America’s Economic Posterity: Another Greece?

Alison Fraser
The Heritage Foundation

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Recent Spending Hikes Are Not Limited to Temporary Emergencies

The overall increase in base spending is a significant budgetary concern. Recent bailouts and the stimulus were expensive, but they are a modest fraction of the total budget. Even the global war on terrorism is just a small sliver of spending.

INFLATION-ADJUSTED DOLLARS (2009)

Source: Heritage Foundation calculations based on White House Office of Management and Budget data.

Federal Spending Chart 3 • 2010 Budget Chart Book heritage.org
Future Spending Dwarfs Today’s Excesses

Federal Spending and Tax Revenue as a Percentage of Gross Domestic Product

Source: Congressional Budget Office and Office of Management and Budget
Total Federal Debt
(2009, % of GDP)

<table>
<thead>
<tr>
<th>Country</th>
<th>% GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>125.7</td>
</tr>
<tr>
<td>Italy</td>
<td>106.6</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>75.1</td>
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<tr>
<td>Germany</td>
<td>43.8</td>
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</tbody>
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National Debt Set to Skyrocket

In the past, wars and the Great Depression contributed to rapid but temporary increases in the national debt. Over the next few decades, runaway spending on Social Security, Medicare, and Medicaid will drive the debt to unsustainable levels.

DEBT AS A PERCENTAGE OF GDP

Balancing the Budget Would Cause Taxes to Skyrocket

America is running massive deficits, and a balanced budget requirement is often considered a way to rein in red ink. Without spending cuts or entitlement reforms the level of taxes required to balance the budget would reach European levels.

**Source:** Heritage Foundation calculations based on Congressional Budget Office data (Alternative Fiscal Scenario).

*Entitlements Chart 9 • 2010 Budget Chart Book heritage.org*
Spending Cuts Alone Will Not Pay for Rising Entitlement Spending

Spending cuts are often considered as a way to pay for unaffordable Social Security and Medicare benefits. But annual spending on entitlements is massive compared to other programs, including defense. Entitlements must be reformed to become affordable.

**ANNUAL SPENDING (2010)**

- **Entitlements (Social Security, Medicaid, Medicare)**: $1.4 trillion
- **Global War on Terrorism**: $130 billion
- **NASA**: $18.3 billion
- **Pork earmarks**: $15.9 billion

Entitlements Will Consume All Tax Revenues by 2052

If future taxes are held at the historical average, spending on Medicare, Medicaid, and Social Security will consume all revenues by 2052. Because entitlement spending is funded on autopilot, no revenue will be left to pay for other government spending, including constitutional functions such as defense.

Source: Congressional Budget Office.