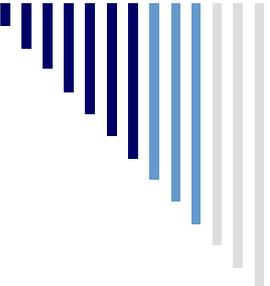


Choosing the Nation's Fiscal Future

**The National Research Council
and
The National Academy of Public
Administration**



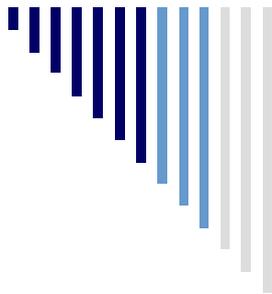
Choosing the Nation's Fiscal Future

- Report of the Committee on the Fiscal Future of the United States, 21 budget and policy experts with a broad range of perspectives.
- Supported by the John D. and Catherine T. MacArthur Foundation.



The Fiscal Challenge

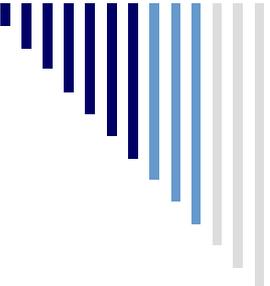
- The federal government's long term-fiscal trajectory is unsustainable.
- Risks a financial crisis, long-term economic erosion, and squeeze on program spending.
- Given the risk of delaying policy change, a plan to stabilize the debt is needed soon.
- The longer we wait, the more costly and politically difficult it will be to address.



Framing the Choices:

Connecting Budgets and Values

- Fairness
- Economic Growth
- Efficiency
- Security and Risk
- Size of Government

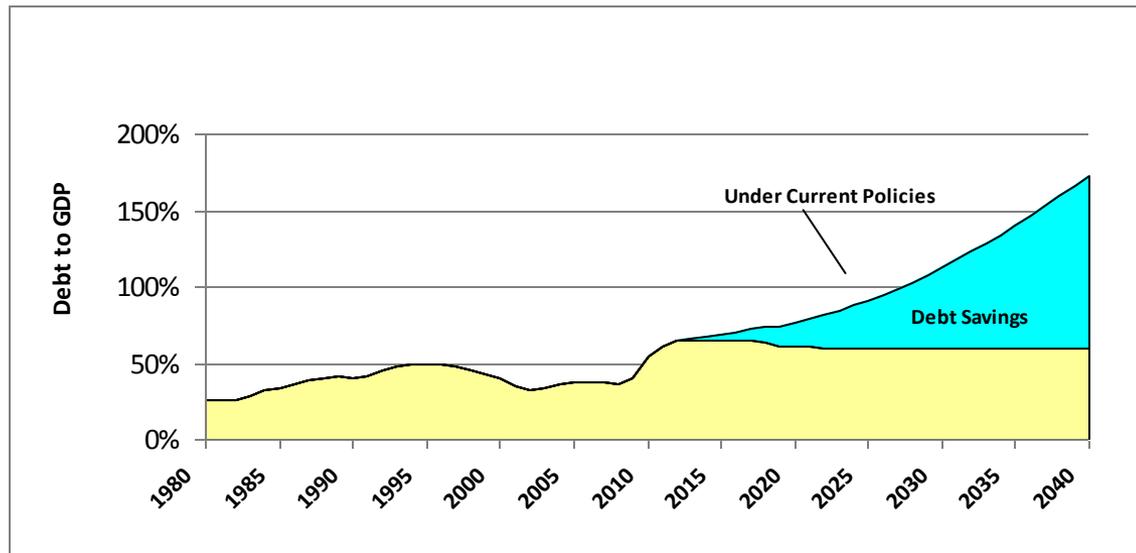


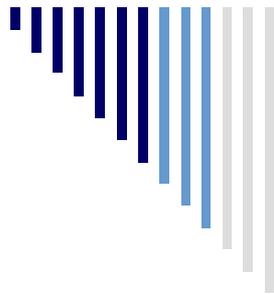
Tests for Fiscal Prudence

Does the proposed budget -

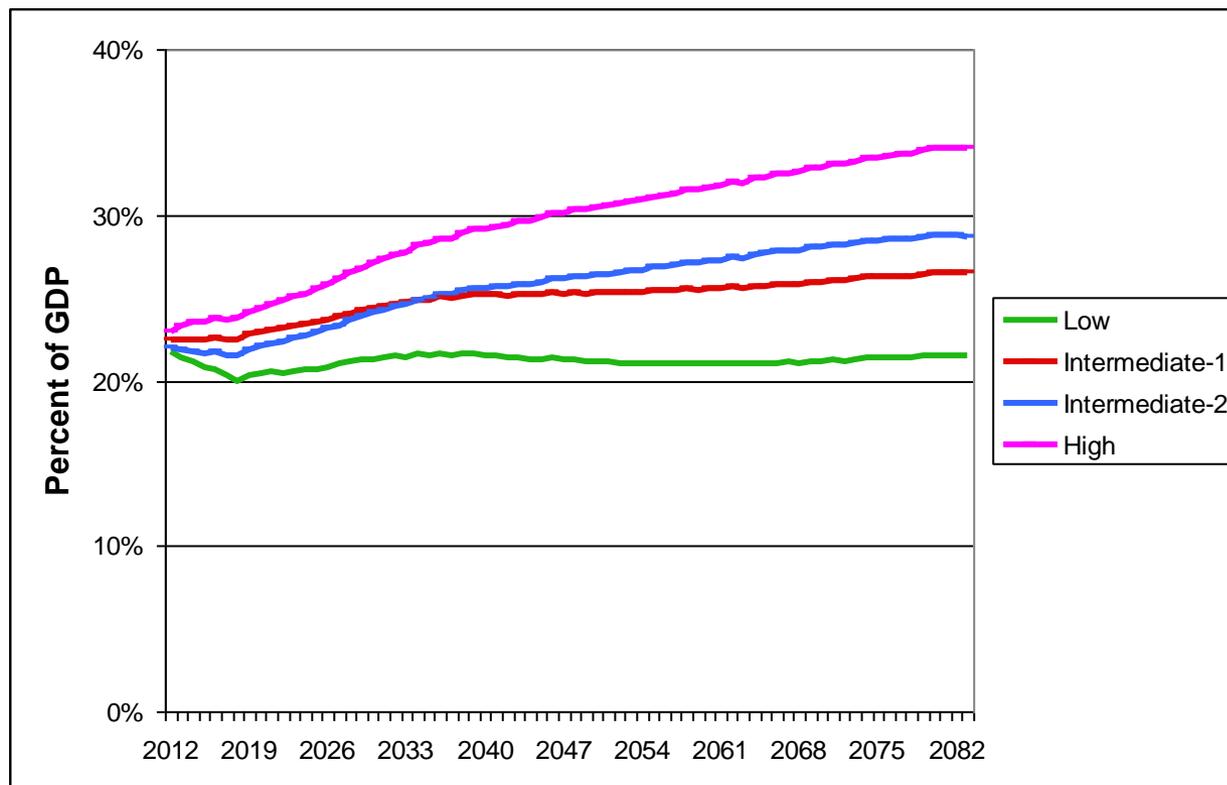
- Include policy actions to start reducing deficit soon?
- Put government on path to reduce debt – starting in 2012 – to no more than 60 percent of GDP within a decade hence?
- Align revenues and spending closely over the long term?
- Restrain health care cost growth and introduce changes now in main entitlements, other spending and in tax policies that will have gradual cumulative beneficial budget effect?
- Include spending and revenue policies that are cost-effective and promote more efficient resource use?
- Reflect a realistic assessment of the problems facing state and local governments?

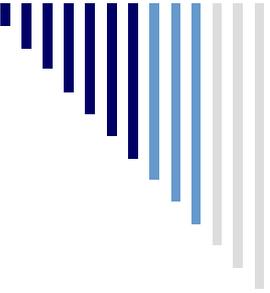
Debt Savings from Stabilizing Debt





Federal Spending Under Four Sustainable Budget Scenarios





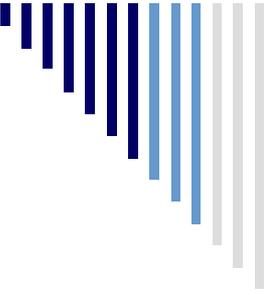
Illustrative Spending-and-Revenue Paths

- Low: holds revenues near their recent historical average; requires very sharp reductions in Medicare, Medicaid, Social Security, defense, and other domestic spending growth.
- High: requires modest restraint in growth of Medicare and Medicaid spending, maintains currently scheduled Social Security benefits, and permits expanded spending on defense and other domestic programs; requires very substantial increases in revenues.



Illustrative Paths (continued)

- Intermediate-1: modestly constrains spending growth for health and retirement programs, spending for defense stays at baseline level, allows modestly expanded spending on other domestic programs, and requires higher revenues.
- Intermediate-2: constrains spending growth for health and retirement programs (but not as much as Intermediate-1), requires reduced spending growth for defense and other domestic programs, and requires higher revenues.



Budget Process Reform

- Ways to improve the budget process to make it more far-sighted –
 - Annual Presidential report on long-term outlook and actions to address.
 - Congressional budget process changes to recognize long-term budget effects.
 - Goals set as part of the process.



Full Report Available

Copies of the report will be available from the National Academies Press at:

http://www.nap.edu/catalog.php?record_id=12808

or from NAPA at www.napawash.org.

The public will be invited to read and discuss the report and related issues online at

www.ourfiscalfuture.org.