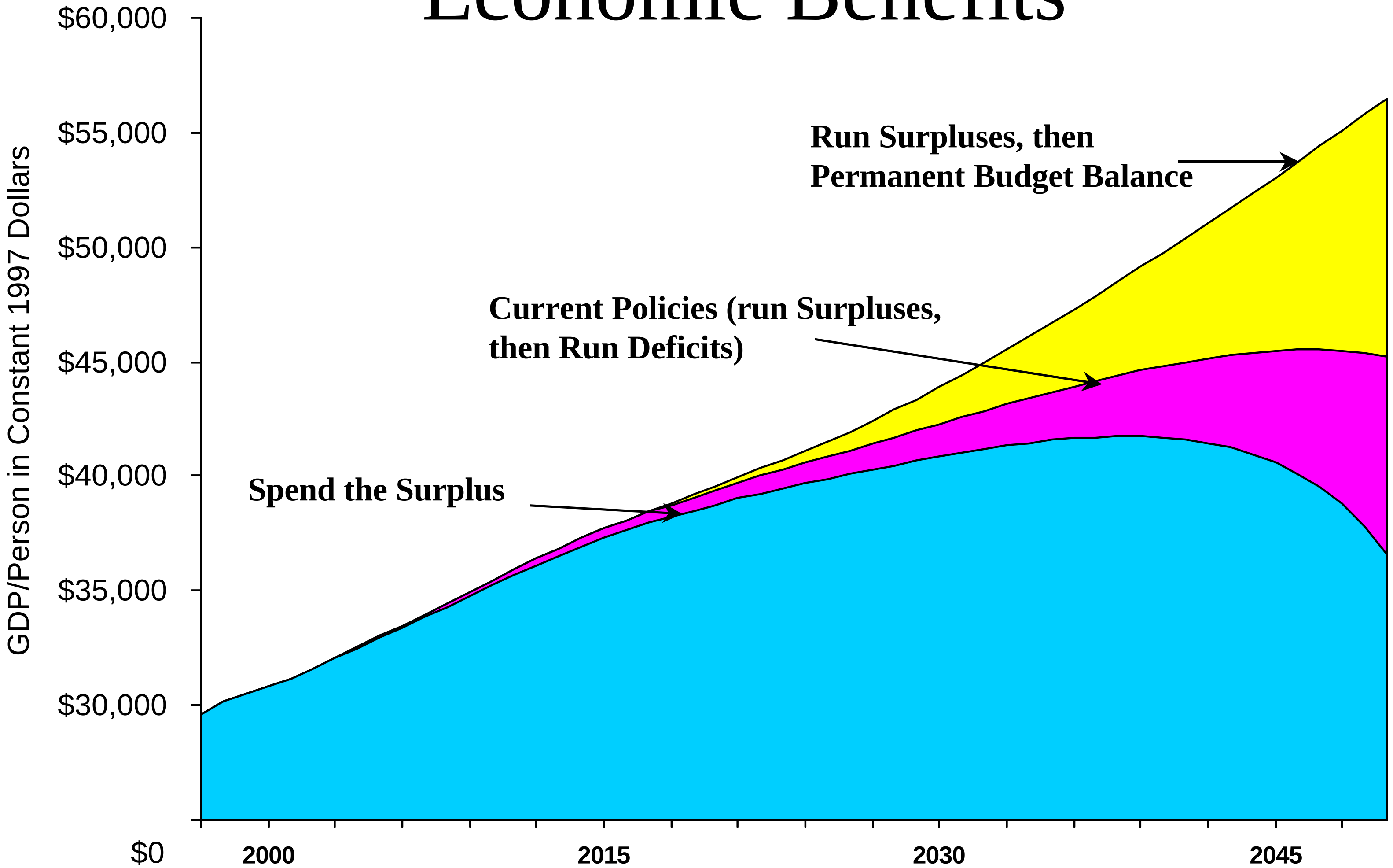
Source: Historical Data: OMB, 1997. Projections: GAO estimates, 1998 and Congressional Budget Office January 1999.

Budget Scenarios Under Alternate Assumptions in 2030 (as a Percentage of GDP)



Source: GAO, 1997.

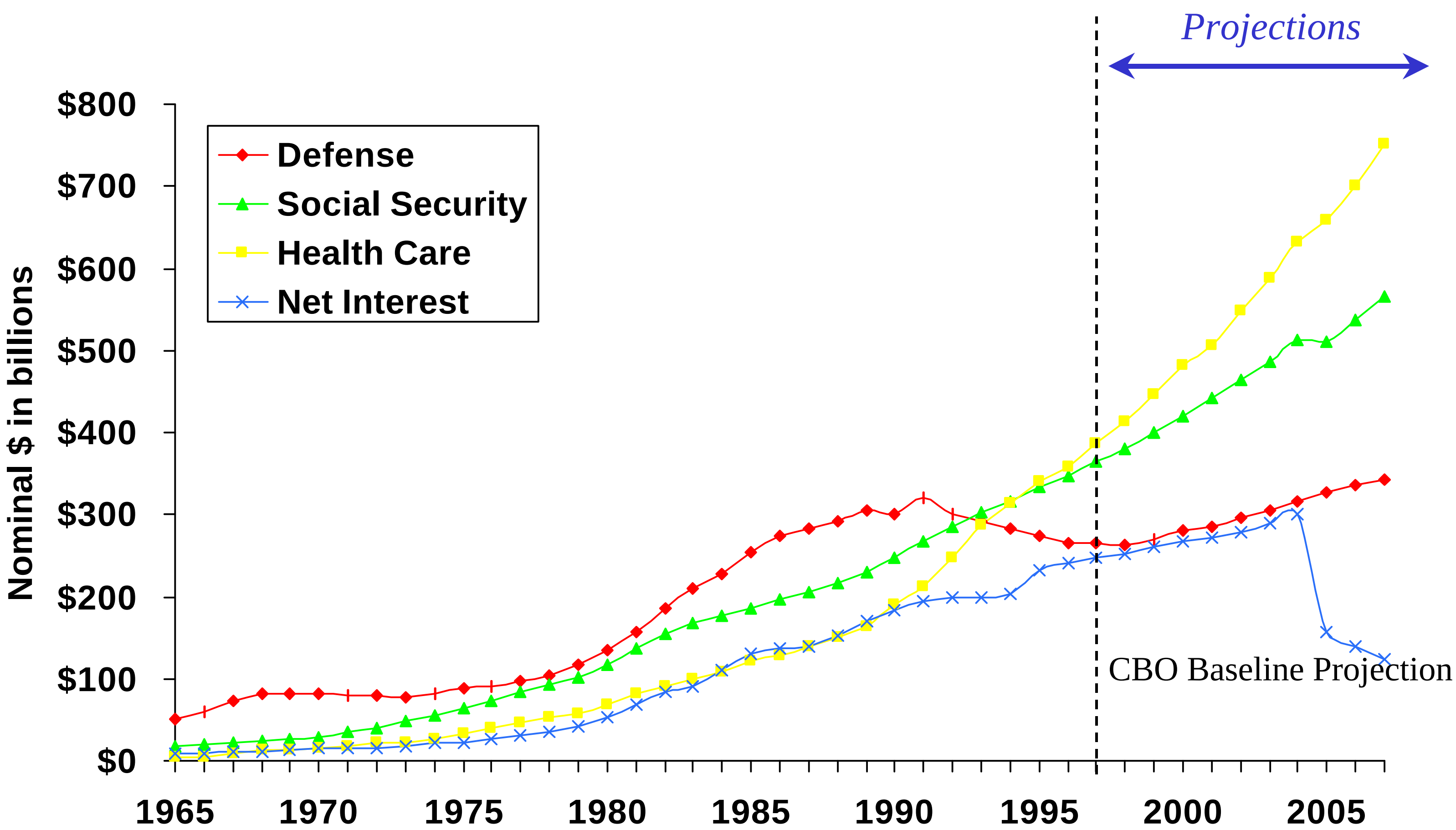
Continued Fiscal Discipline Would Produce Significant Long-Term Economic Benefits



Source: GAO, February 1998.

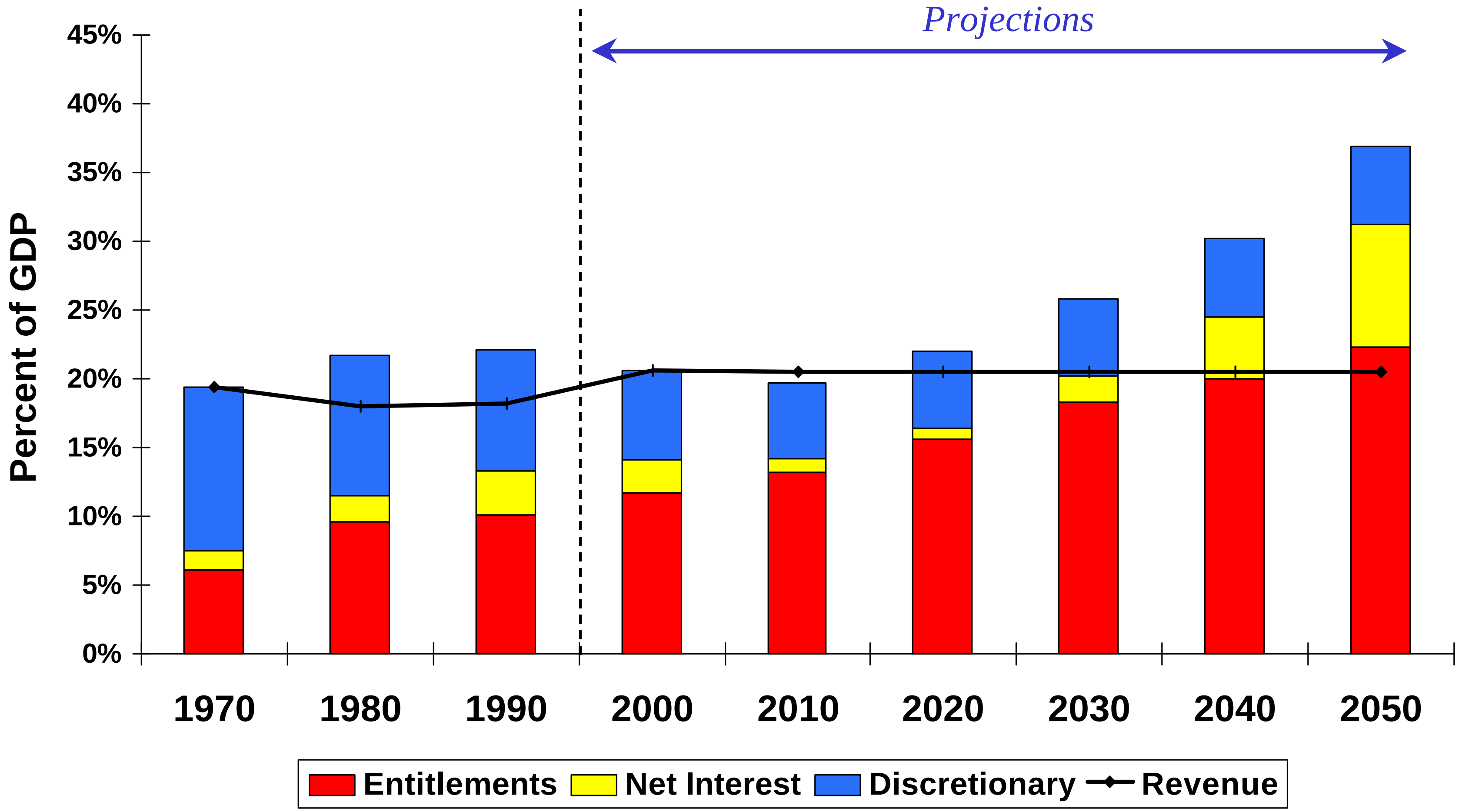
Federal Outlays: Major Program Categories

1965-2007



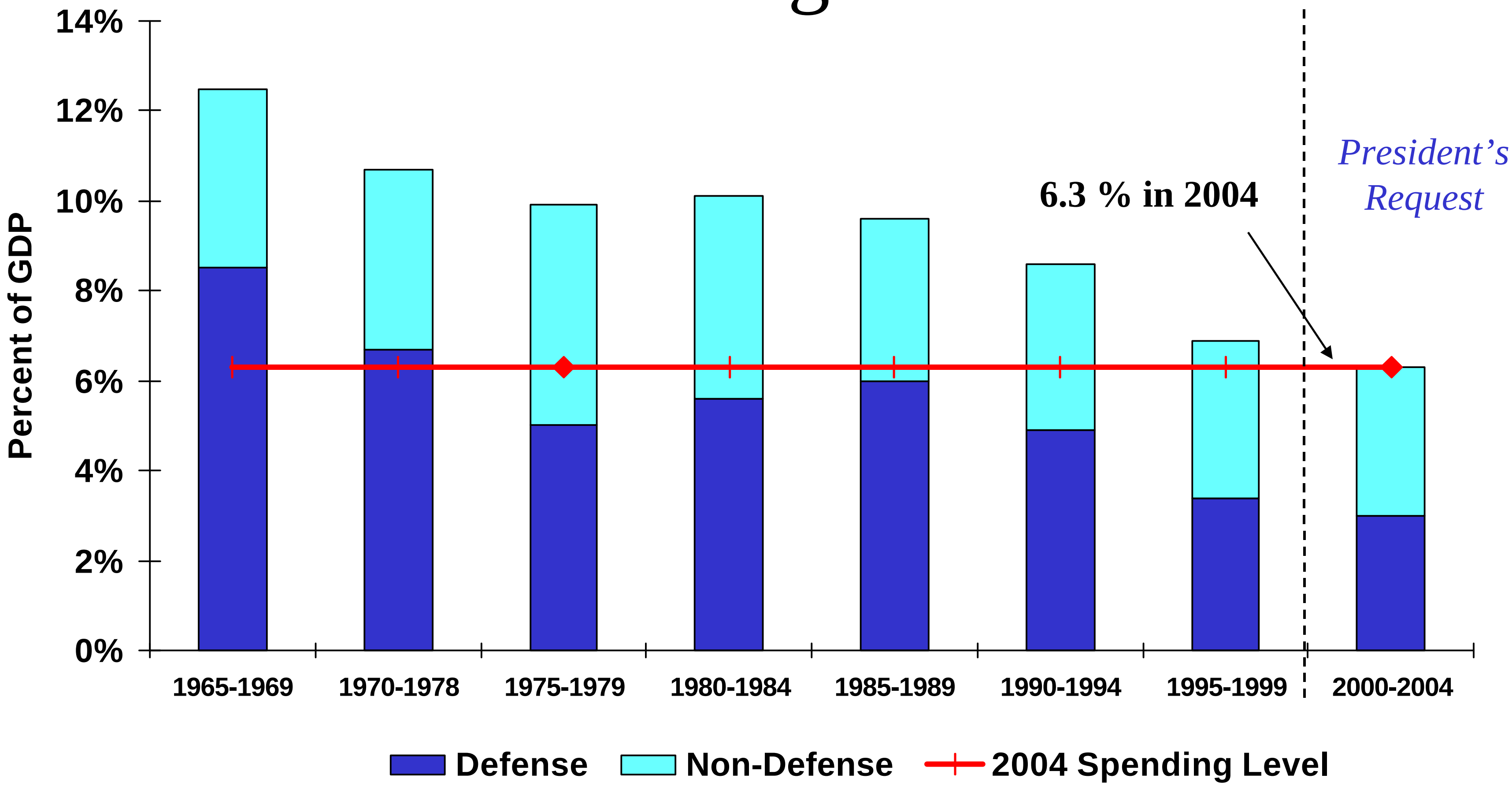
Source: Office of Management and Budget, *Historical Tables: Budget o f the United States Government, Fiscal Year 1998*, February 1997; Congressional Budget Office, *The Economic and Budget Outlook: Fiscal Years 1998-2007*, January 1997.

Entitlement Programs are Taking Over the Budget



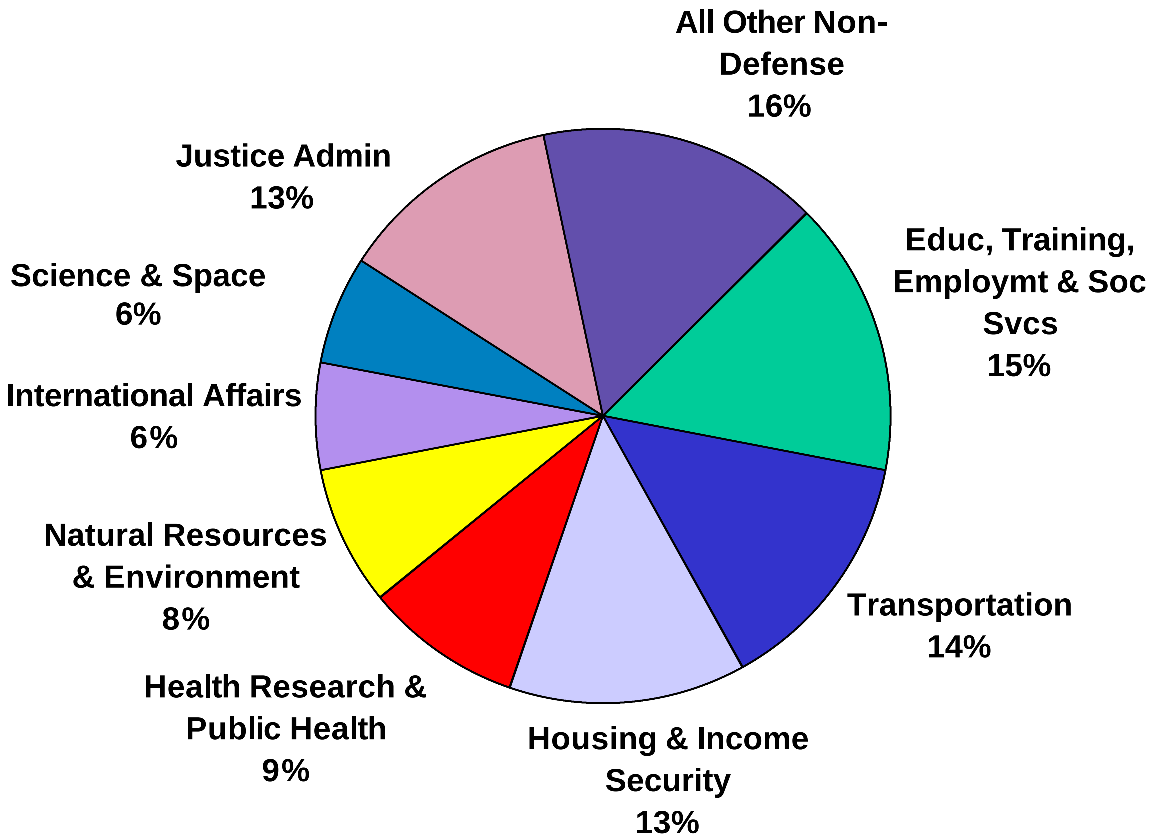
Source: Historical Data: OMB, 1998. Projections: GAO estimates, February 1998.

Discretionary Spending: Five Year Averages



Sources: President's Budget for FY 2000 (February 1999).

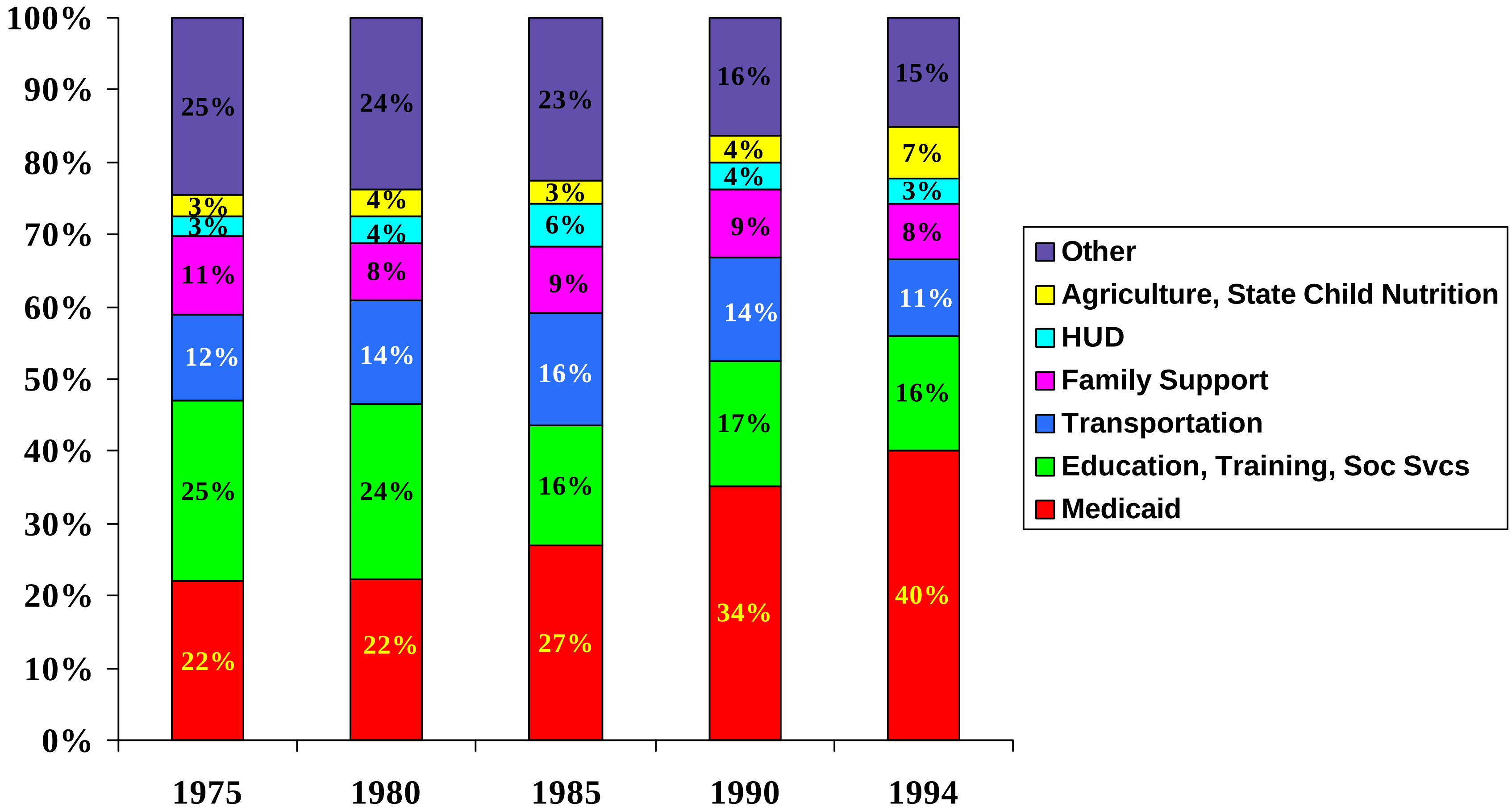
Major Non-Defense Discretionary Activities: 1998



Source: CBO projections, January 1999.

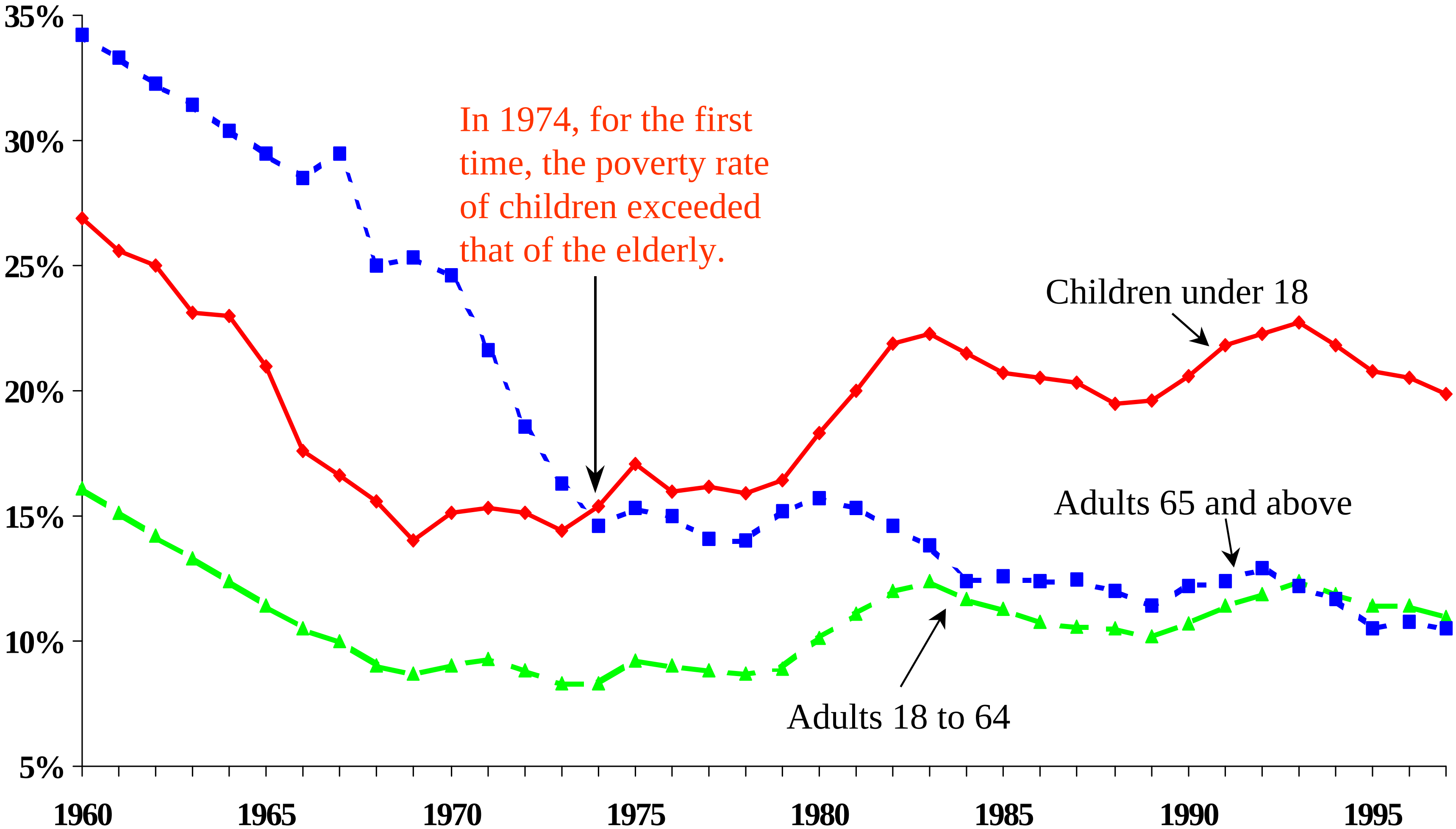
Federal Aid to State and Local Governments

(in 1994 dollars)



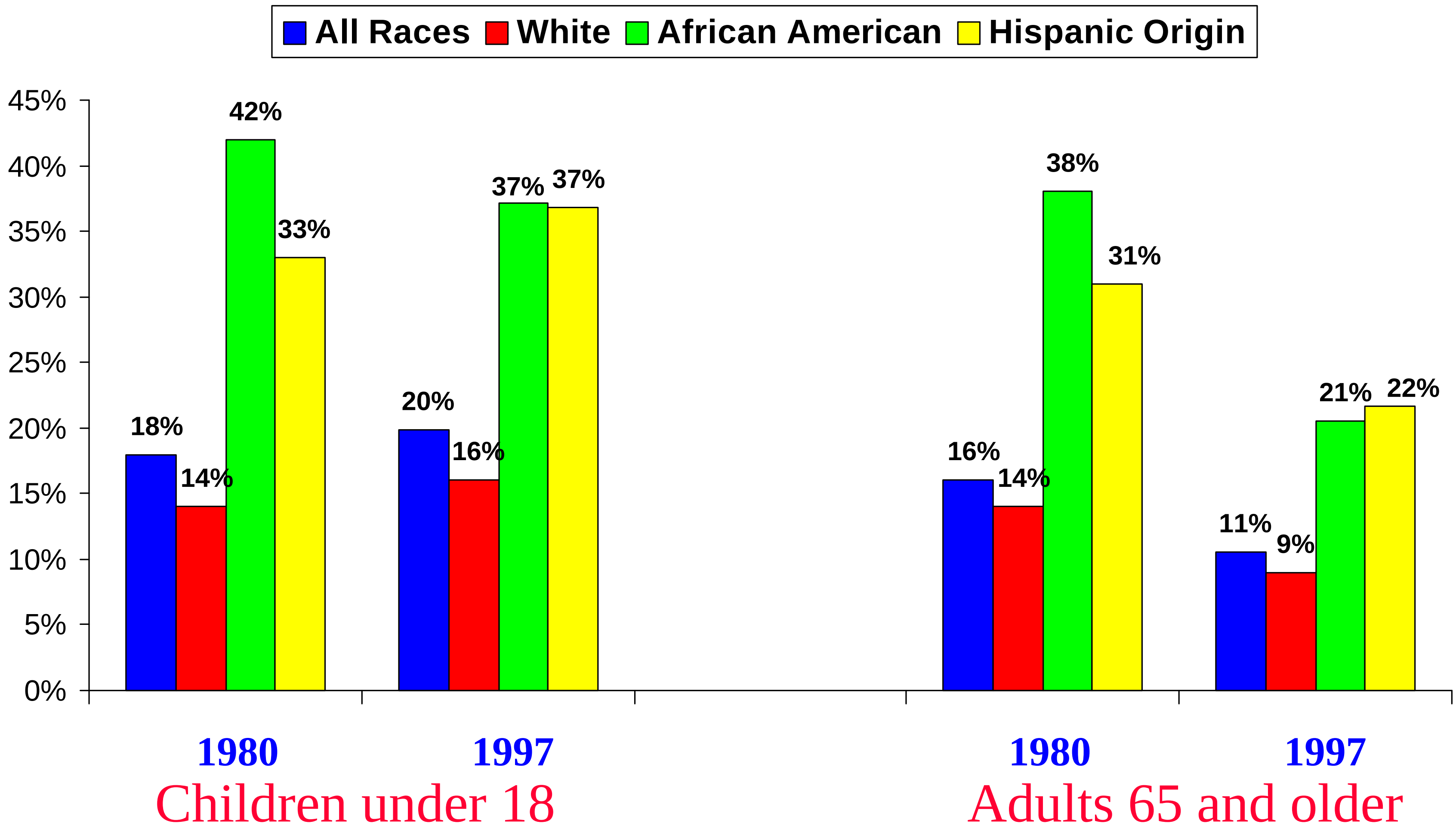
Source: Health Care Financing Administration, 1996.

Official Poverty Rates: 1960-1997



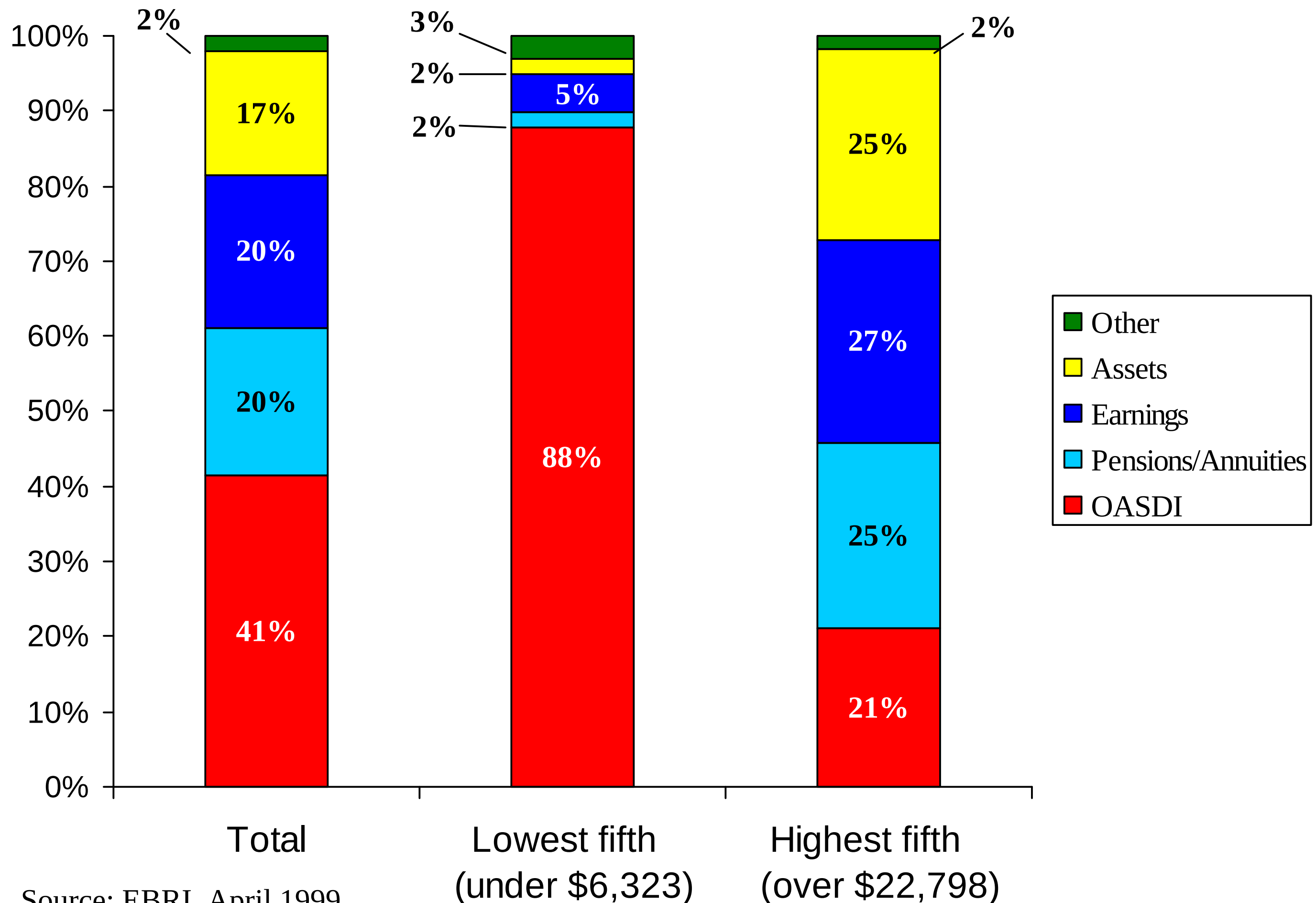
Source: Bureau of the Census, September 1996 and web site October 1998.

Poverty Rates by Selected Characteristics
1980 & 1997



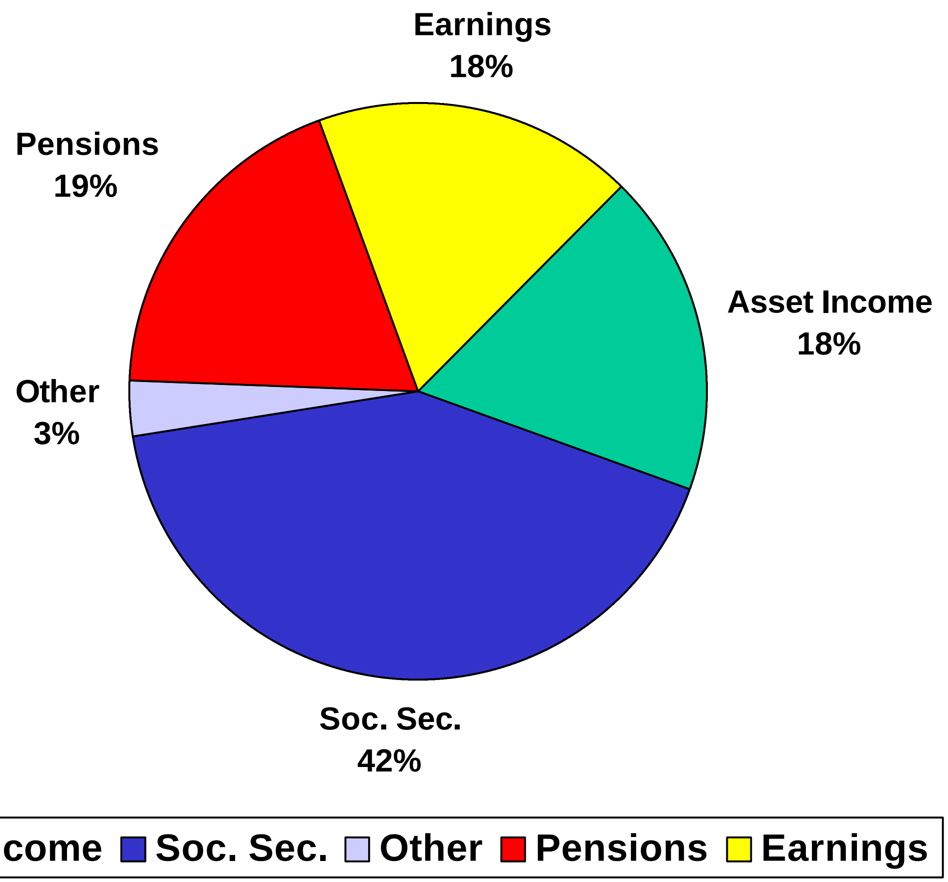
Source: Bureau of the Census, 1998.

Sources of Income of the Older Population: 1997



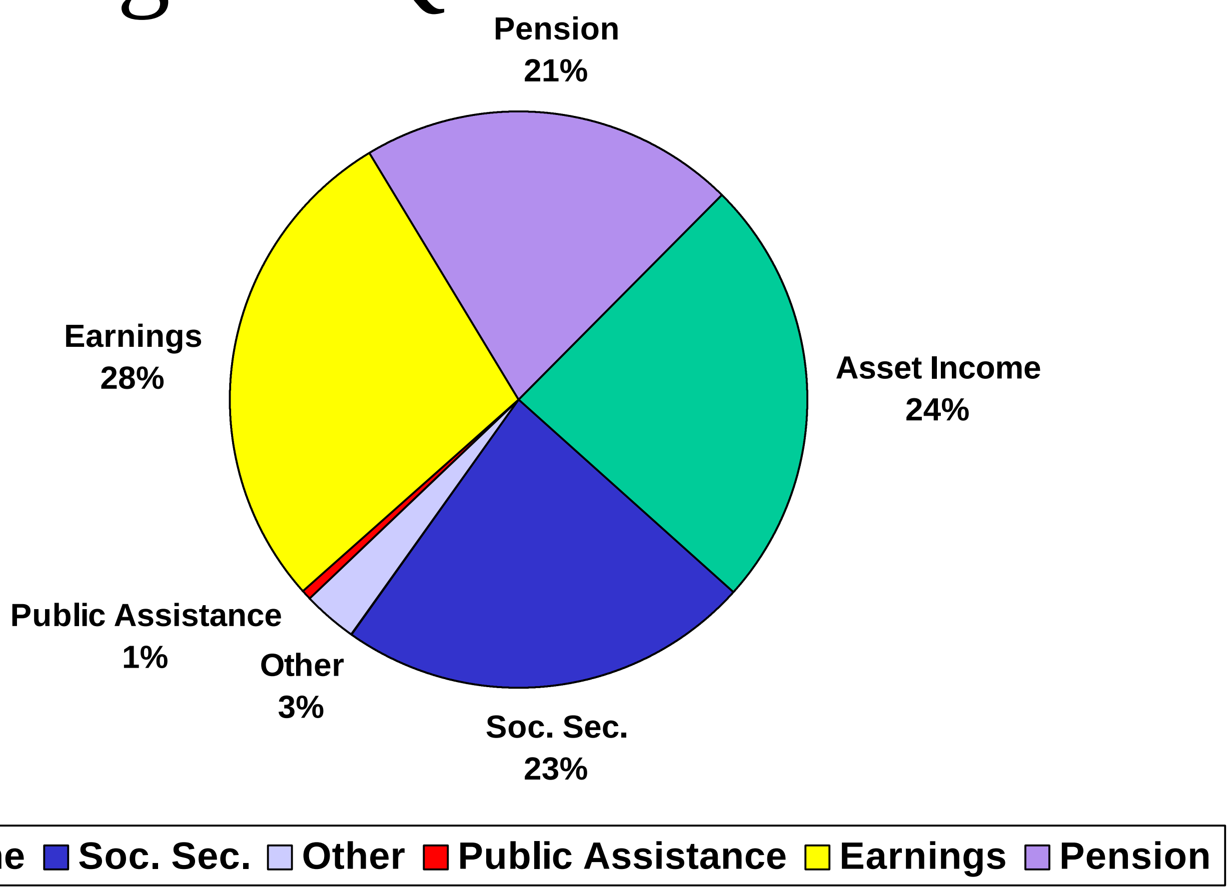
Source: EBRI, April 1999.

Composition of Average Elderly Income: 1994



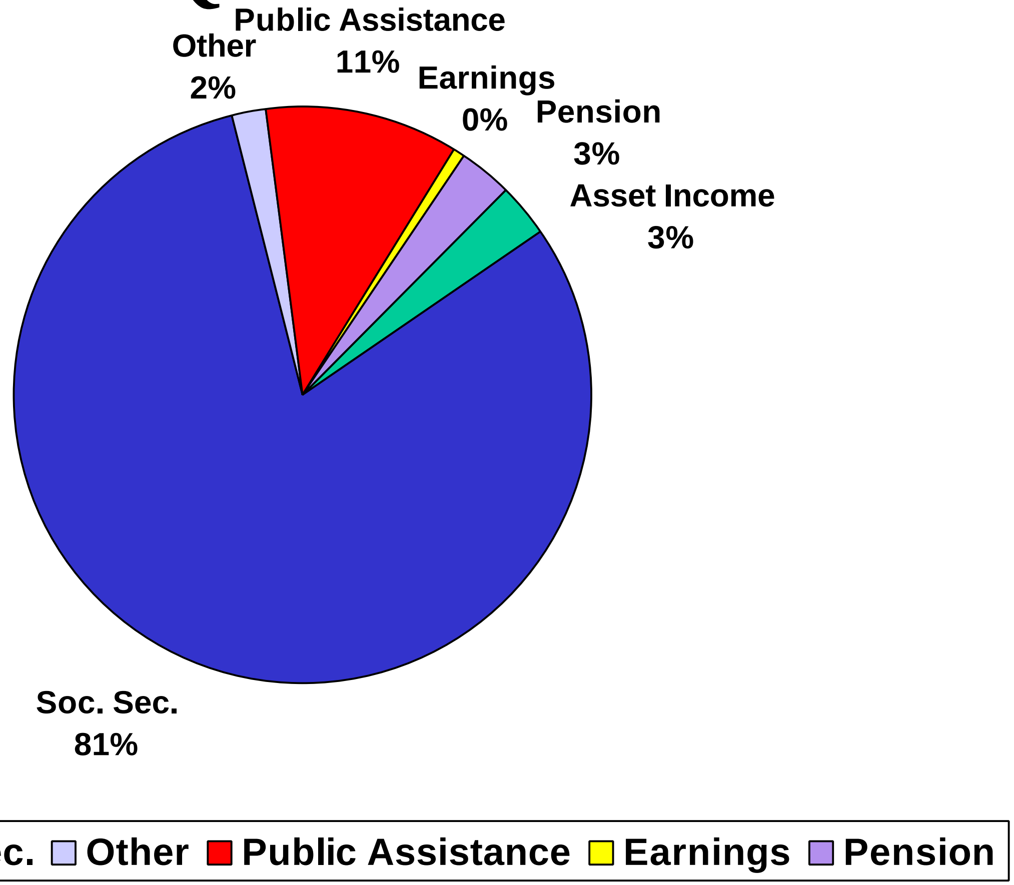
Source: SSA, *Annual Statistical Supplement to the Social Security Bulletin*, 1996.

Composition of Elderly Income
Highest Quintile: 1994



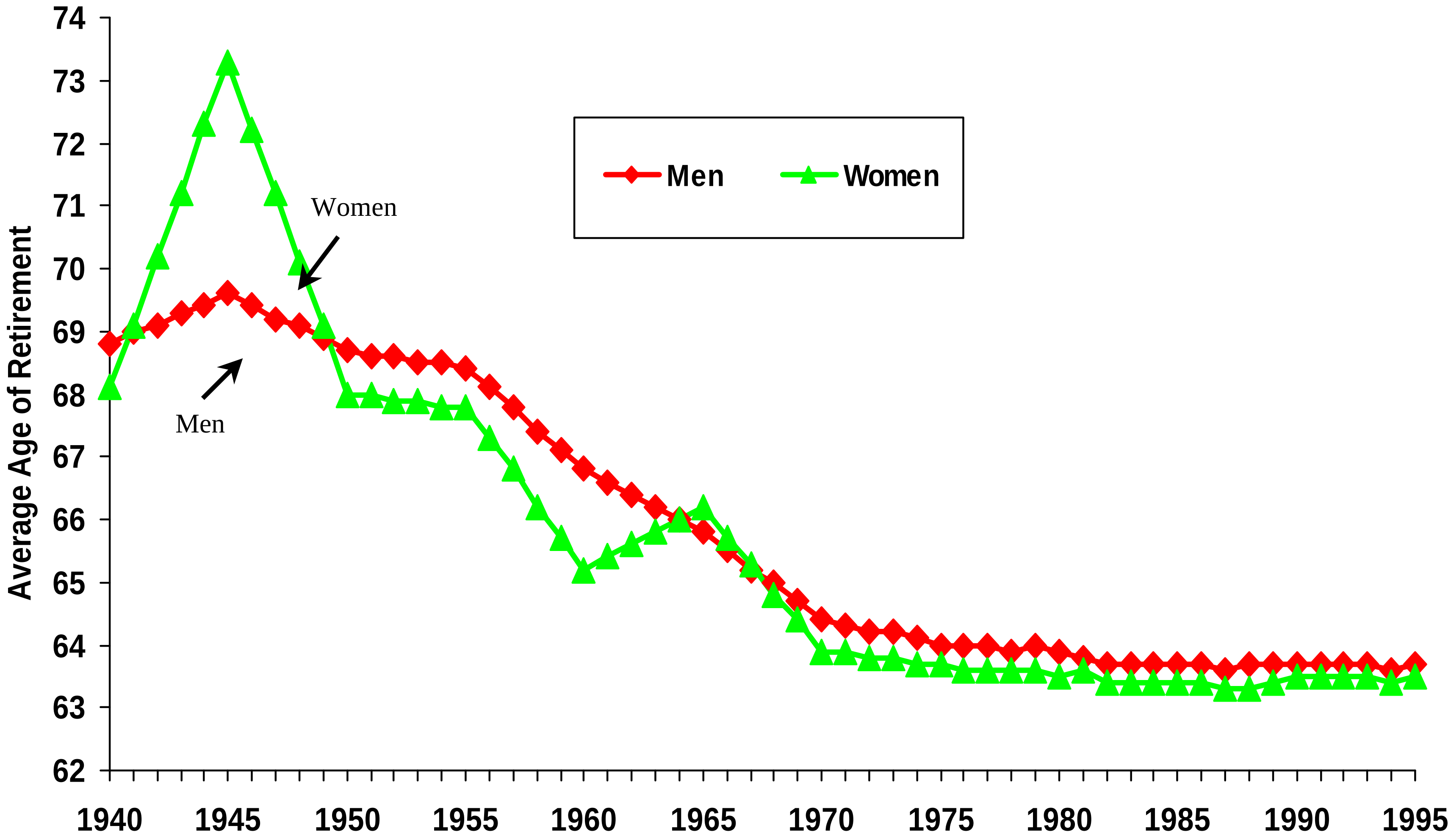
Source: SSA, *Annual Statistical Supplement to the Social Security Bulletin*, 1996.

Composition of Elderly Income
Lowest Quintile: 1994



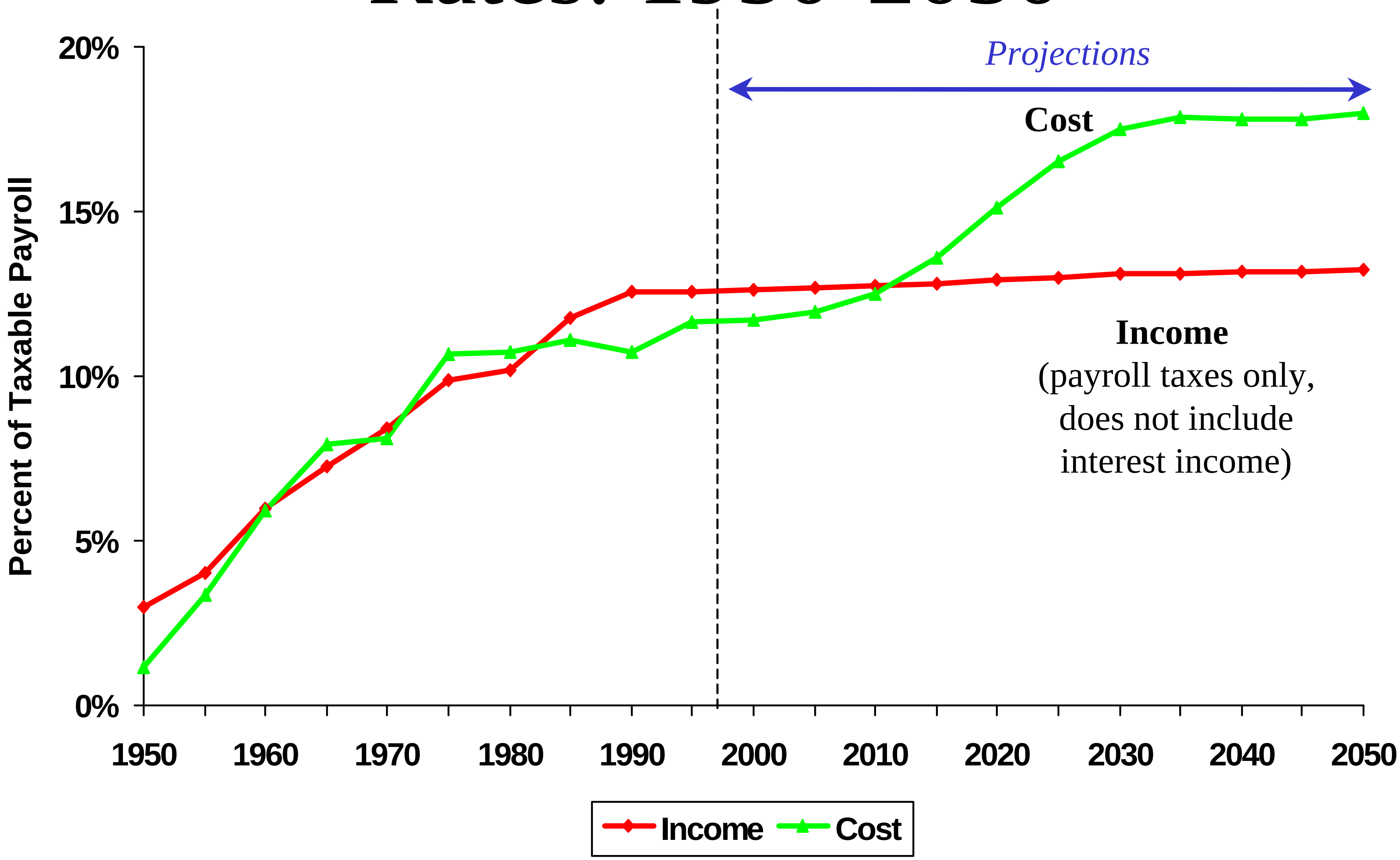
Source: SSA, *Annual Statistical Supplement to the Social Security Bulletin*, 1996.

Average Social Security Retirement Age: 1940-1995



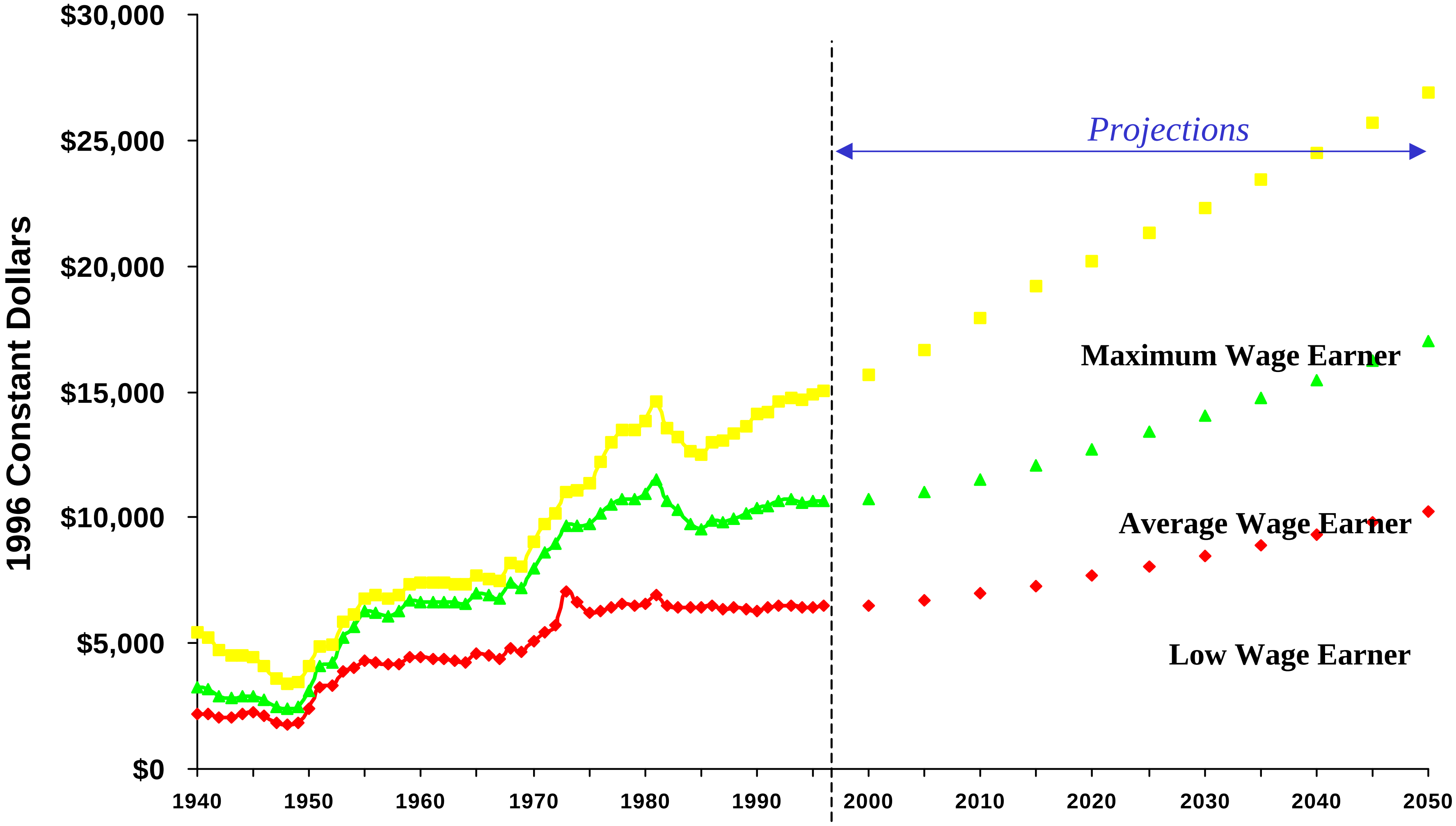
Source: Social Security Bulletin, *Annual Statistical Supplement*, 1996.

Social Security Income & Cost Rates: 1950-2050



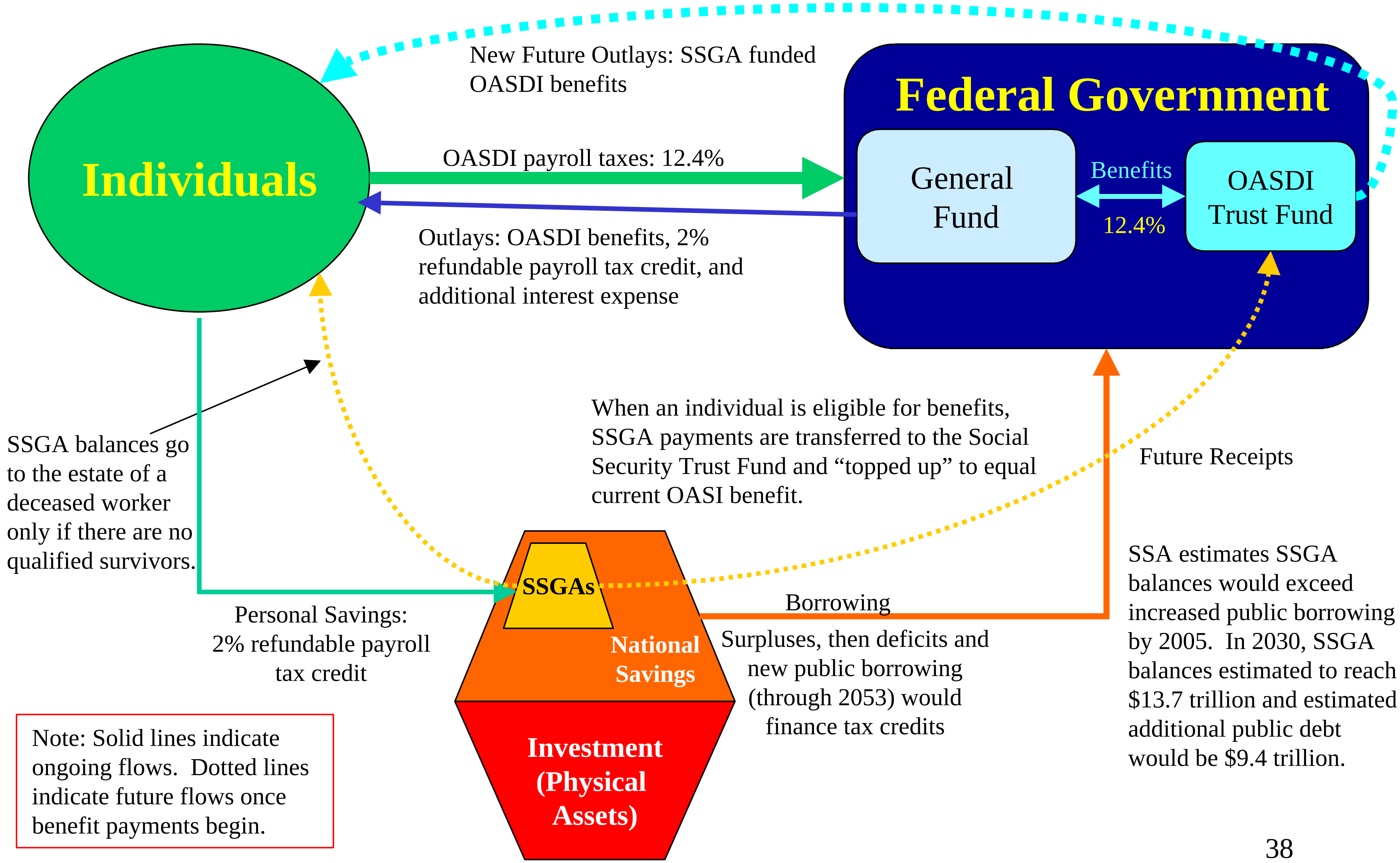
Source: Social Security Trustees Annual Report, 1997.

Social Security Retirement Benefits Payable at Normal Retirement Age

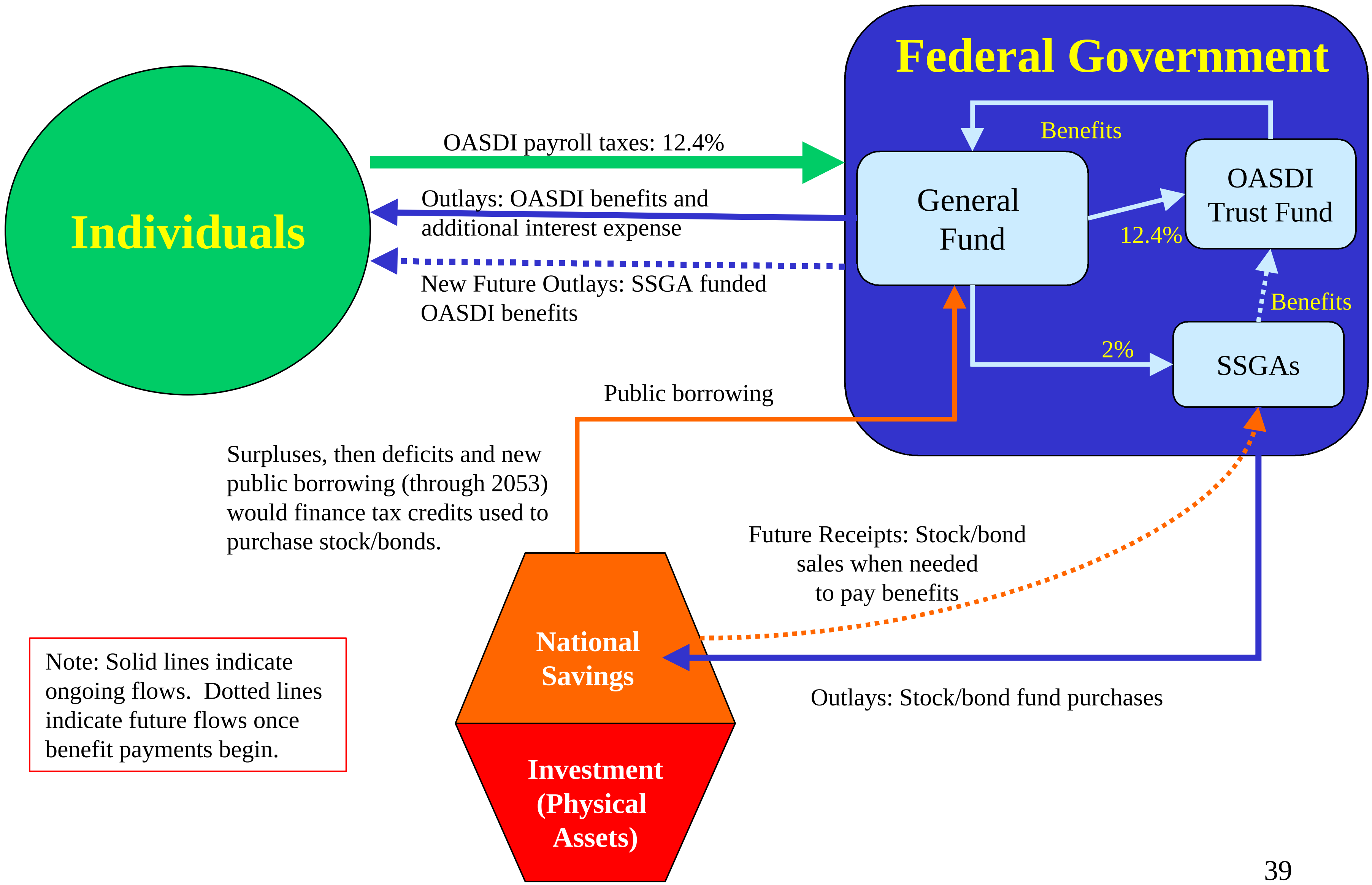


Source: SSA unpublished tables and Board of Trustees of the OASDI Trust Funds, 1996.

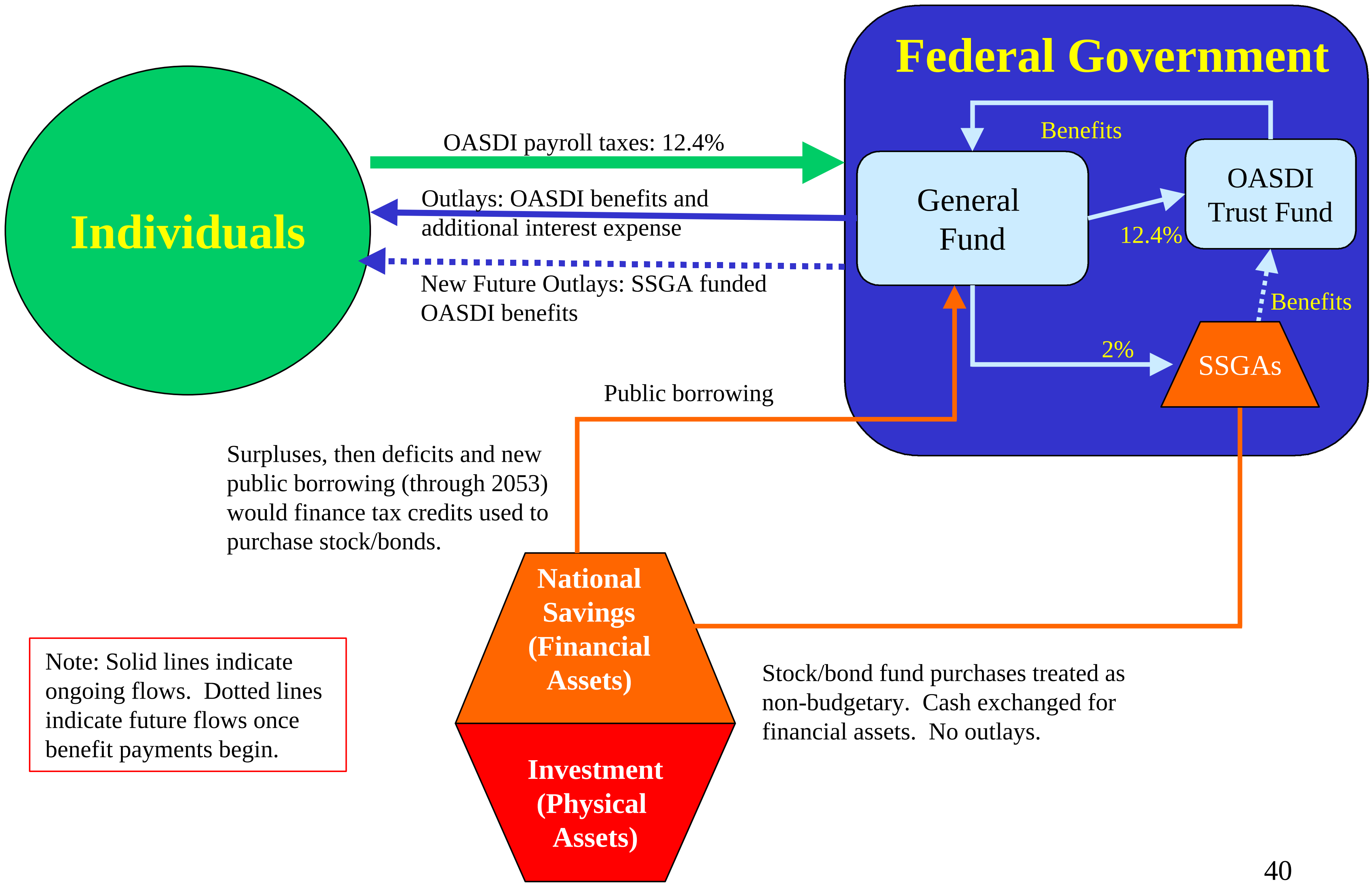
Example 1a. Archer-Shaw Social Security Guarantee (SSG) Plan: Private SSGAs



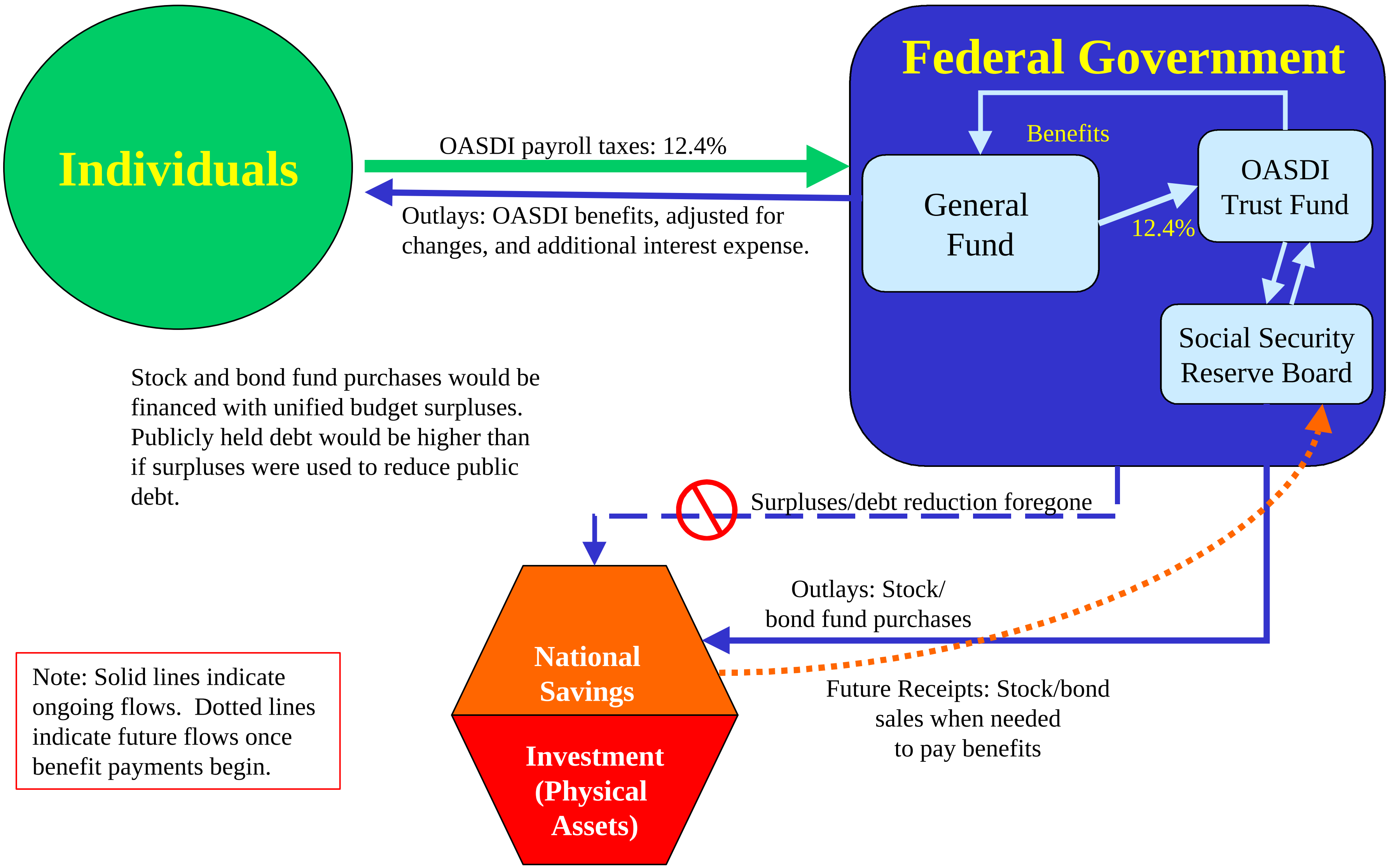
Example 1b. Archer-Shaw Social Security Guarantee (SSG) Plan: Public SSGAs



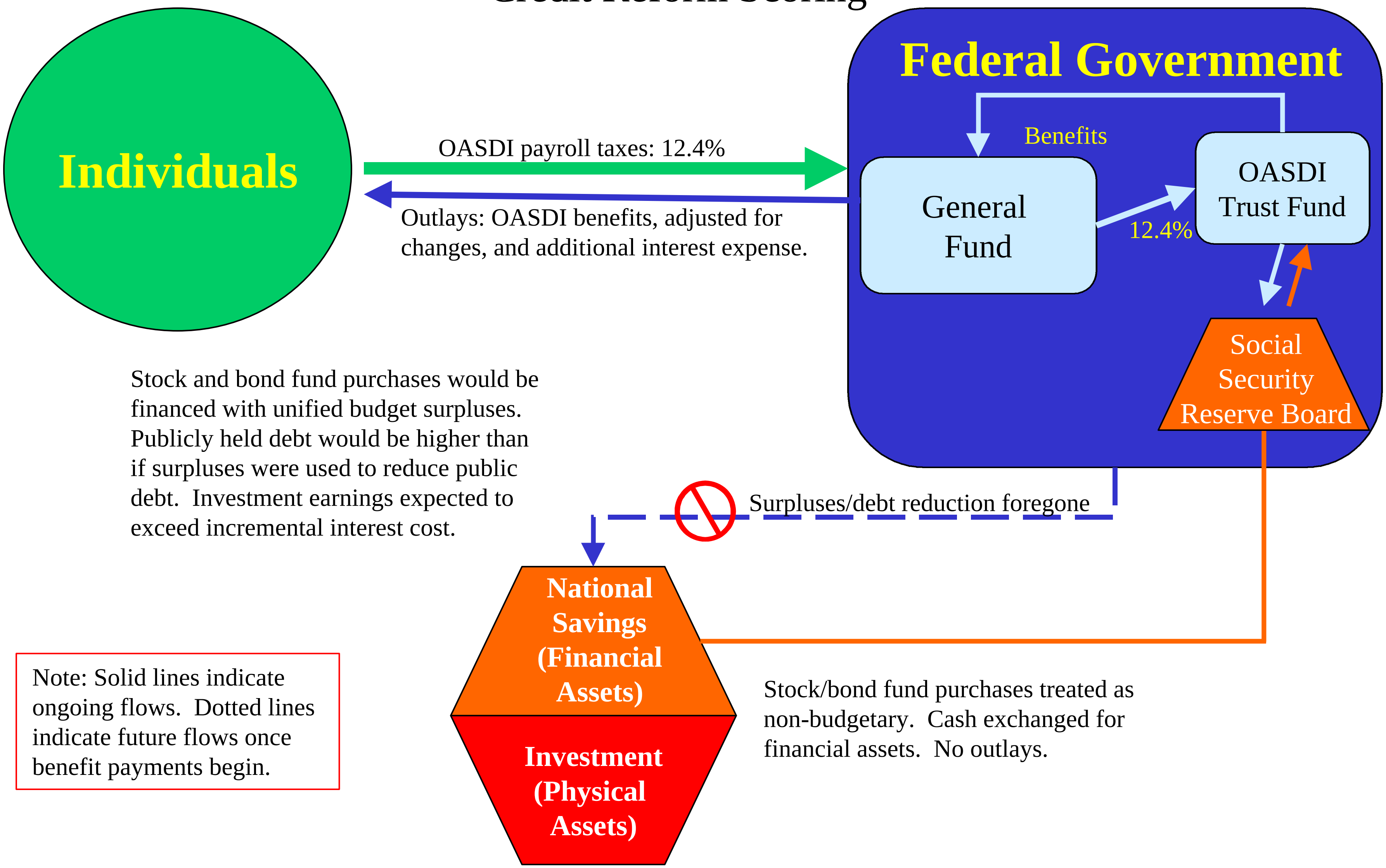
Example 1c. Archer-Shaw Social Security Guarantee (SSG) Plan: Public SSGAs, Credit Reform Scoring



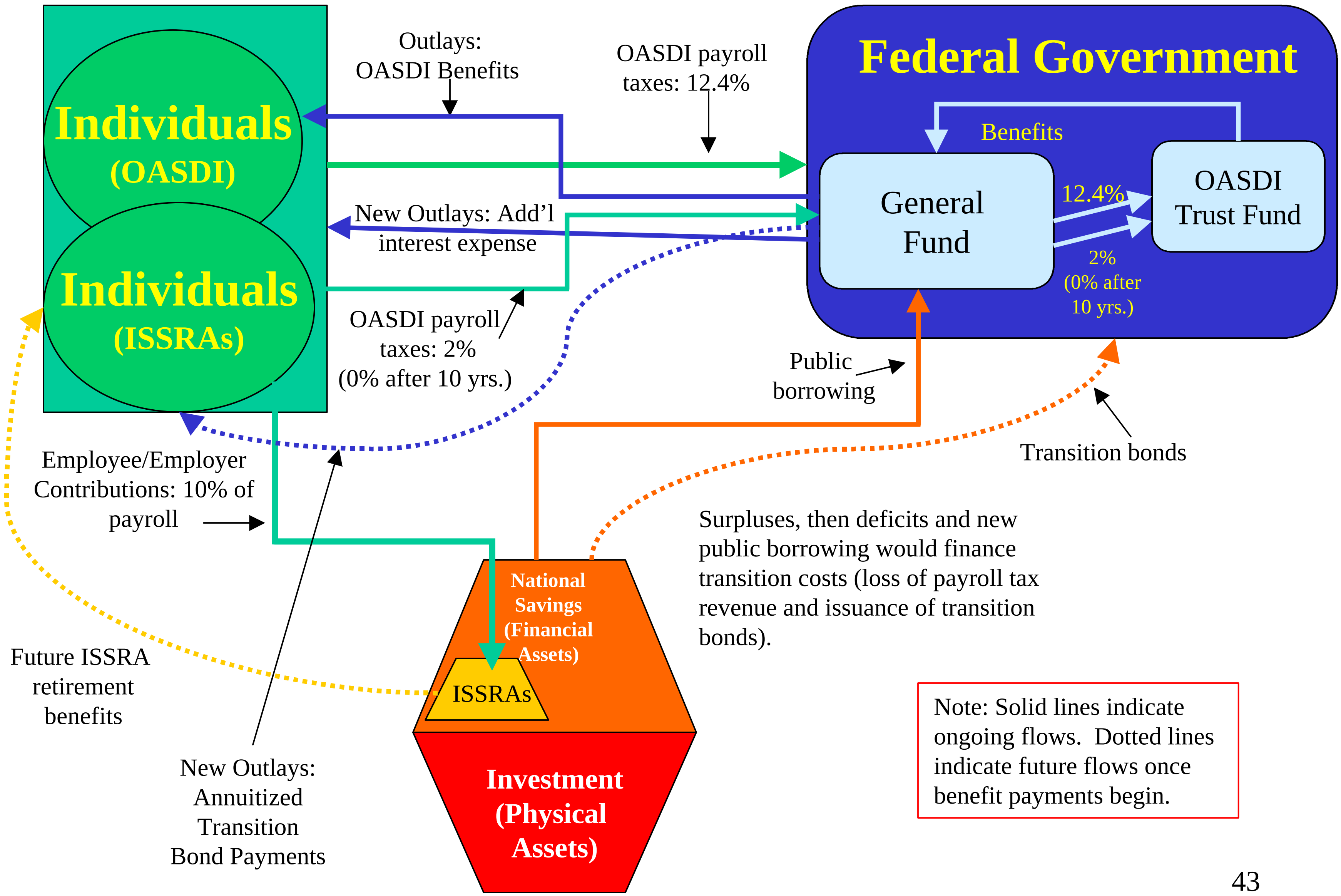
Example 2a. Aaron-Reischauer Social Security Reserve Investment Plan



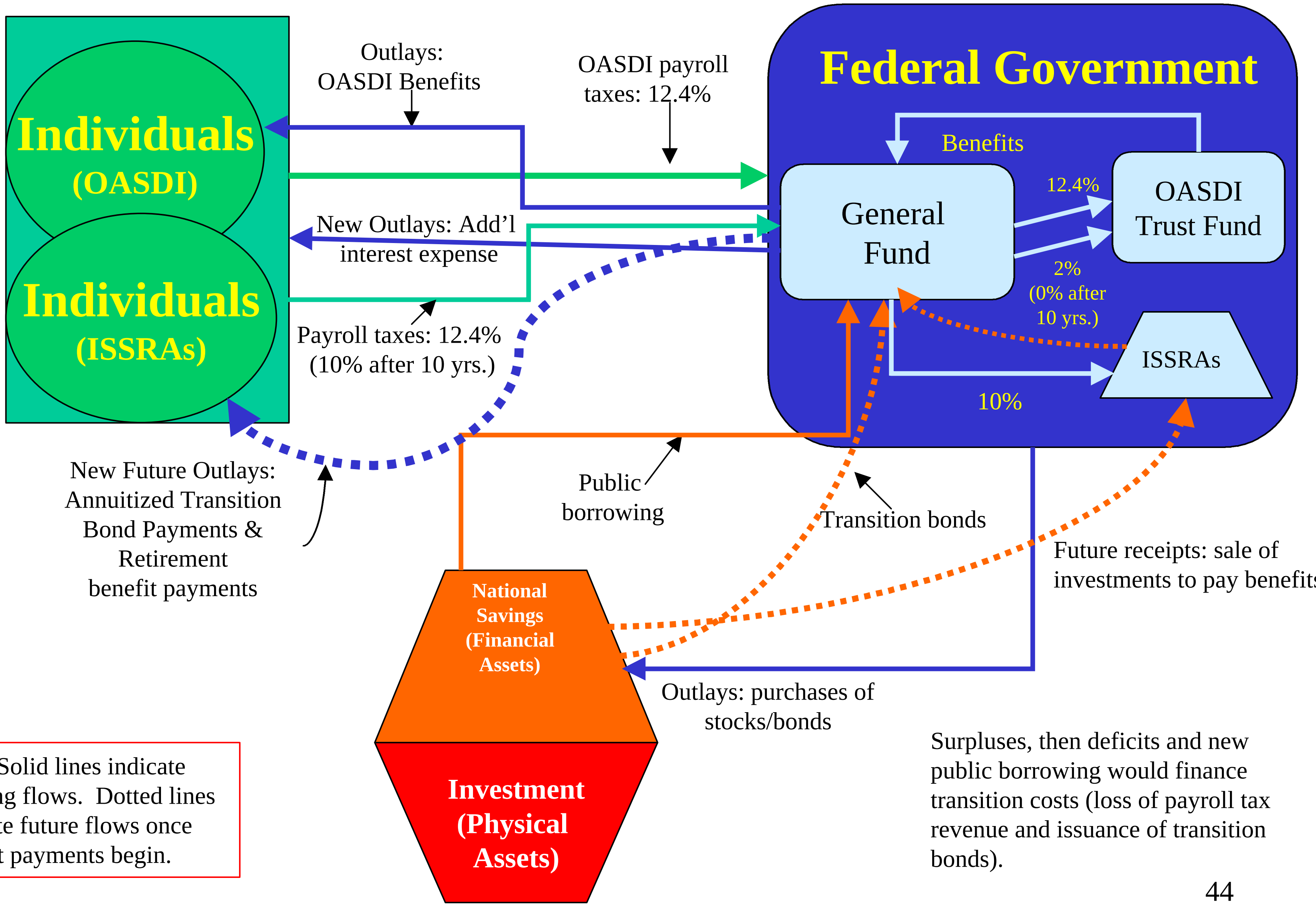
Example 2b. Aaron-Reischauer Social Security Reserve Investment Plan, Credit Reform Scoring



Example 3a. Porter Individual Social Security Retirement Account Plan: Private ISSRAs



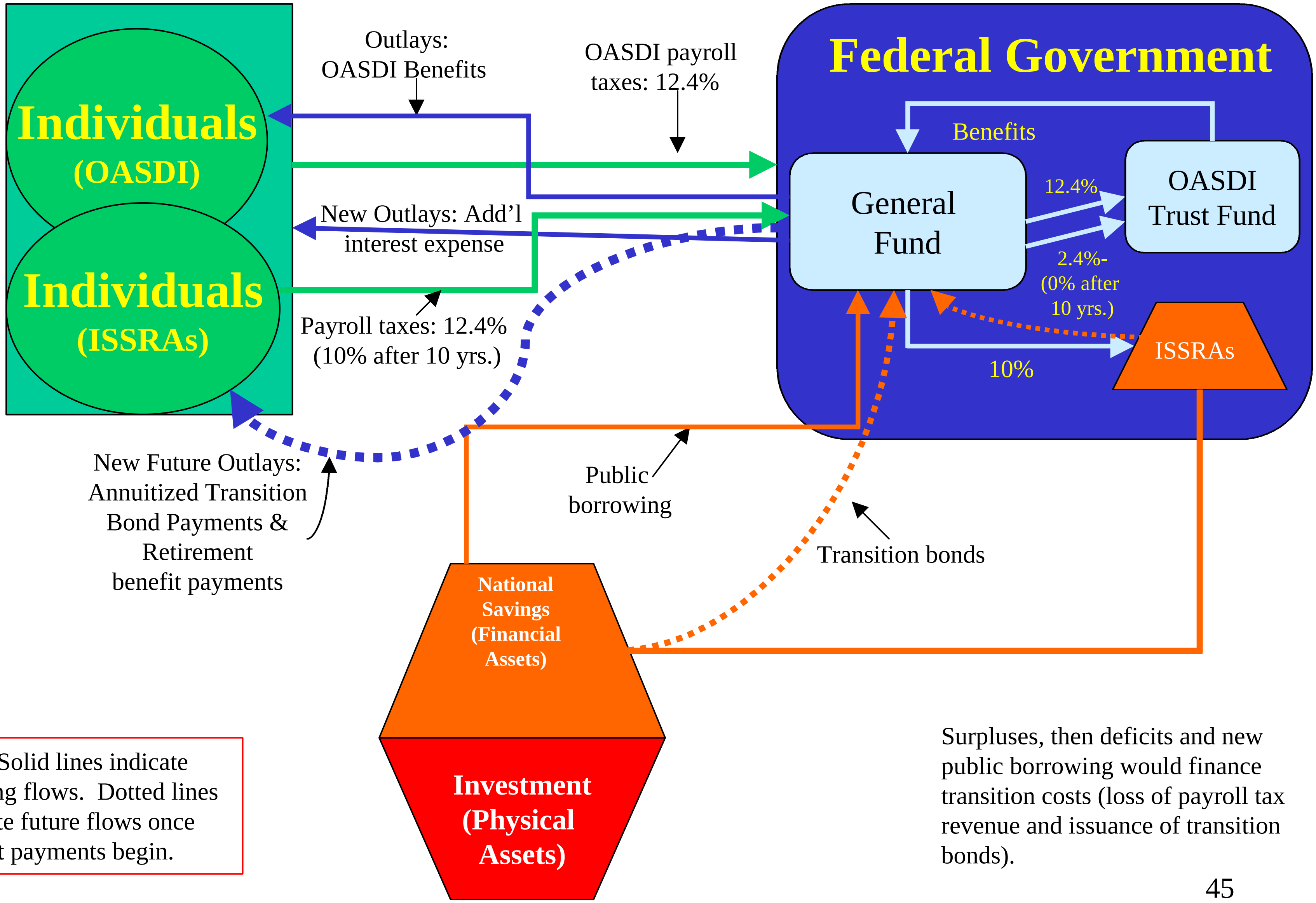
Example 3b. Porter Individual Social Security Retirement Account Plan: Public ISSRAs



Note: Solid lines indicate ongoing flows. Dotted lines indicate future flows once benefit payments begin.

Surpluses, then deficits and new public borrowing would finance transition costs (loss of payroll tax revenue and issuance of transition bonds).

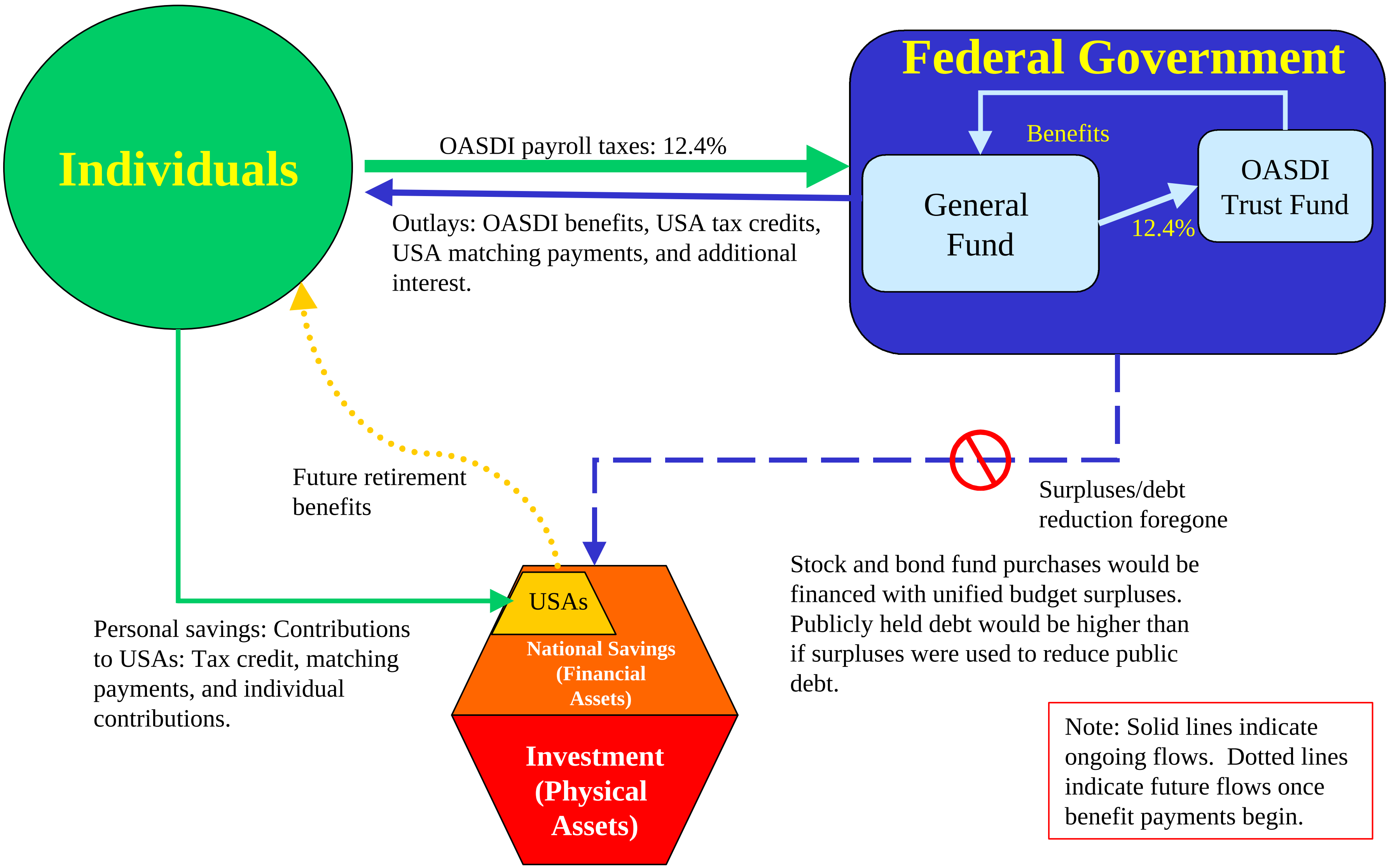
Example 3c. Porter Individual Social Security Retirement Account Plan: Public ISSRAs, Credit Reform Scoring



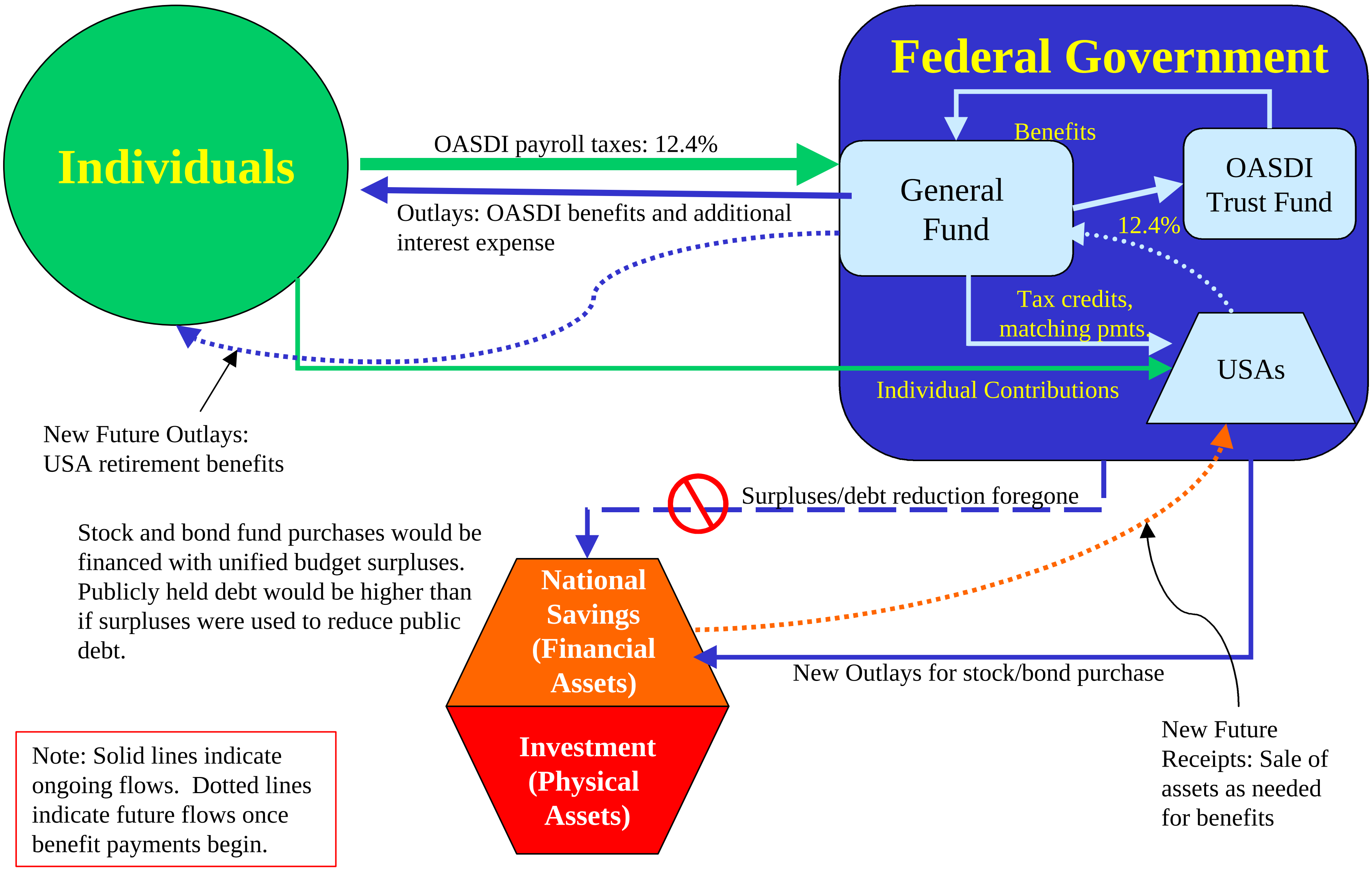
Note: Solid lines indicate ongoing flows. Dotted lines indicate future flows once benefit payments begin.

Surpluses, then deficits and new public borrowing would finance transition costs (loss of payroll tax revenue and issuance of transition bonds).

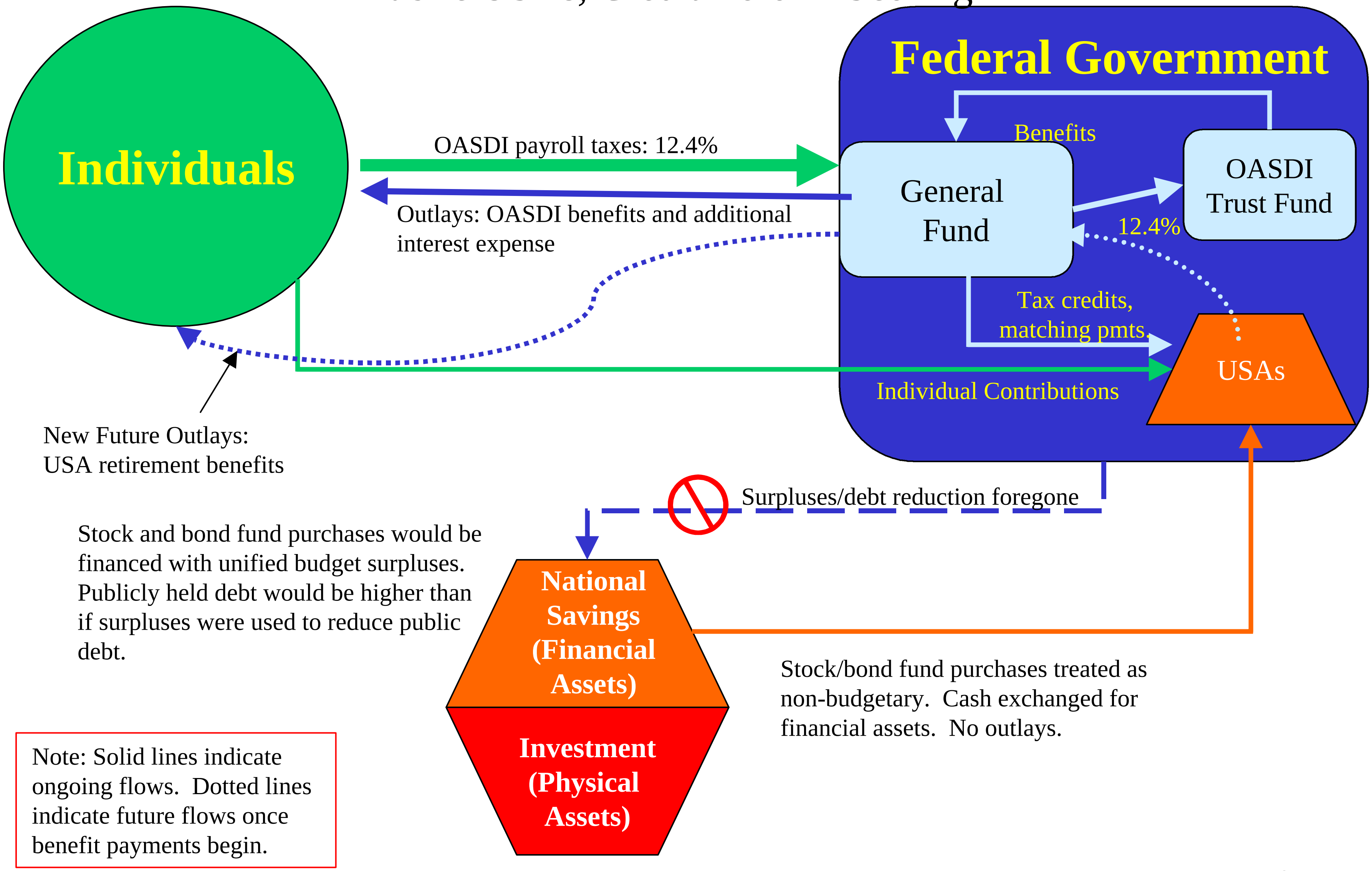
Example 4a. President's Plan, Private USAs



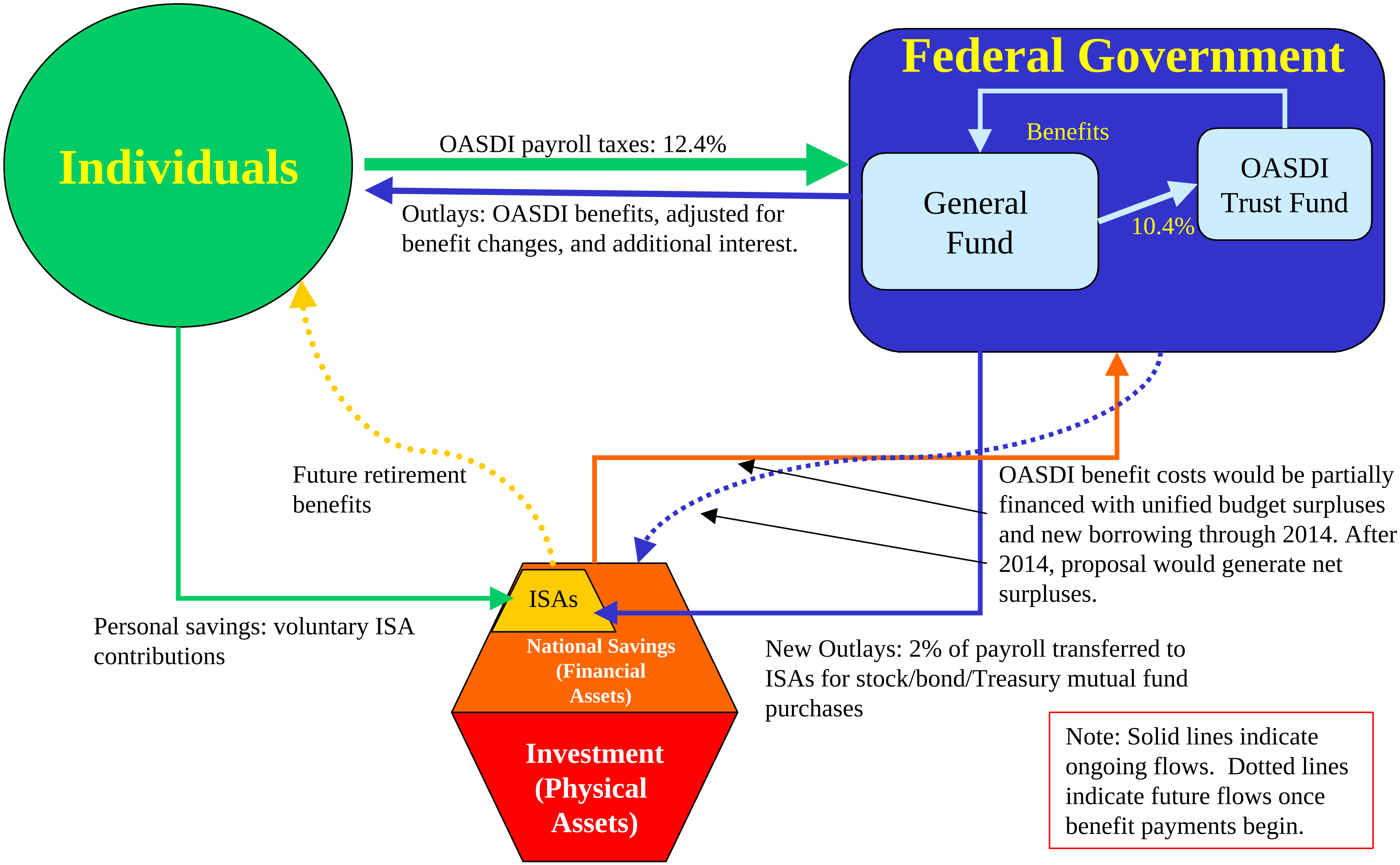
Example 4b. President's Plan, Public USAs



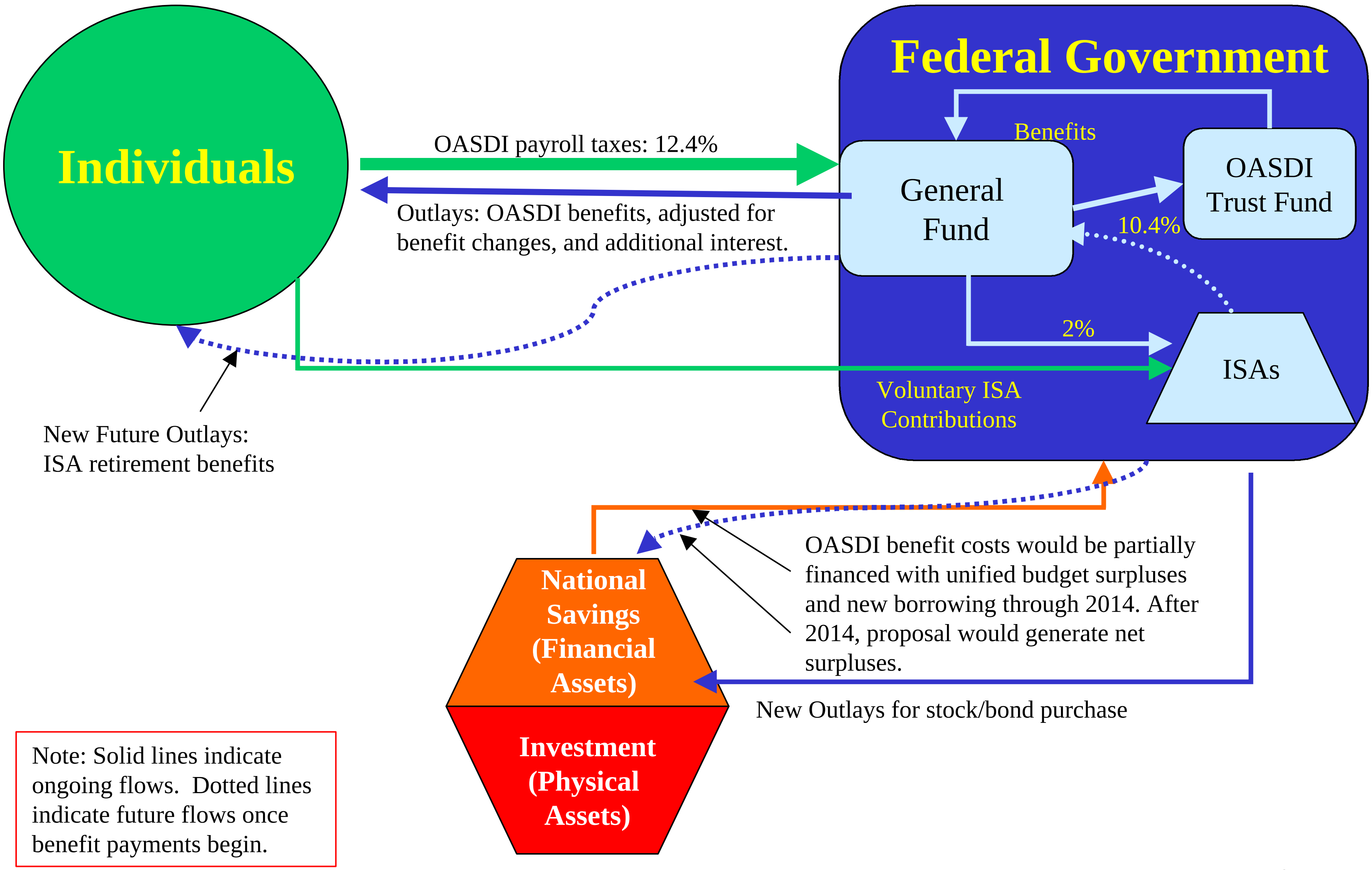
Example 4c. President's Plan, Public USAs, Credit Reform Scoring



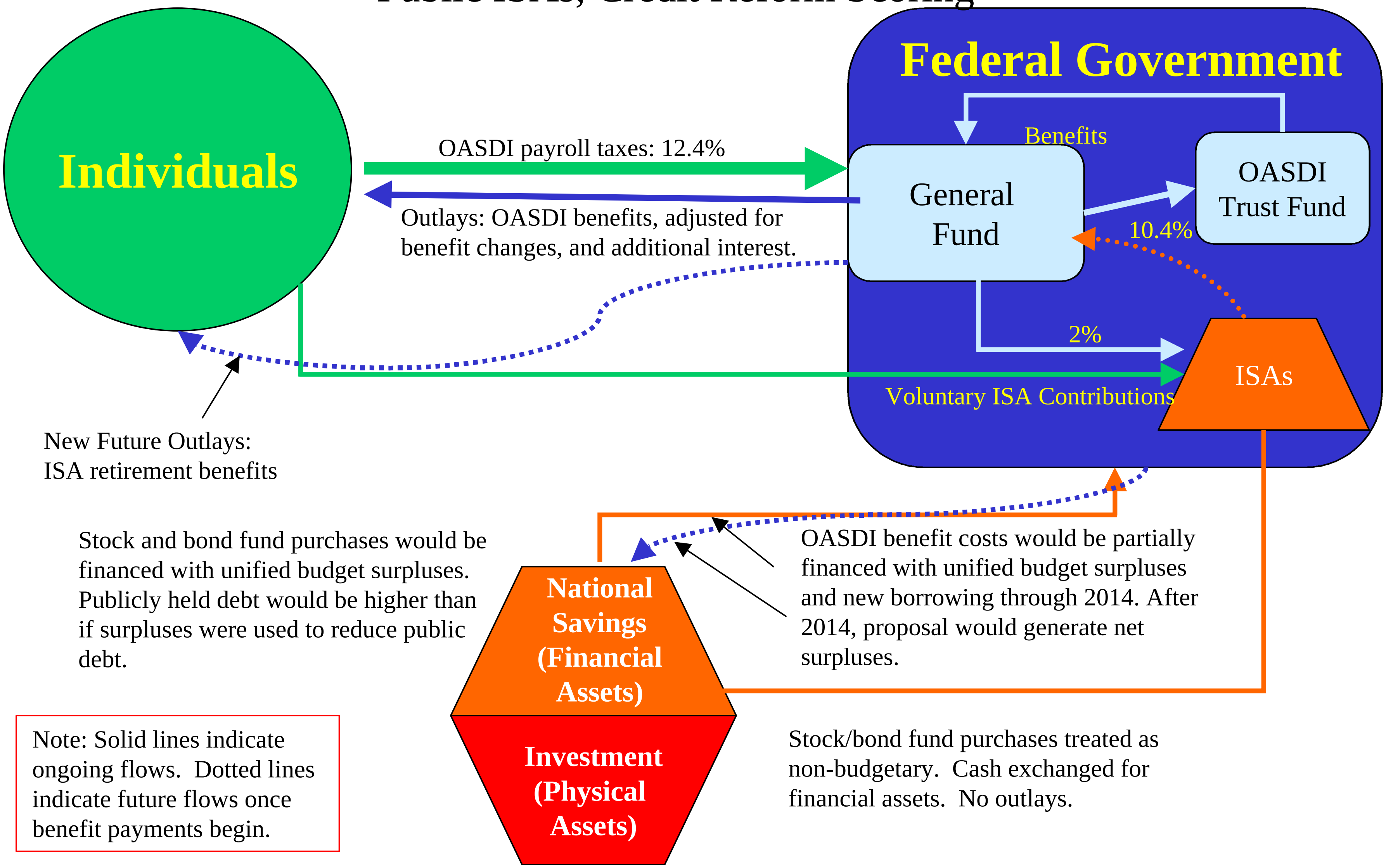
Example 5a. Kolbe-Stenholm Plan, Private ISAs



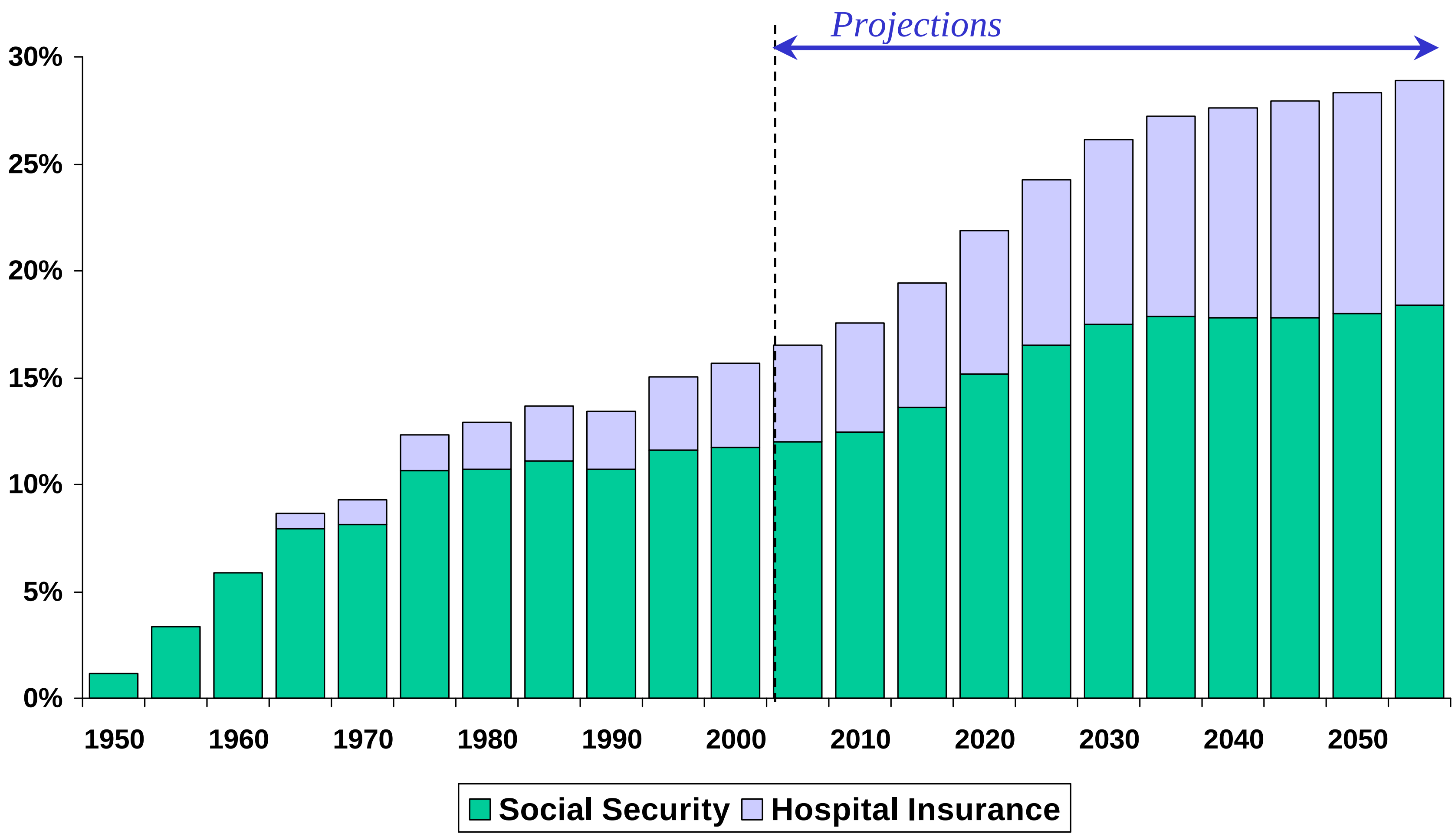
Example 5b. Kolbe-Stenholm Plan, Public ISAs



Example 5c. Kolbe-Stenholm Plan, Public ISAs, Credit Reform Scoring

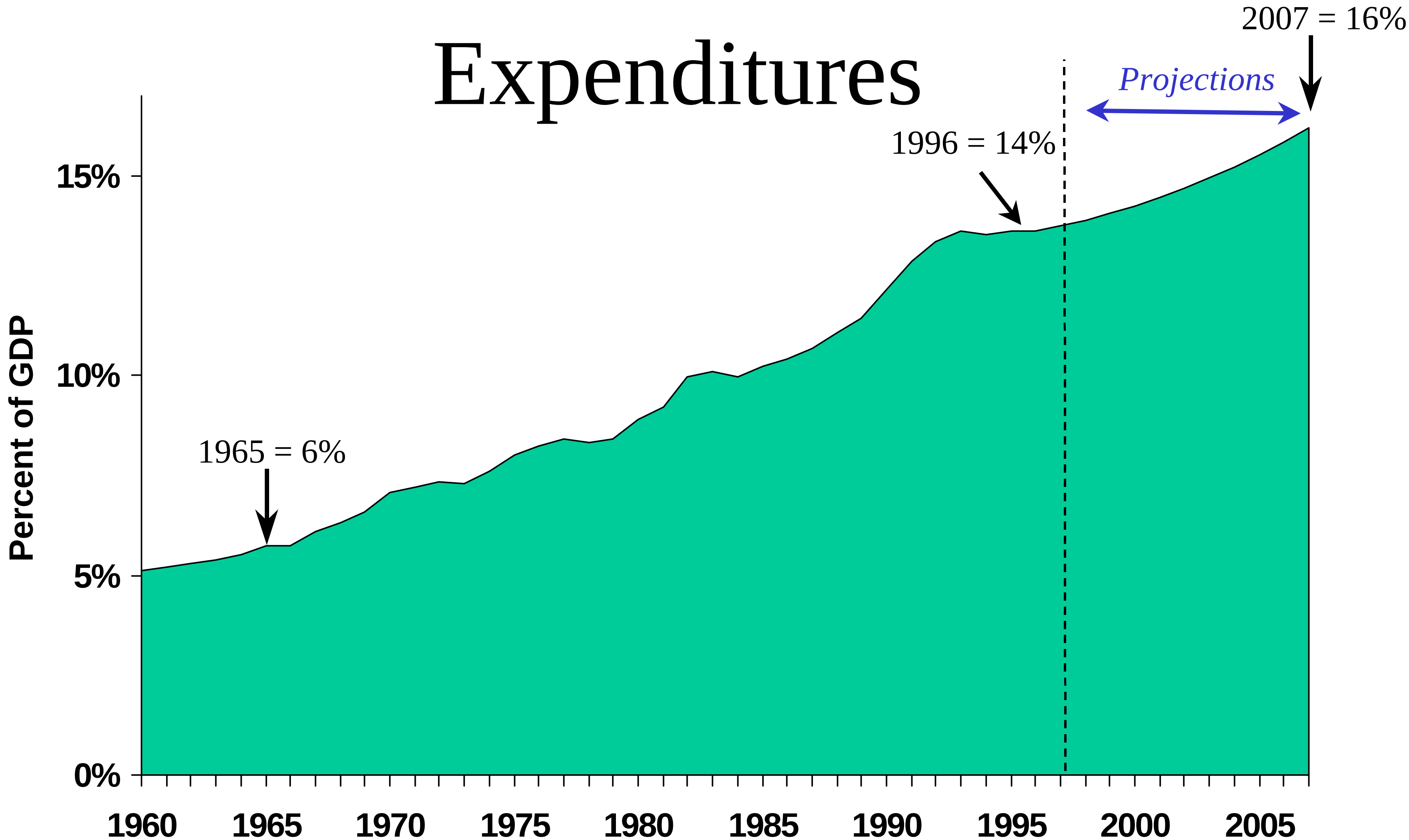


Social Security & Medicare Costs
(as a Percentage of Taxable Payroll)



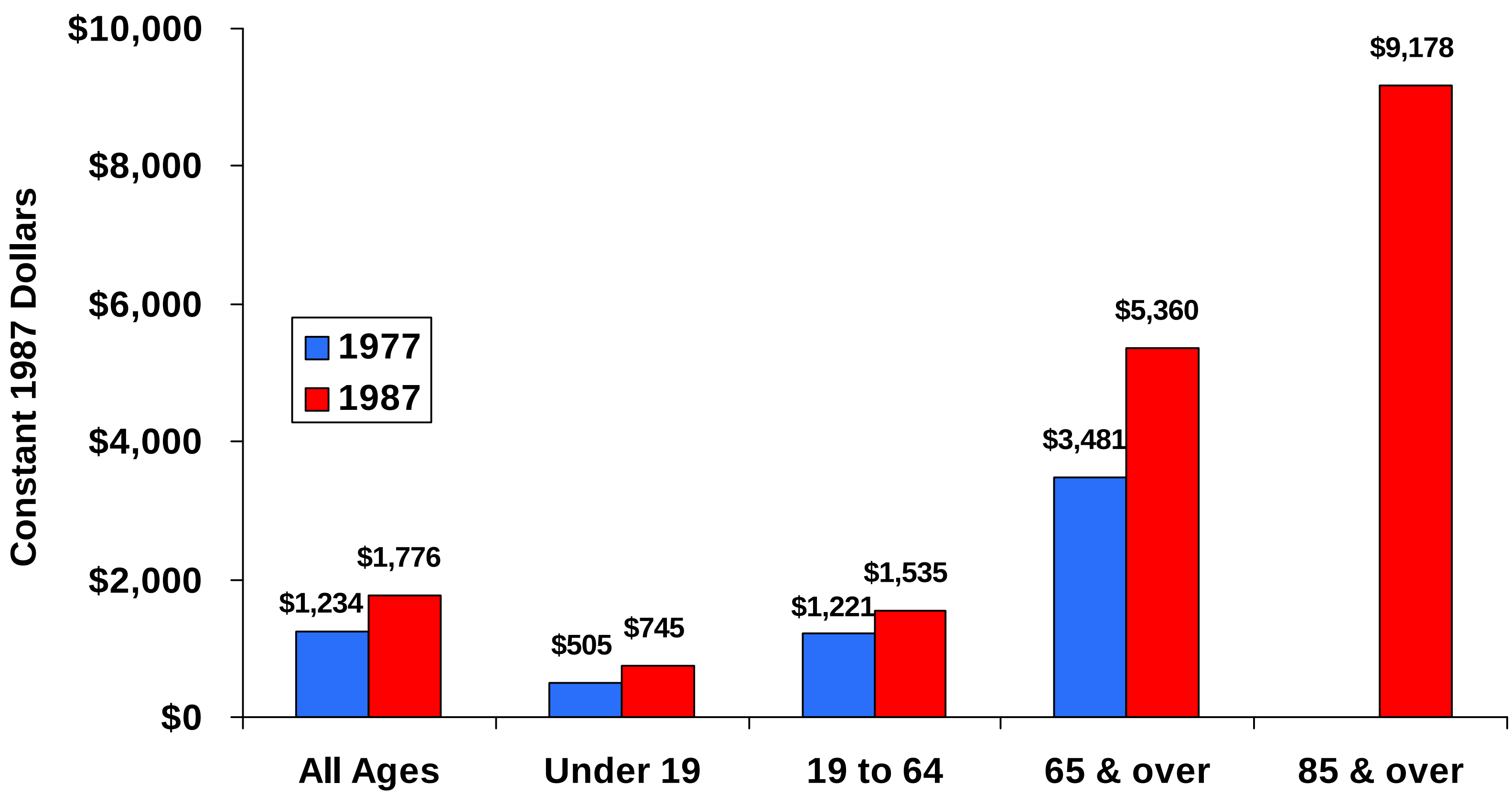
Source: SSA, *Annual Statistical Supplement to the Social Security Bulletin*, 1996.

National Health Care Expenditures



Source: CBO, January 1997.

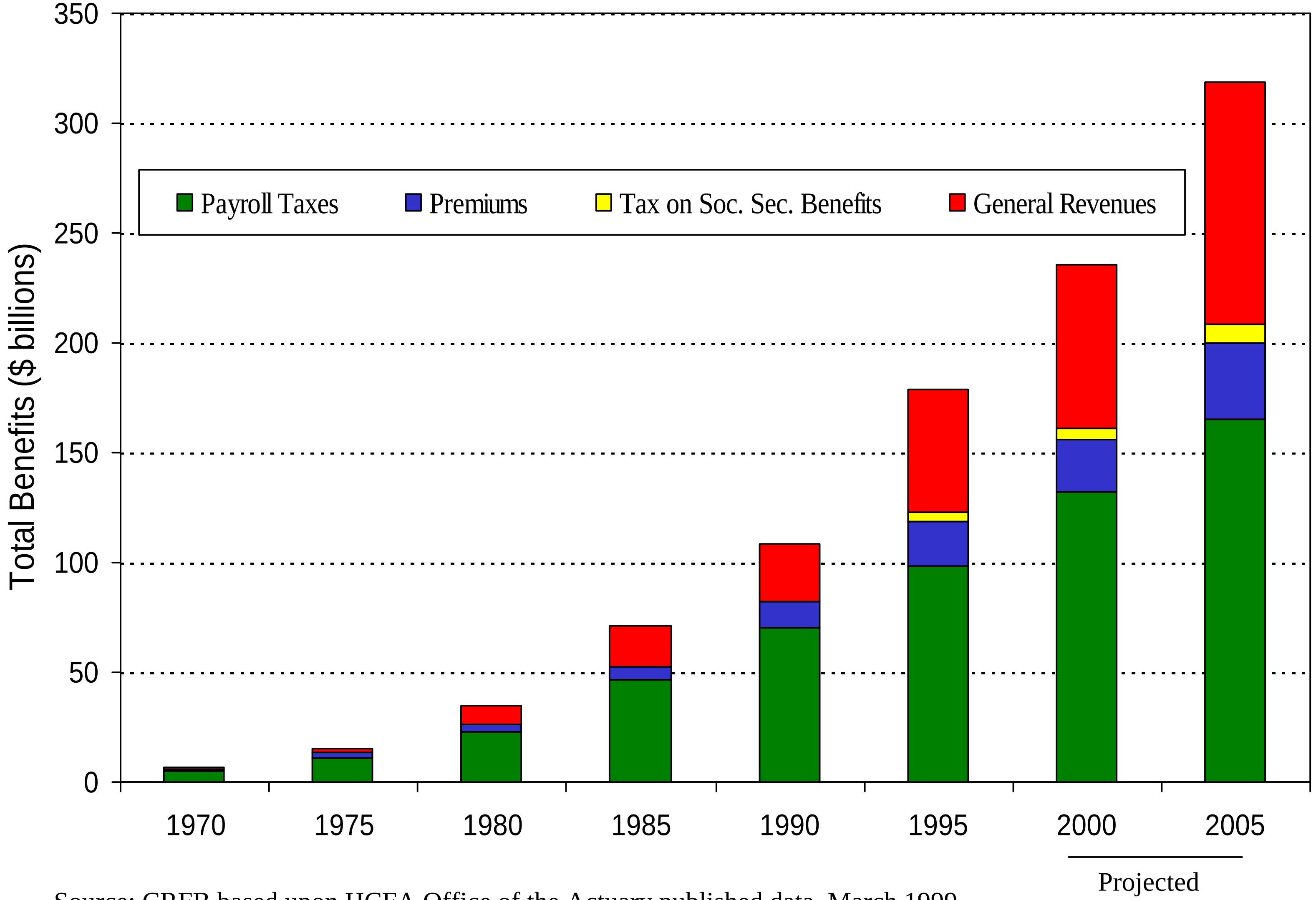
Per Capita Health Care Expenditures by Age, 1977 & 1987



Source: CRFB based upon Health Care Financing Administration data reported in 65+ in the United States, U.S. Government Printing Office, Washington DC 20402. (This is the most recently published data available.)

Medicare Benefits

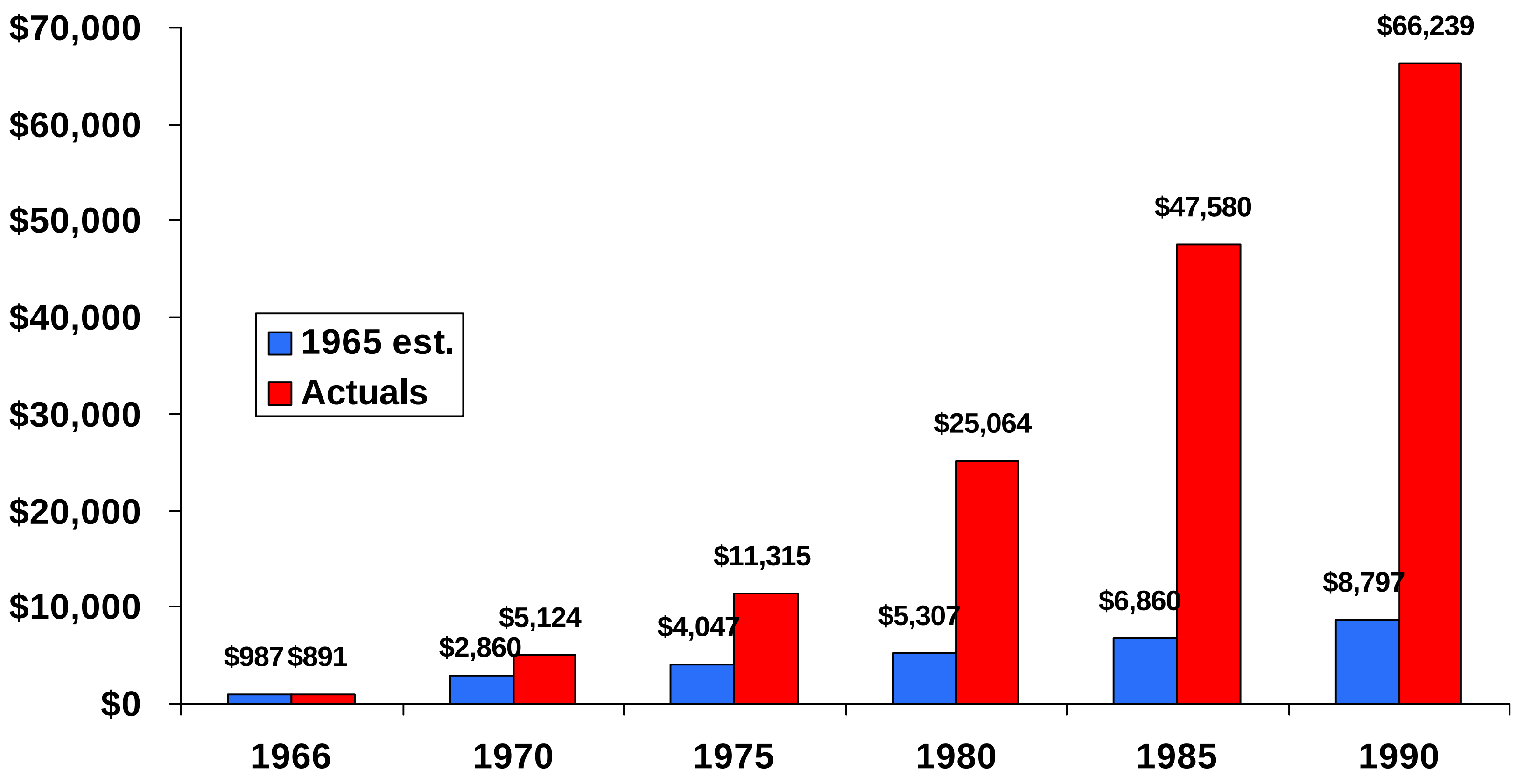
By Sources of Financing



Source: CRFB based upon HCFA Office of the Actuary published data, March 1999.

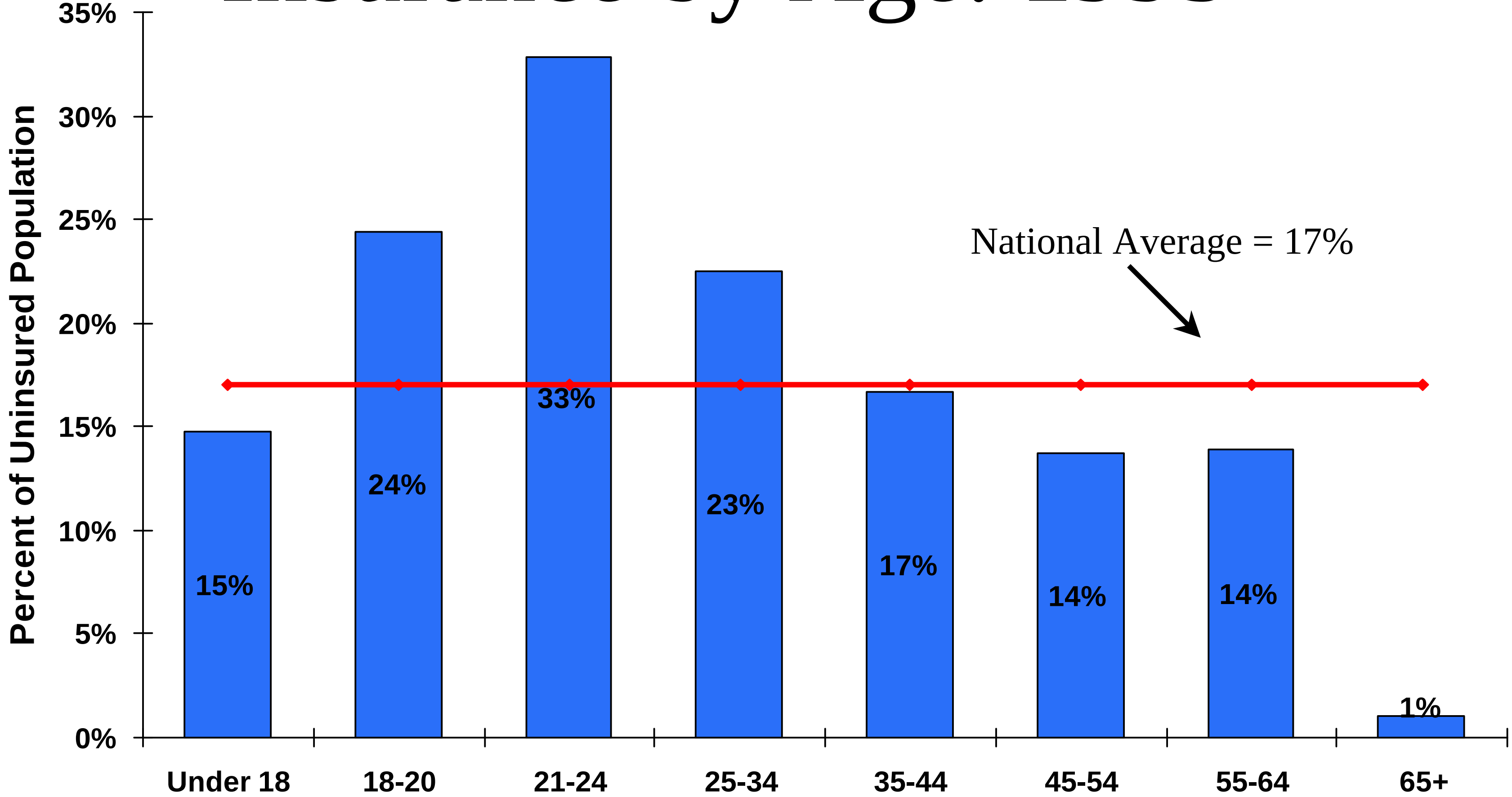
Medicare Hospital Insurance Expenditures

1965 Estimates versus Actual Expenditures



Source: O'Sullivan and Graves, Congressional Research Service (1993).

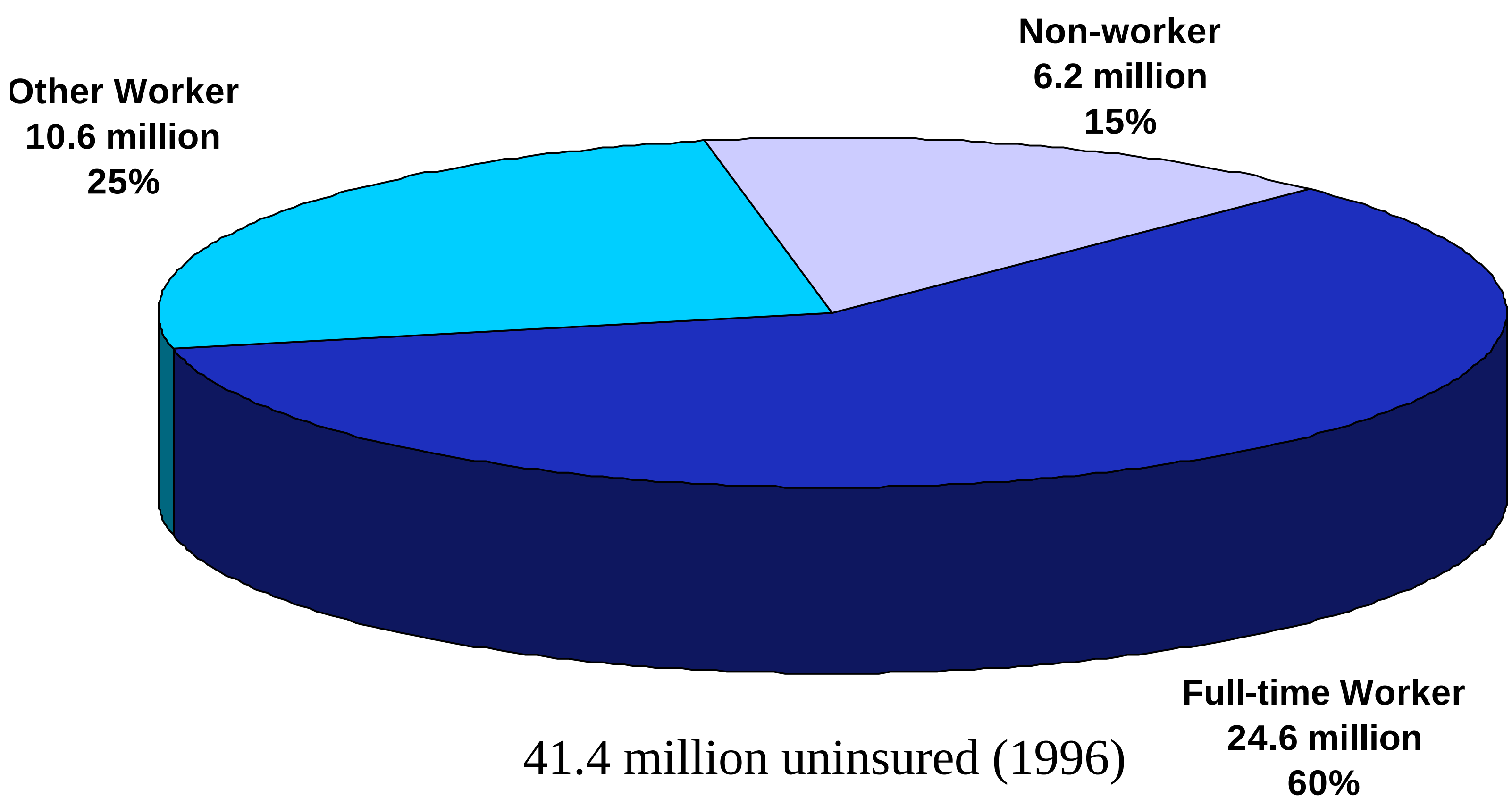
Population without Health Insurance by Age: 1995



Source: Employee Benefit Research Institute Analysis of the March 1995 Current Population Survey.

The Heads of Most Uninsured Families Are Full-time Workers

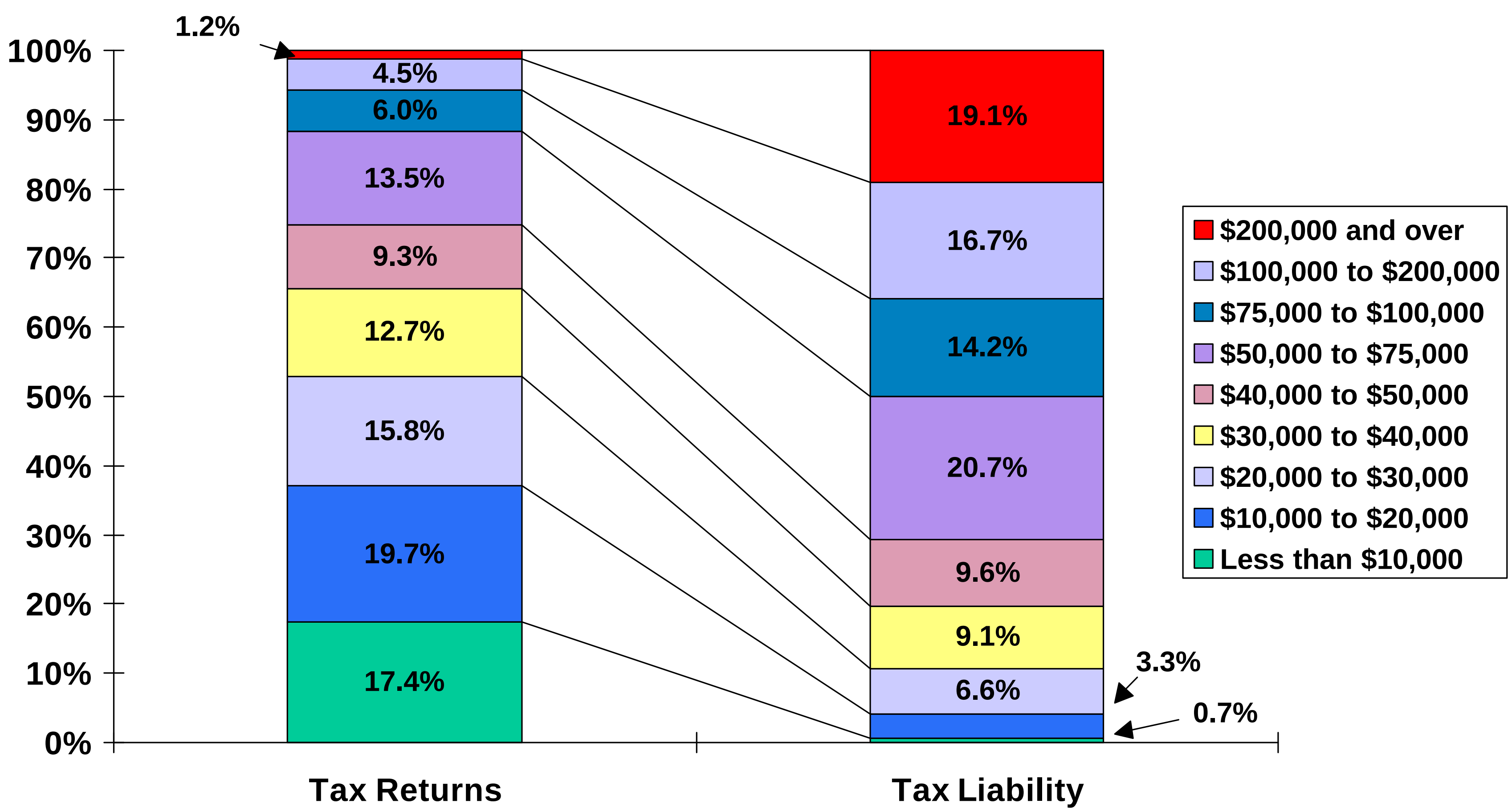
Uninsured Population By Work Status of Family Head



41.4 million uninsured (1996)

Source: Employee Benefit Research Institute estimates of the March 1997 Current Population Survey.

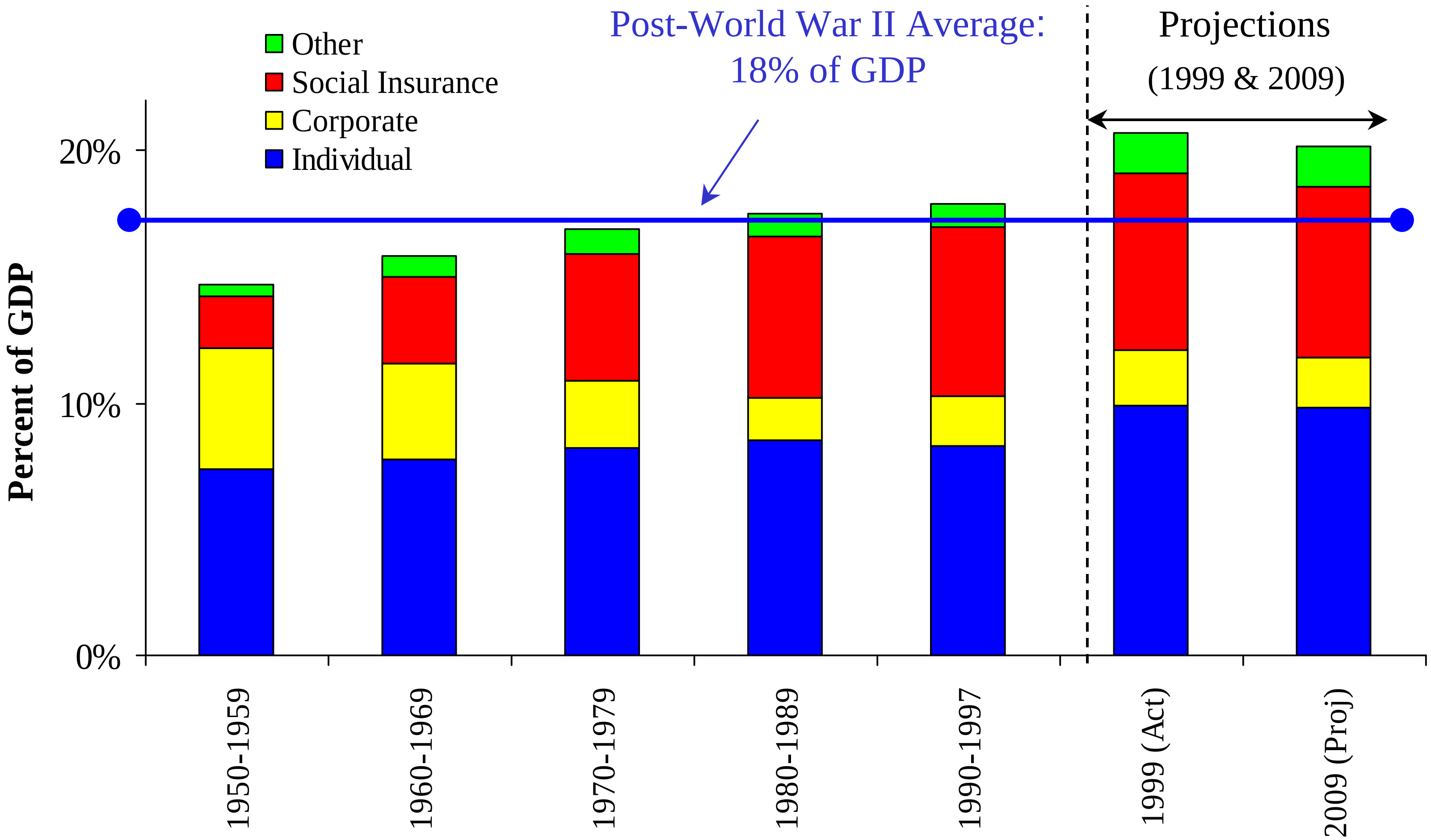
Percent of Total Federal Taxes Paid Compared to Distribution of Tax Returns by Income Classes



Source: Joint Tax Committee, US Congress, 1997.

Federal Revenues

(Percentage of GDP)



Source: CBO January 1999

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Committee for a Responsible Federal Budget
220½ "E" Street, NE
Washington, DC 20002
202-547-4484 (phone)   202-547-4476 (fax)   crfb@aol.com

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