

Democratic Forum on the Economy

“Addressing America’s Economic Challenges in the Wake of Hurricane Katrina”

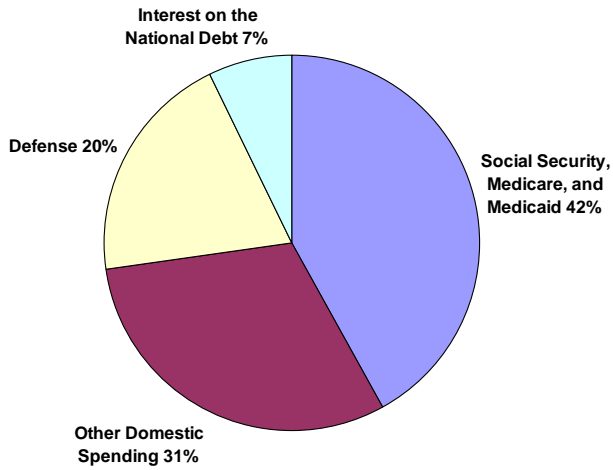
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Washington, DC

September 23, 2005

[SUMMARY OF REMARKS]

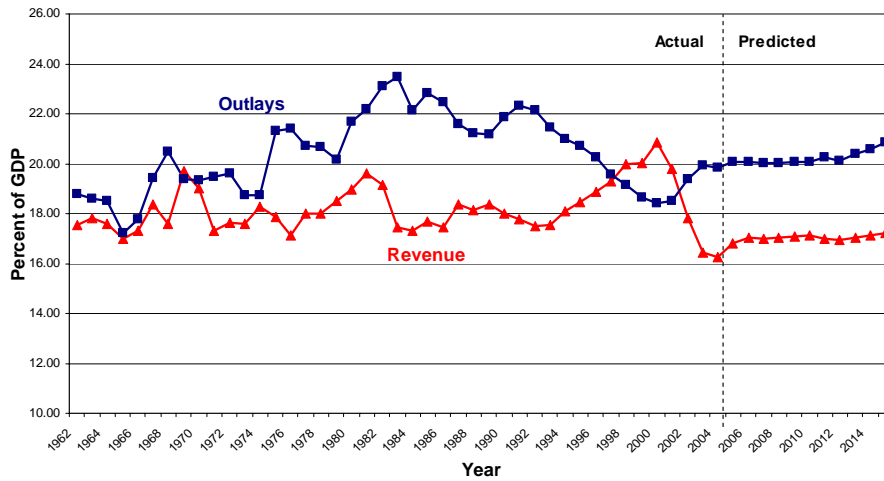
I would like to emphasize the long run deficit problem, which looms over the short-run. Main points: Katrina spending could be seen as a temporary emergency that could be easily financed by borrowing were it not for two facts. First, we already have a deficit of worrisome proportions financed by foreign borrowing. Second, federal spending will certainly escalate dramatically as the boomers retire and the cost of medical care continues to rise. (Medicare and Medicaid alone will eat up most of projected federal revenues IF per capita health care spending continues to rise at historical rates.) Hard choices will be unavoidable in the next decade. Shouldn't undermine the strength of the economy or make the future choices harder by fiscal irresponsibility now.

Composition of Federal Spending 2005 Projection



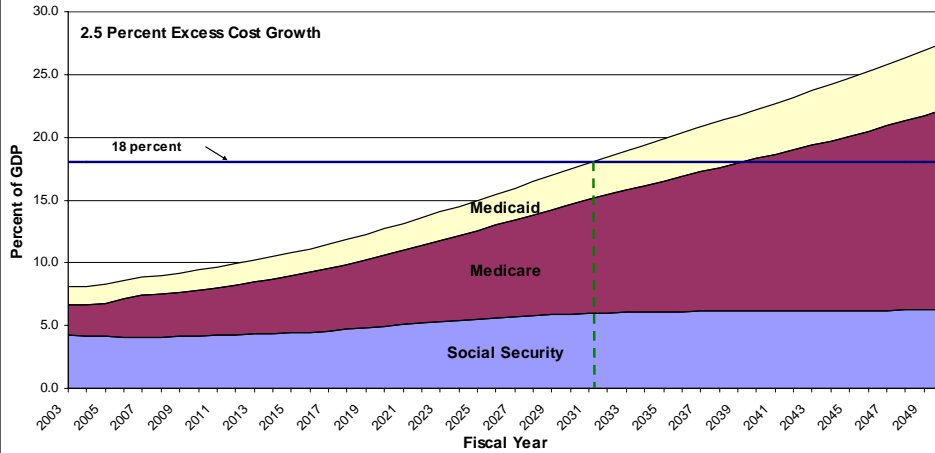
1

Federal Revenue and Outlays (as percentage of GDP, 1962 to 2015)



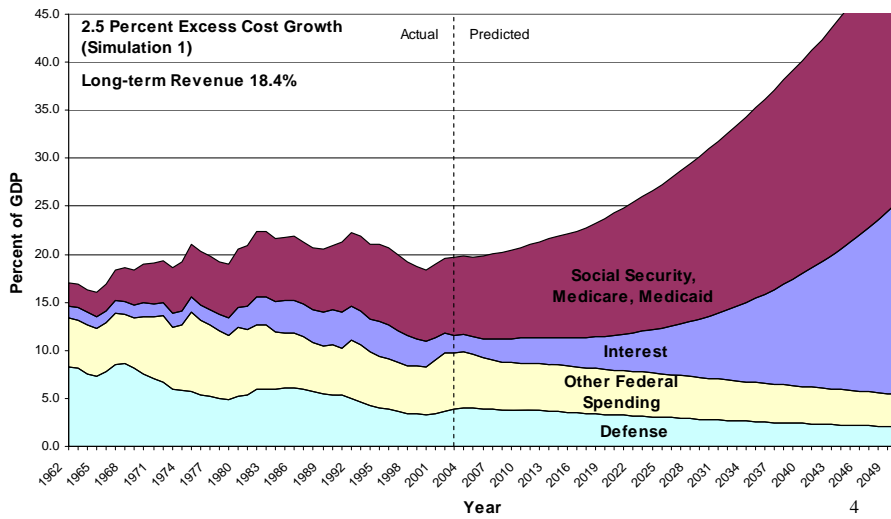
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CBO Projection of Social Security, Medicare, and Medicaid



3

CBO Historical and Projected Components



4