

Executive Summary

Our country is on an unsustainable fiscal path. This trend has accelerated over the last 10 years, and the huge deficits that were once a more distant concern of our children's generation are impacting the lives of ordinary Americans today. For a country with the proud history and vast resources of the United States, this is unacceptable.

We wrote this report not because we see fiscal sustainability as an end in itself, but rather because we believe that a fiscally sustainable government can provide better, more reliable, and more efficient services to its citizens. Government's mission matters, and succeeding in that mission means getting serious about reinventing government and changing our fiscal path.

This report, the first in a series, is a guide to reinventing the federal budget. In it, we make 15 recommendations that will establish greater budgetary transparency and accountability. Our key finding is that the American public deserves more honest and transparent information about how their tax dollars are being spent. To that end, one of our recommended reforms is a requirement that the federal government send each taxpaying American an itemized tax receipt. This receipt would show not only how their tax dollars are being spent, but also how much the federal government has borrowed in their name. This way Americans can better decide for themselves which government programs and services they value.

Taken together, our 15 recommendations will ensure that the federal budget is more transparent and accountable to its citizens. Only with increased transparency can we know where we have been and where we are going—and where we have gone wrong, so it doesn't happen again.

The magnitude of our fiscal challenge makes the need for greater budgetary transparency and accountability even more urgent. The Congressional Budget Office projects that by 2030, the federal government will be spending 30 percent of GDP but collecting only 20 percent in tax revenue. By 2050, the government will be collecting that same 20 percent, but spending 45 percent. Our deficits will only get worse from there.

Rising health care costs are driving these deficits. Between 1970 and today, health care spending quintupled as a percent of our budget. As a percent of GDP, health care spending is now projected to double in the next 25 years. Its growth closely correlates with the projected growth in deficit spending.

Deficit spending will also generate its own costs. Eventually, the accumulated costs of past deficits will be the drivers of new ones. The Congressional Budget Office projects that just 10 years from now, in 2020, the interest we will pay on previous borrowing will cost taxpayers \$778 billion—accounting for all of 2020's projected \$685 billion deficit and then some.

The practical effect of these structural deficits is that interest payments will crowd out more important spending programs. Strong national defense and accessible health care are priorities that will have to fall by the wayside if our fiscal path is not adjusted. But before we can move forward on the policy changes necessary to achieve meaningful deficit reduction, we need an honest and transparent assessment of our fiscal outlook.

Step one in righting our course is agreeing on what defines fiscal sustainability. Some would have us believe that any deficit whatsoever is a threat to government's solvency. Others would prefer to ignore deficits altogether and continue spending vast sums of borrowed money.

We disagree with both of these extreme positions. While deficits can help smooth dips in the economy and put unemployed Americans back to work, left unchecked they can also exacerbate future deficits and slow economic growth. Either way, this should be a choice that future leaders can make if so needed and not be one forced upon them by the profligacy of previous generations. As it stands now, we are leaving them no choice at all.

Step two must be fixing our broken budget process. Trillions of dollars in hidden spending persist with close to zero accountability while huge organizations like the Department of Defense cannot keep track of their cash flows or environmental liabilities. It is difficult to find budgetary savings when our budget itself is so opaque. Effectively, we are flying blind.

All this must change. Greater transparency and accountability can help us fix our budget and then help us keep it on a sustainable path.