

## Budget

### **America's Economy: Headed for Crisis** Realistic Approaches Are Essential

#### **Background**

The next President will inherit a fiscally lethal combination of changing demographics, rising health care costs, and falling national savings. Over the next 25 years, the number of Americans age 65 and over is expected to grow from 12 to 20 percent of the population. Health care spending is growing faster than the economy. And net national saving, public and private combined, has plummeted from 8.5 percent of GNP 25 years ago to less than two percent today.

Against that backdrop, the country faces not just a short-term budget crunch, but rather the long-term budgetary impact of an unprecedented demographic shift to an older society – and the resulting pressure on the economy from Social Security, Medicare and Medicaid.

#### **Recommendations**

Comprehensive solutions may take considerable time to develop, and once implemented, should be subject to periodic review. However, as a framework for action the next President should:

- commit to a balanced budget
- take every reasonable step to constrain the rising cost of health care and retirement programs—Social Security and, most especially, Medicare
- make clear to Americans that taxes cannot be cut over the long-term unless programs are cut commensurately, and
- prevent total spending, taxes, or debt from reaching levels that could reduce economic growth and future standards of living

#### **Key Facts**

- Social Security, Medicare and Medicaid already constitute 40 percent of the federal budget—before the baby boomers have begun to retire in any numbers
- over the next 25 years, the number of Americans ages 65 and older is expected to grow from 12 to 20 percent of the population



- for the past 40 years, health care spending has consistently grown faster than the economy and if the same growth rate continues over the next 40 years, Medicare and Medicaid alone will absorb as much of our nation's economy as the entire federal budget does today

A full version of this proposal, as well as supporting background material, is available at [www.opportunity08.org](http://www.opportunity08.org)

## **About the Authors and the Project**

### **Robert Bixby**

Robert Bixby is executive director of The Concord Coalition, a nonpartisan, grassroots organization dedicated to fiscal responsibility. He had practiced law and served as the chief staff attorney of the Court of Appeals of Virginia.

### **J. Robert Kerrey**

J. Robert Kerrey is president of the New School in New York City and a co-chair of The Concord Coalition. He previously served Nebraska as Governor from 1983-87 and U.S. Senator for two terms, from 1989 to 2001. He also served on several congressionally chartered commissions, including the Kerrey-Danforth Bipartisan Commission on Entitlement and Tax Reform, and the Breaux-Thomas National Bipartisan Commission on the Future of Medicare.

### **Peter G. Peterson**

Peter G. Peterson is chairman and co-founder of The Blackstone Group and also serves as the president of The Concord Coalition. He served as Secretary of Commerce in the Nixon administration and was also named by President Clinton as a member of the Bipartisan Commission on Entitlement and Tax Reform.

### **Warren B. Rudman**

Warren B. Rudman became a partner in the international law firm Paul, Weiss, Rifkind, Wharton, and Garrison after serving two terms as a U.S. Senator from New Hampshire. He currently serves as the co-chair of The Concord Coalition, and in 1985 co-authored the Gramm-Rudman-Hollings deficit reduction law, a historic step that imposed discipline and accountability on the chaotic budget process to reduce the federal deficit.

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