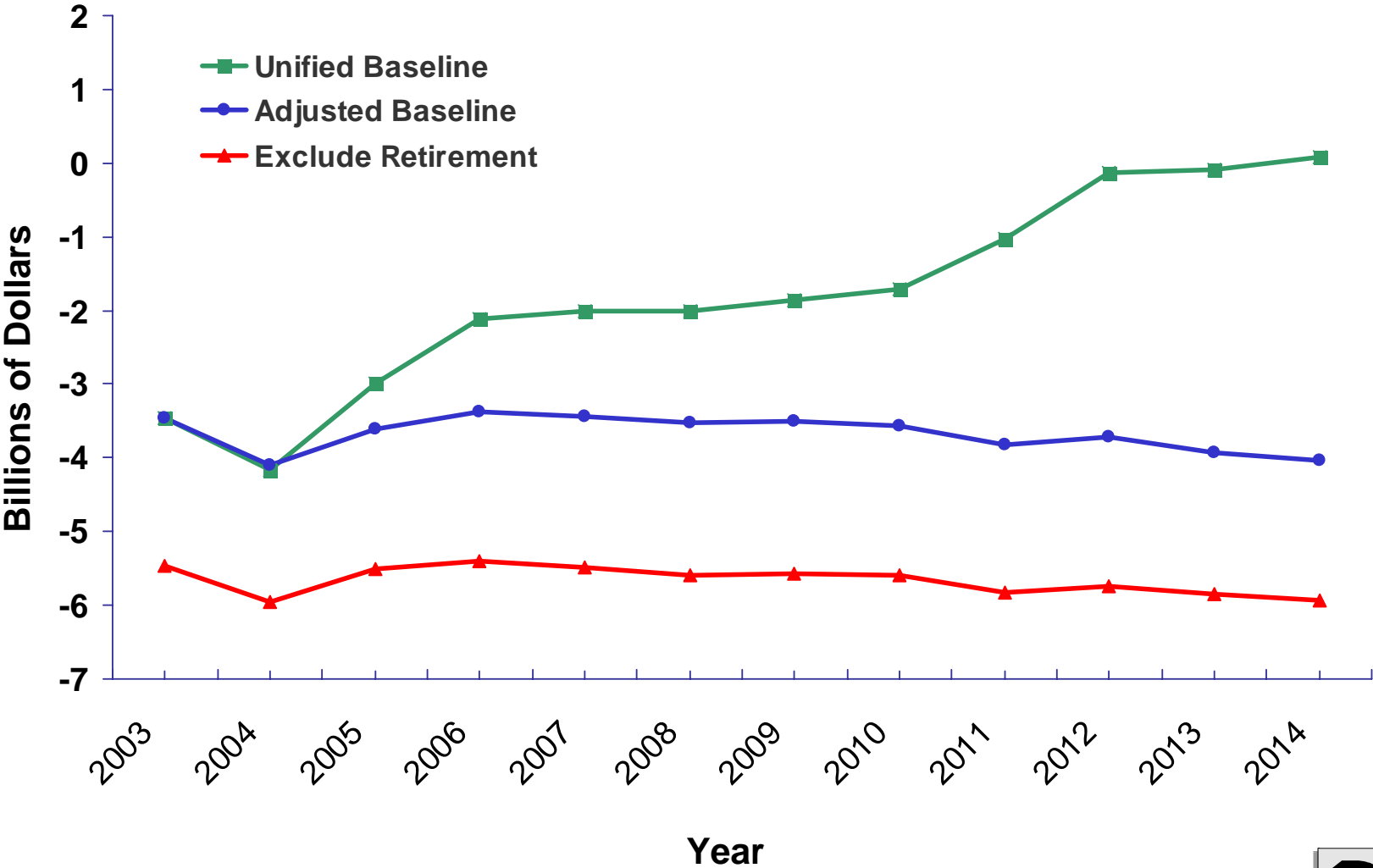


# The Budget Outlook, 2003 - 2014



\*Note: Baseline and Adjusted Outcomes as Percent of GDP, 2003 – 2014, estimated  
Prepared by The Brookings Institution, March 2004



# Why Deficits Matter

- **Less long-term growth**
- **Higher interest costs**
- **More dependence on rest of world**
- **Higher debt servicing costs**
- **Unfair burden on future generations**

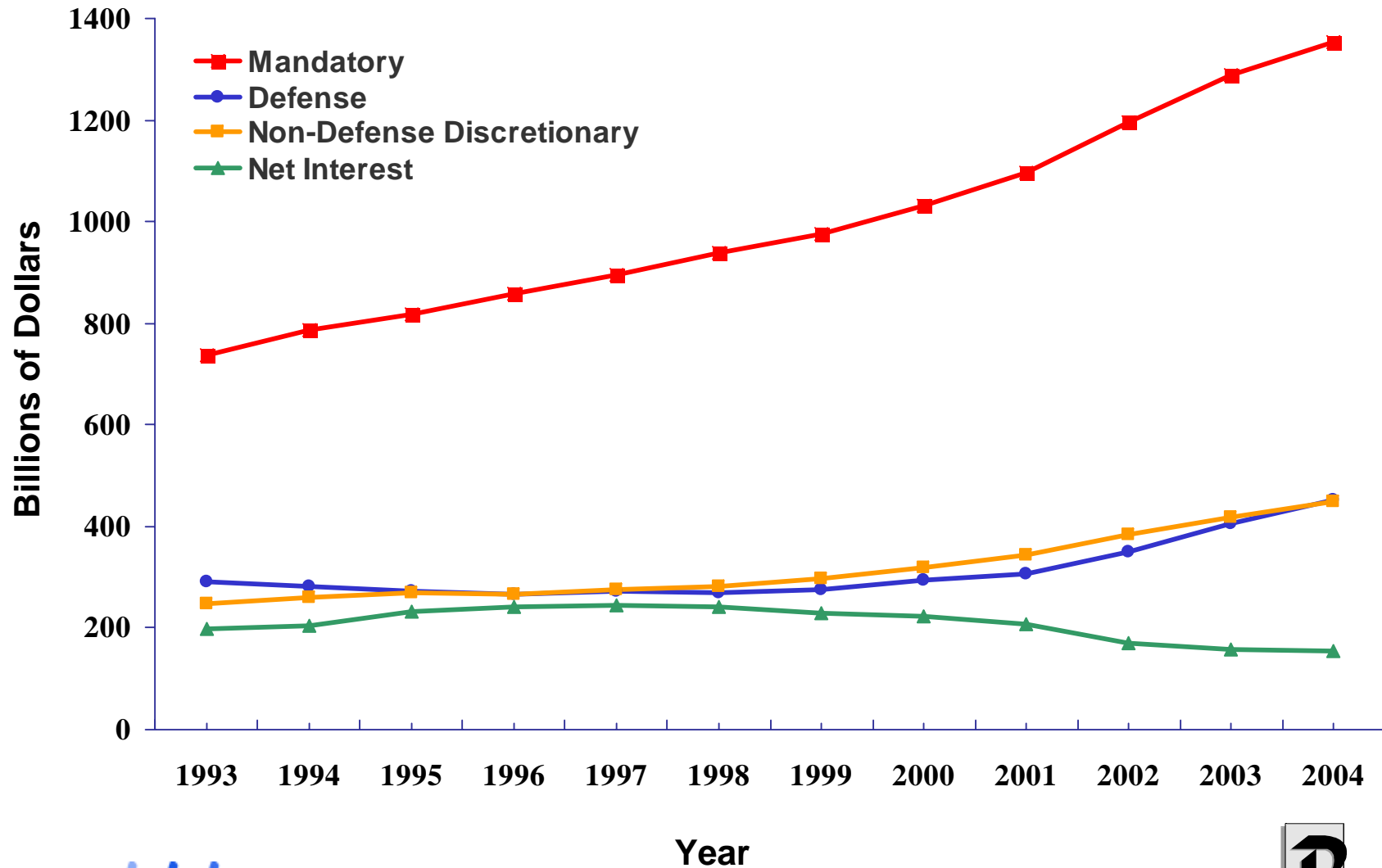


# Relentless Spending Increases



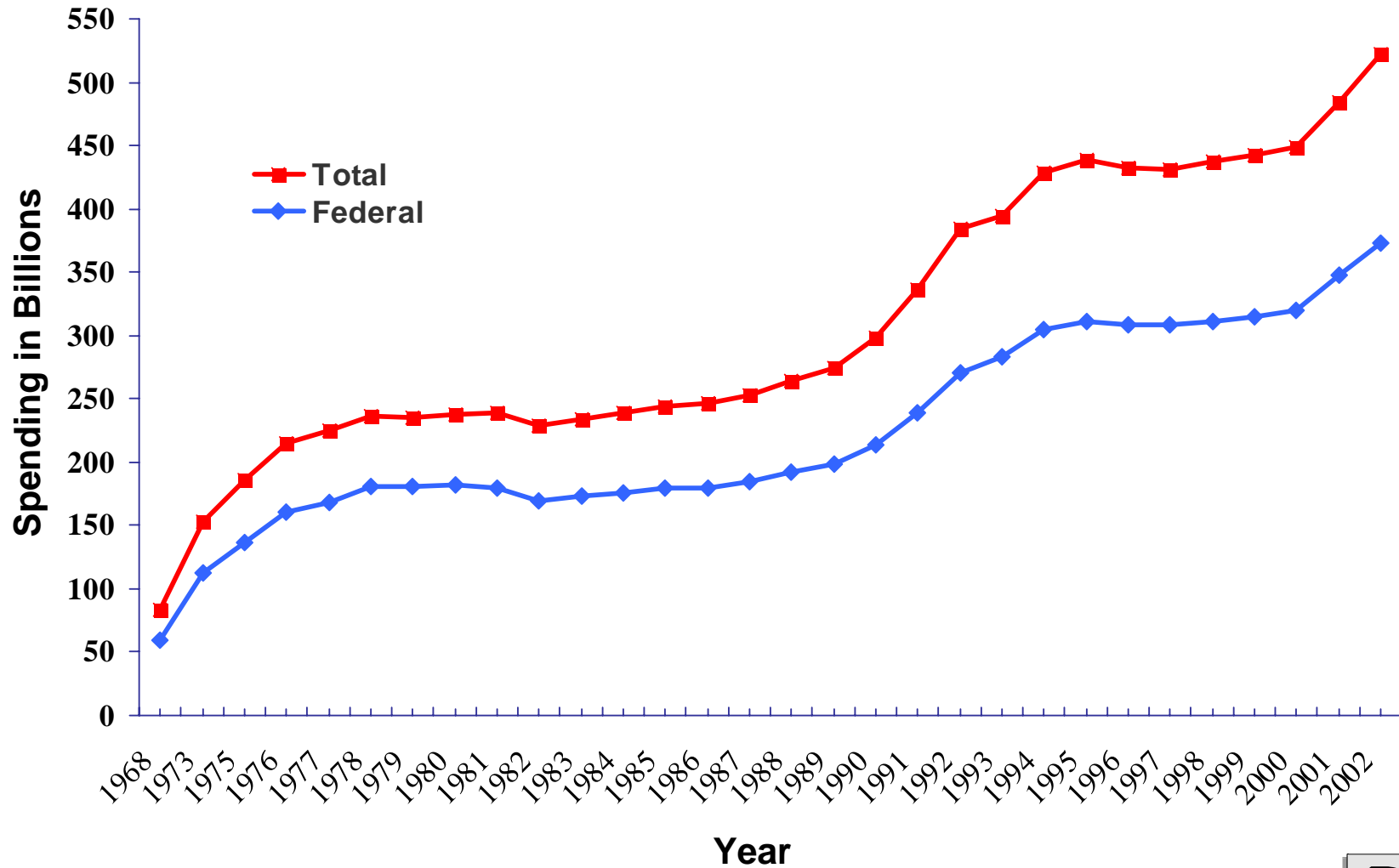
Prepared by The Brookings Institution, March 2004

# Spending by Major Category, 1993-2004



Prepared by The Brookings Institution, March 2004  
Source: Congressional Budget Office and Brookings Estimates

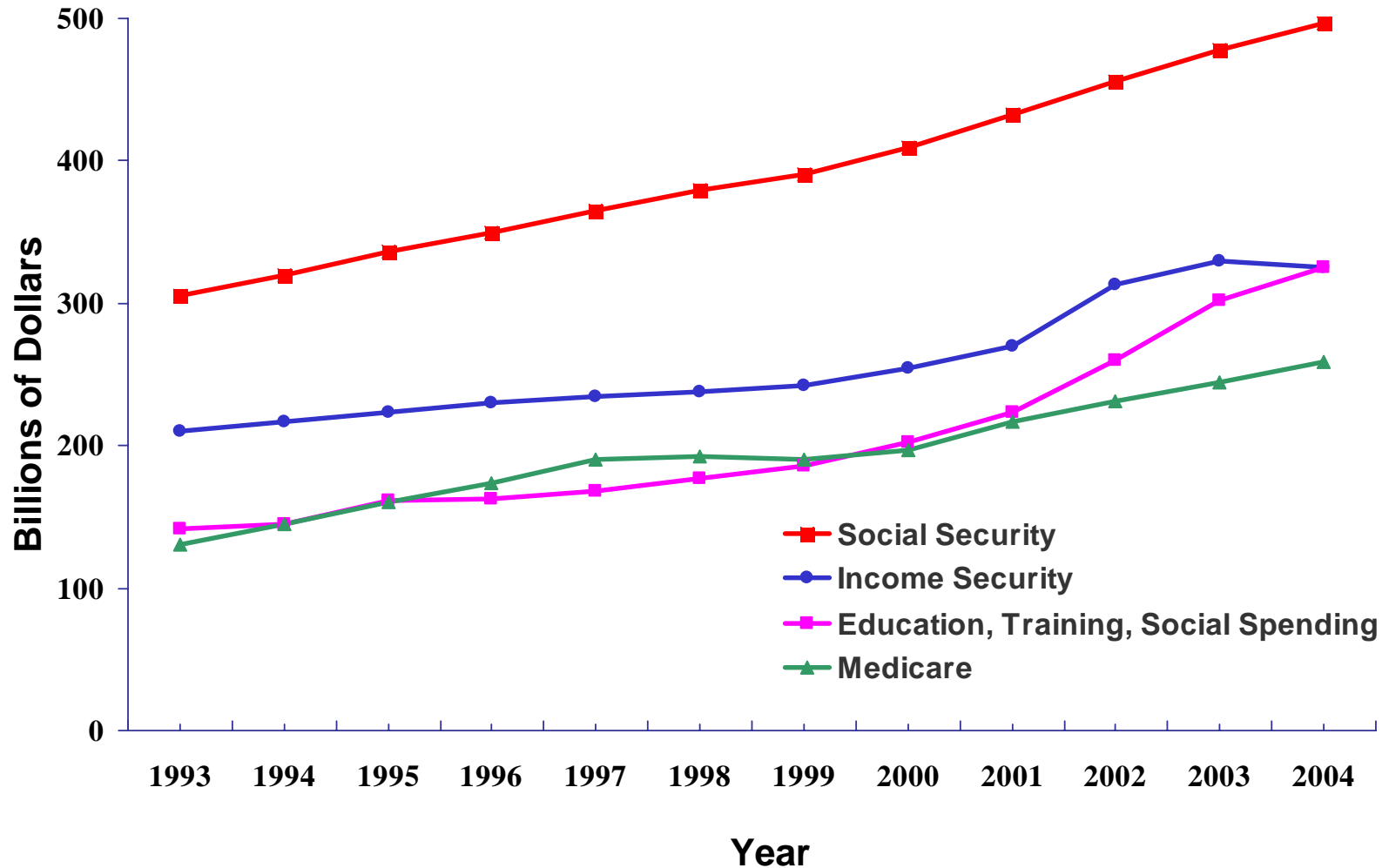
# Total Expenditures for Means-Tested Programs, 1968-2002



Prepared by The Brookings Institution, March 2004  
 Source: Congressional Research Service



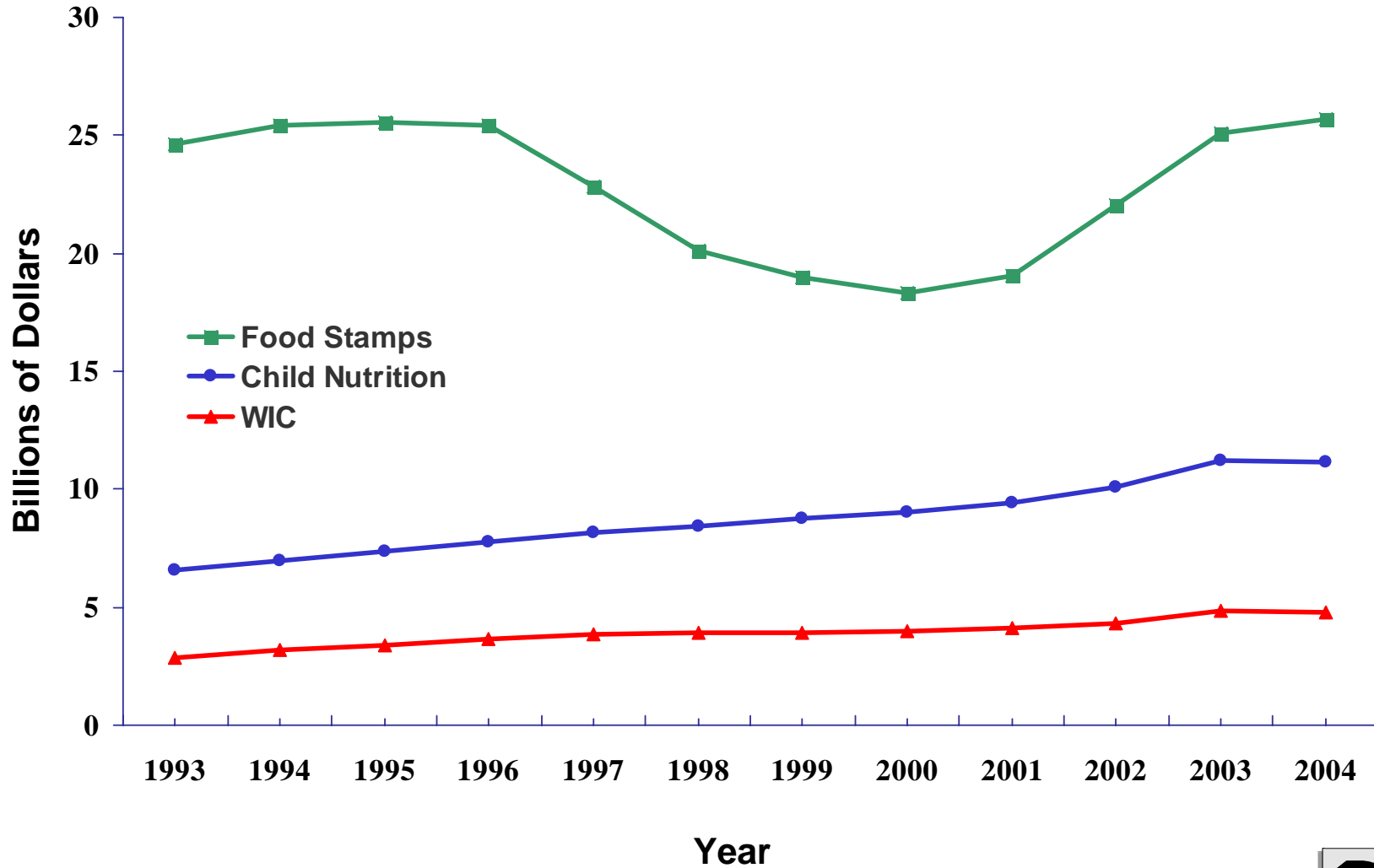
# Spending on Major Categories of Social Programs, 1993-2004



\*Note: 1993-2002 actual, 2003-2004 estimated spending  
Prepared by The Brookings Institution, March 2004  
Source: Office of Management and Budget



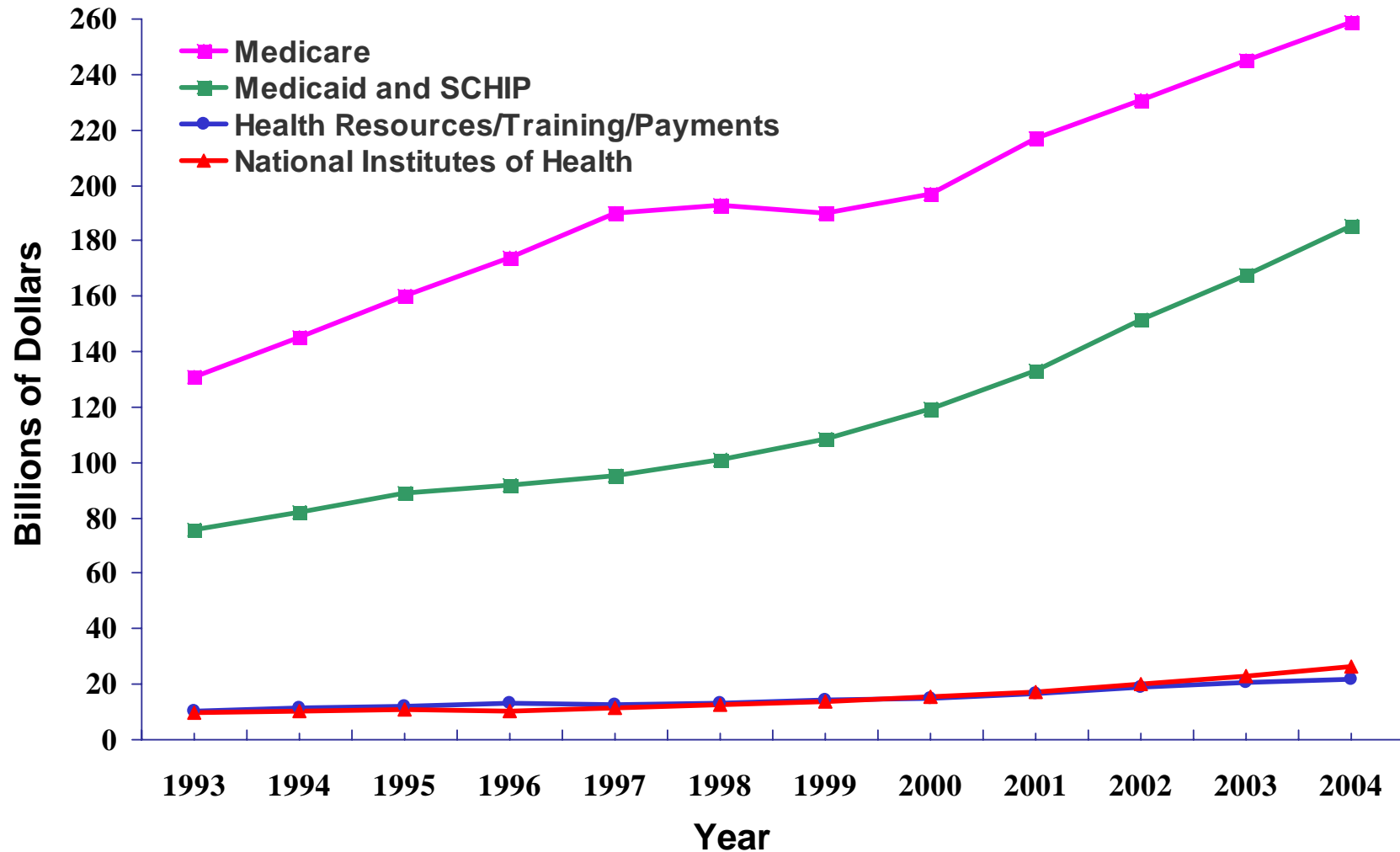
# Food Assistance Spending, 1993-2004



\*Note: 1993-2002 actual, 2003-2004 estimated spending  
Prepared by The Brookings Institution, March 2004  
Source: Office of Management and Budget



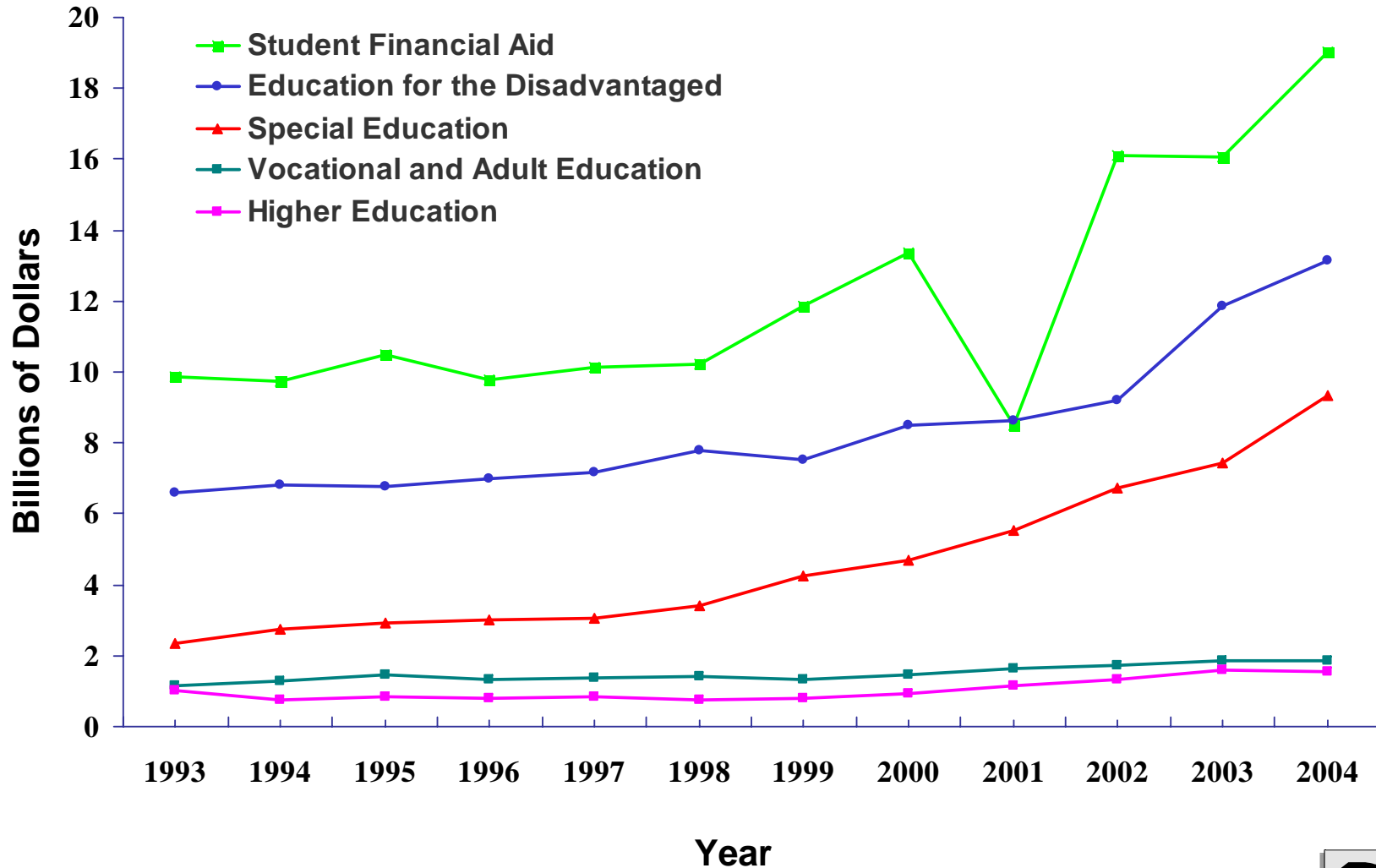
# Health Care Spending, 1993-2004



\*Note: 1993-2002 actual, 2003-2004 estimated spending  
Prepared by The Brookings Institution, March 2004  
Source: Office of Management and Budget



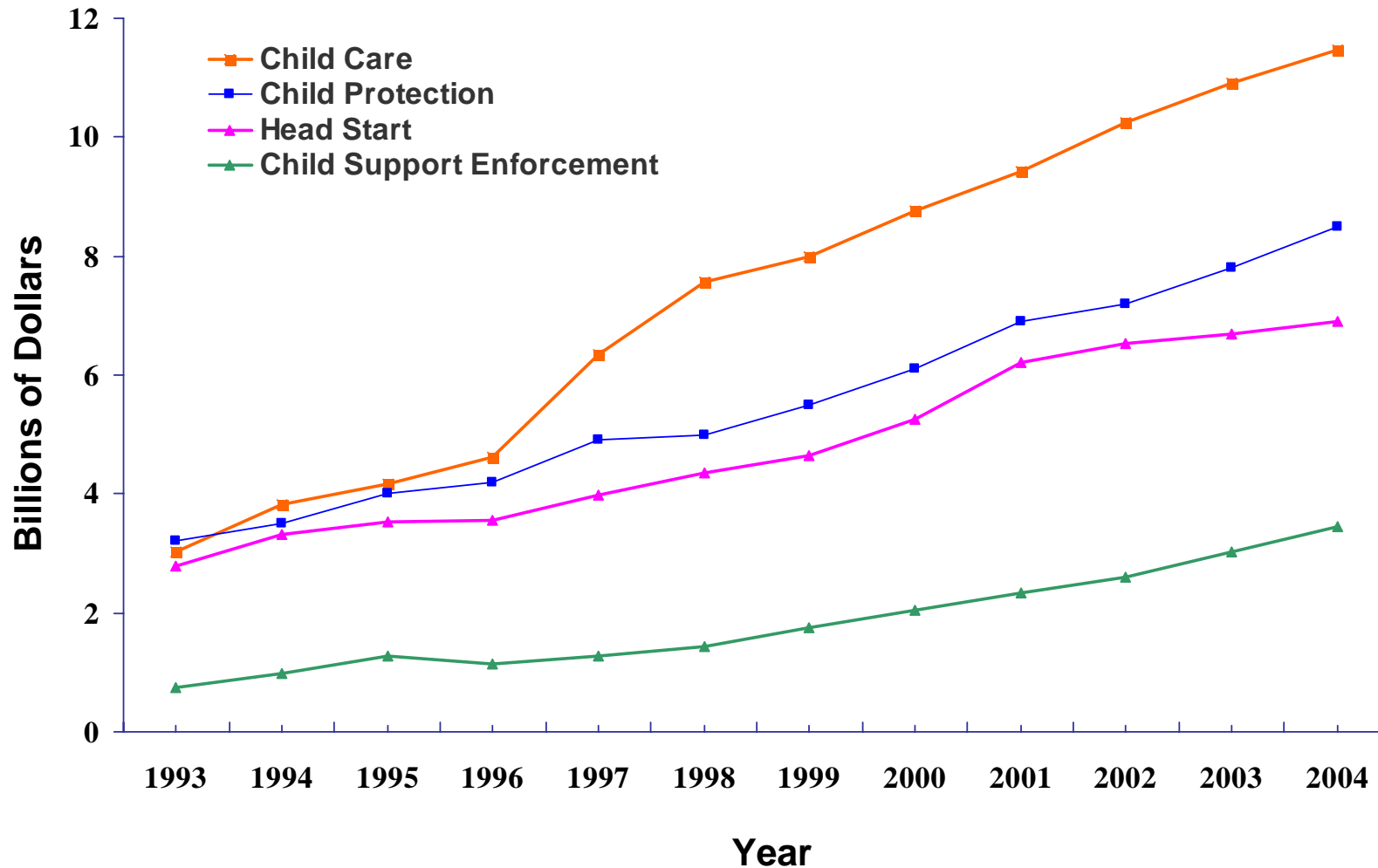
# Education Spending, 1993-2004



\*Note: 1993-2002 actual, 2003-2004 estimated spending  
 Prepared by The Brookings Institution, March 2004  
 Source: Office of Management and Budget



# Spending on Selected Children's Programs, 1993-2004

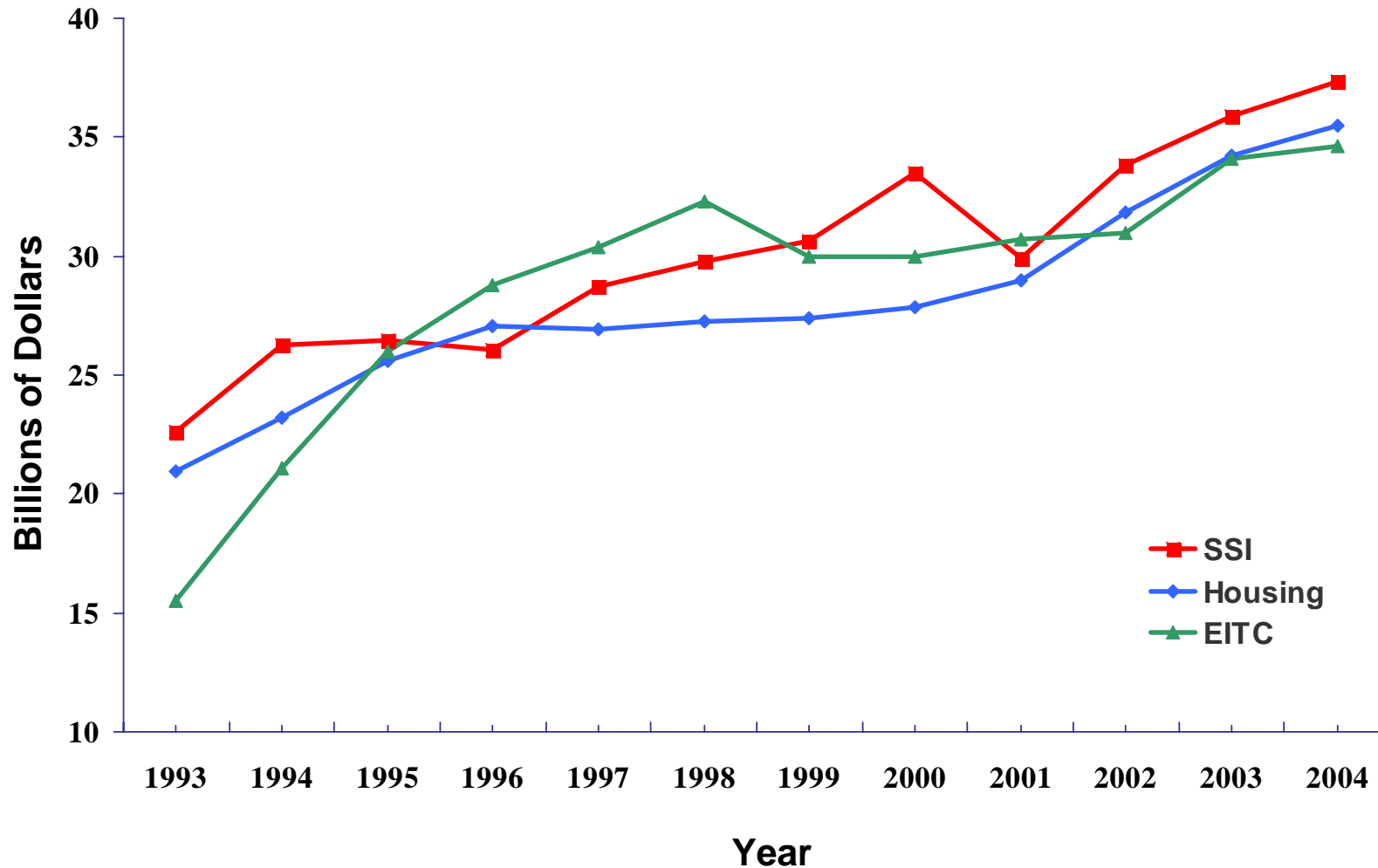


\*Note: 1993-2002 actual, 2003-2004 estimated spending

Prepared by The Brookings Institution, March 2004

Sources: Child Support Enforcement, Congressional Budget Office, and Dept. of Health and Human Services

# Selected Income Security Spending, 1993-2004

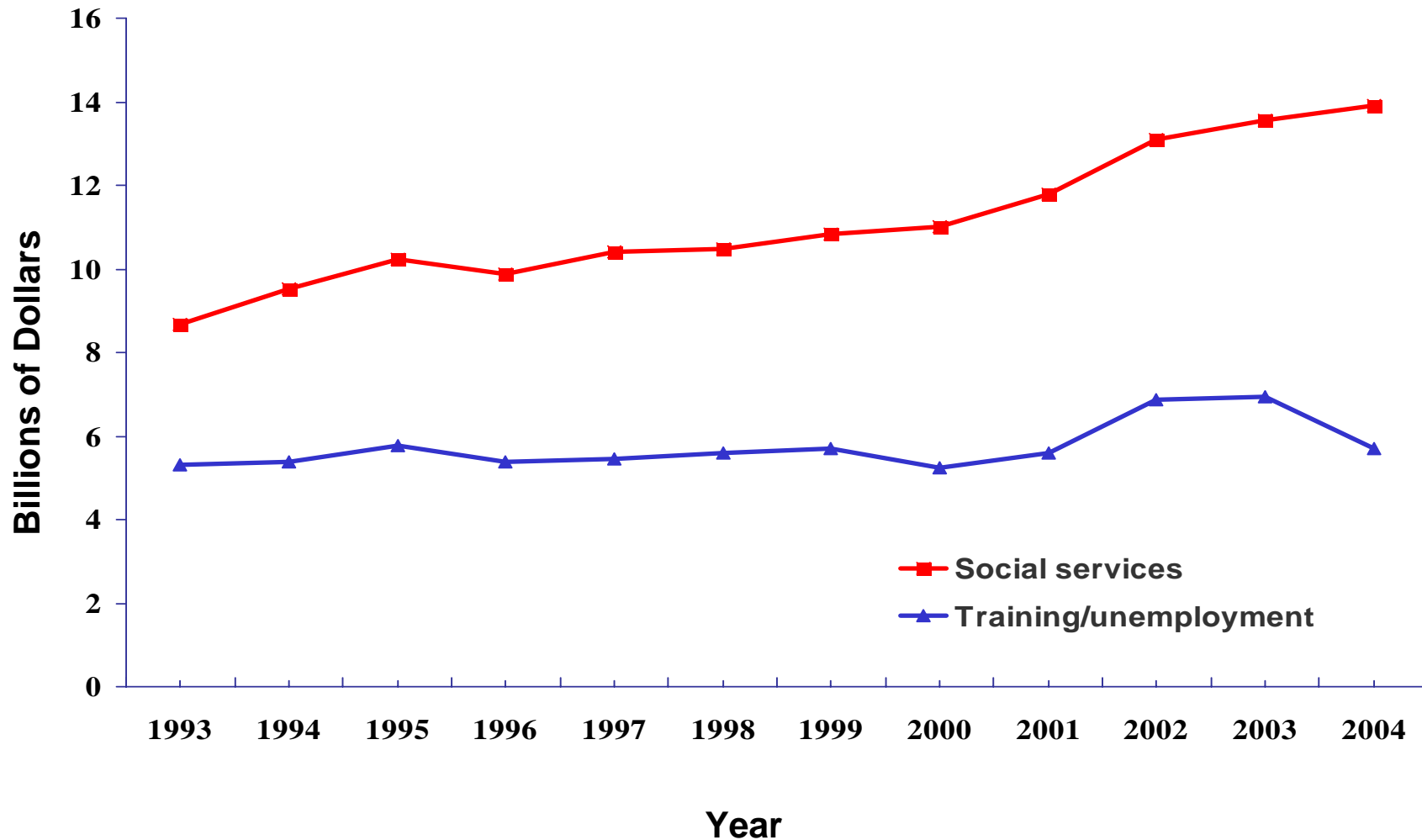


\*Note: 1993-2002 actual, 2003-2004 estimated spending

Prepared by The Brookings Institution, March 2004

Source: Office of Management and Budget and the Joint Committee on Taxation

# Training and Social Services Spending, 1993-2004



\*Note: 1993-2002 actual, 2003-2004 estimated spending

Prepared by The Brookings Institution, March 2004

Source: Office of Management and Budget

# Summary of Three Plans

<u>Item</u>	<u>Smaller Government Plan</u>	<u>Larger Government Plan</u>	<u>Better Government Plan</u>
Total deficit reduction	687	687	687
Interest payment reduction	-153	-153	-153
Tax increase	134	629	401
Programmatic spending net change	-400	95	-134
• Defense	0	-60	-60
• Non-defense net change	-400	155	-74
- Increase	0	185	41
- Decrease	-400	-30	-115

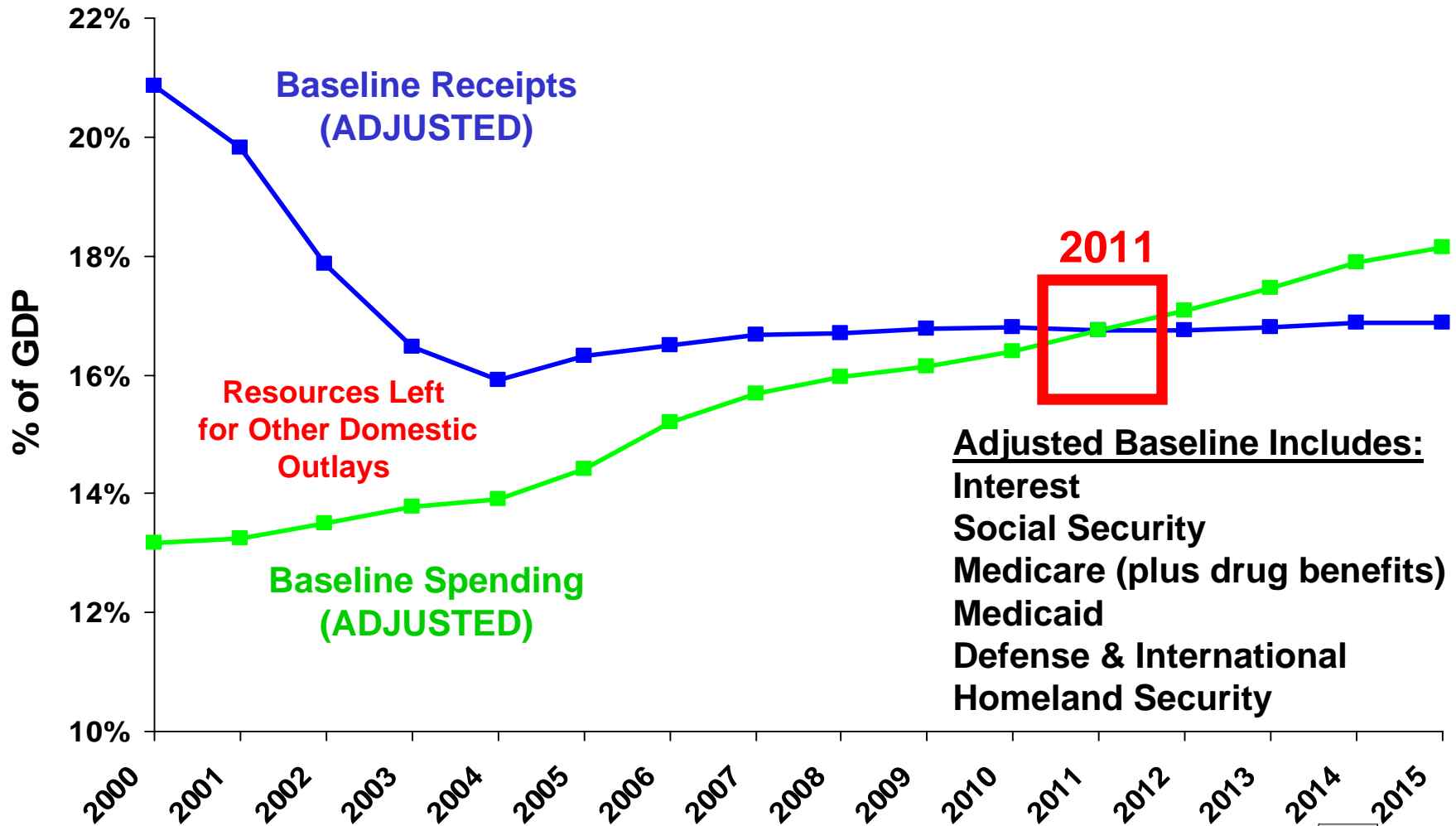


# Five Ways to Cut the Budget

- **Reducing corporate welfare**
- **Returning functions to the states**
- **Reducing wasteful spending**
- **Cuts in other non-defense discretionary**
- **Cuts in mandatory programs**



# The Budget Squeeze, 2000 - 2015



**Adjusted Baseline Includes:**  
 Interest  
 Social Security  
 Medicare (plus drug benefits)  
 Medicaid  
 Defense & International  
 Homeland Security



Prepared by The Brookings Institution, March 2004  
 Source: Eugene Steuerle, Adam Carasso, and Megan Bishop, Urban Institute, December 2003, based on data from Reischauer, OMB, CBO.