Selected Charts on the Long-Term Fiscal Challenges of the United States

May 2024

Debt Held by the Public (% of GDP)

166% in 2054

Actual | Projected

Pandemic

WWII

Great Depression

WWI

Civil War

Great Recession

175%

150%

125%

100%

75%

50%

25%

0%

1794   1820   1846   1872   1898   1924   1950   1976   2002   2028   2054

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The growing debt is caused by a structural mismatch between spending and revenues

Federal Spending and Revenues (% of GDP)

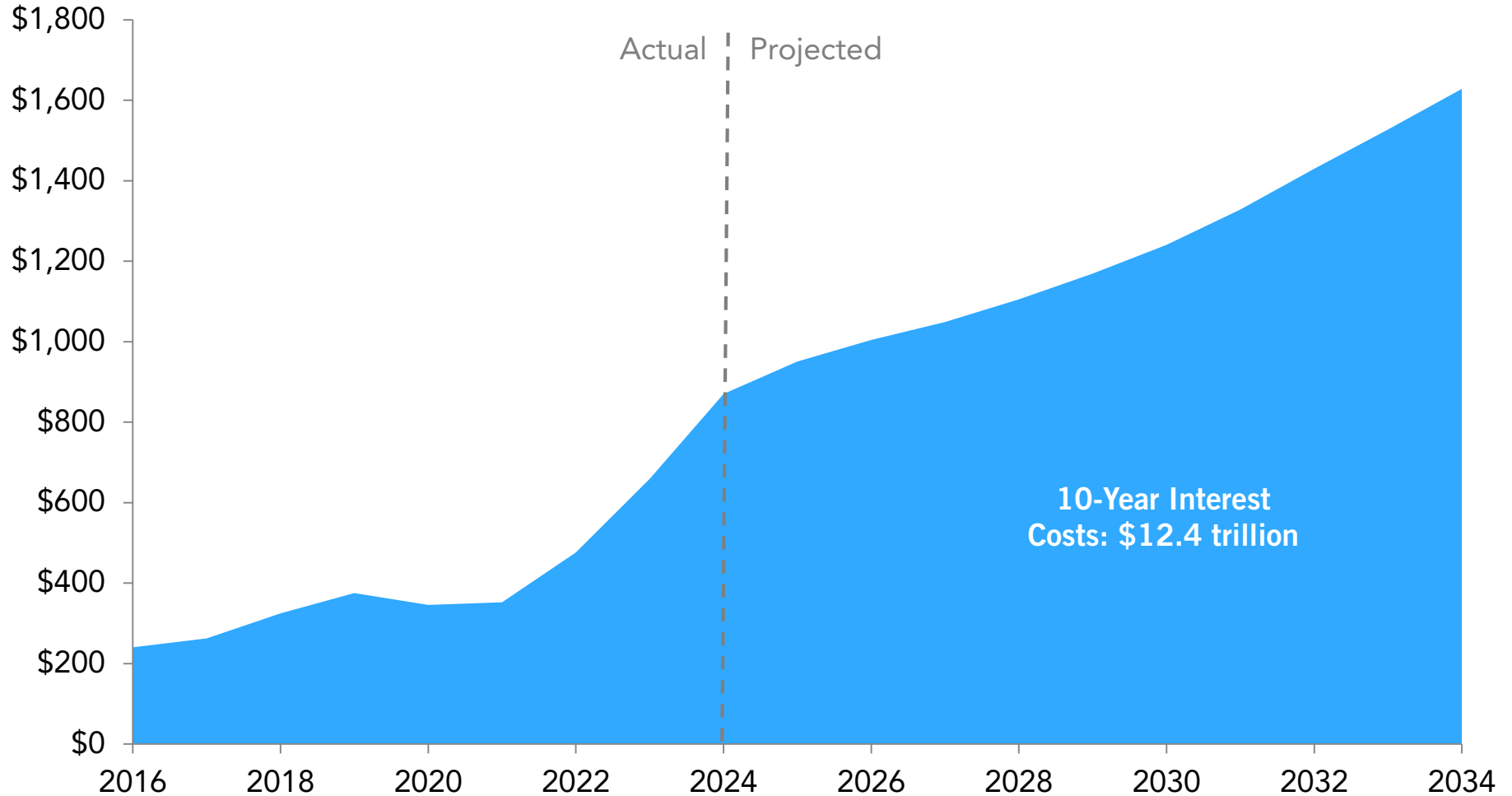Average Spending (1989–2023)

Average Revenues (1989–2023)

Actual ┊ Projected

Spending

Revenues

NOTE: Projected data have been adjusted to remove the effects of timing shifts. Certain payments that would ordinarily have been made on the first day of this fiscal year (October 1) but are instead made at the end of September and thus shifted into the previous fiscal year are treated as belonging to the subsequent fiscal year.

Net interest costs are projected to rise sharply

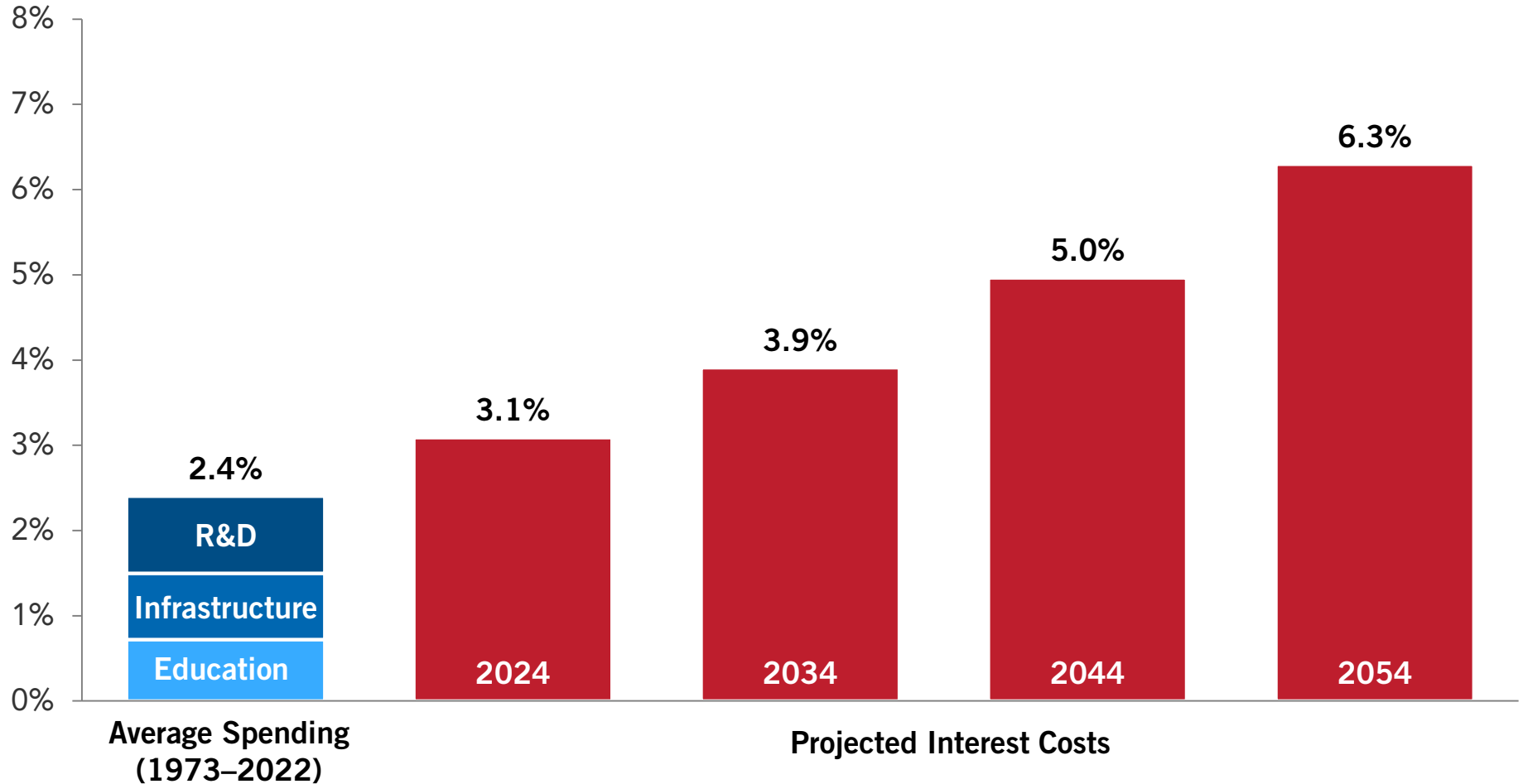**PETER G. PETERSON FOUNDATION**

Billions of Dollars

Actual | Projected

10-Year Interest
Costs: $12.4 trillion

$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0

2016 2018 2020 2022 2024 2026 2028 2030 2032 2034

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By 2054, interest costs are projected to be nearly three times the amount the federal government has historically spent on R&D, infrastructure, and education combined
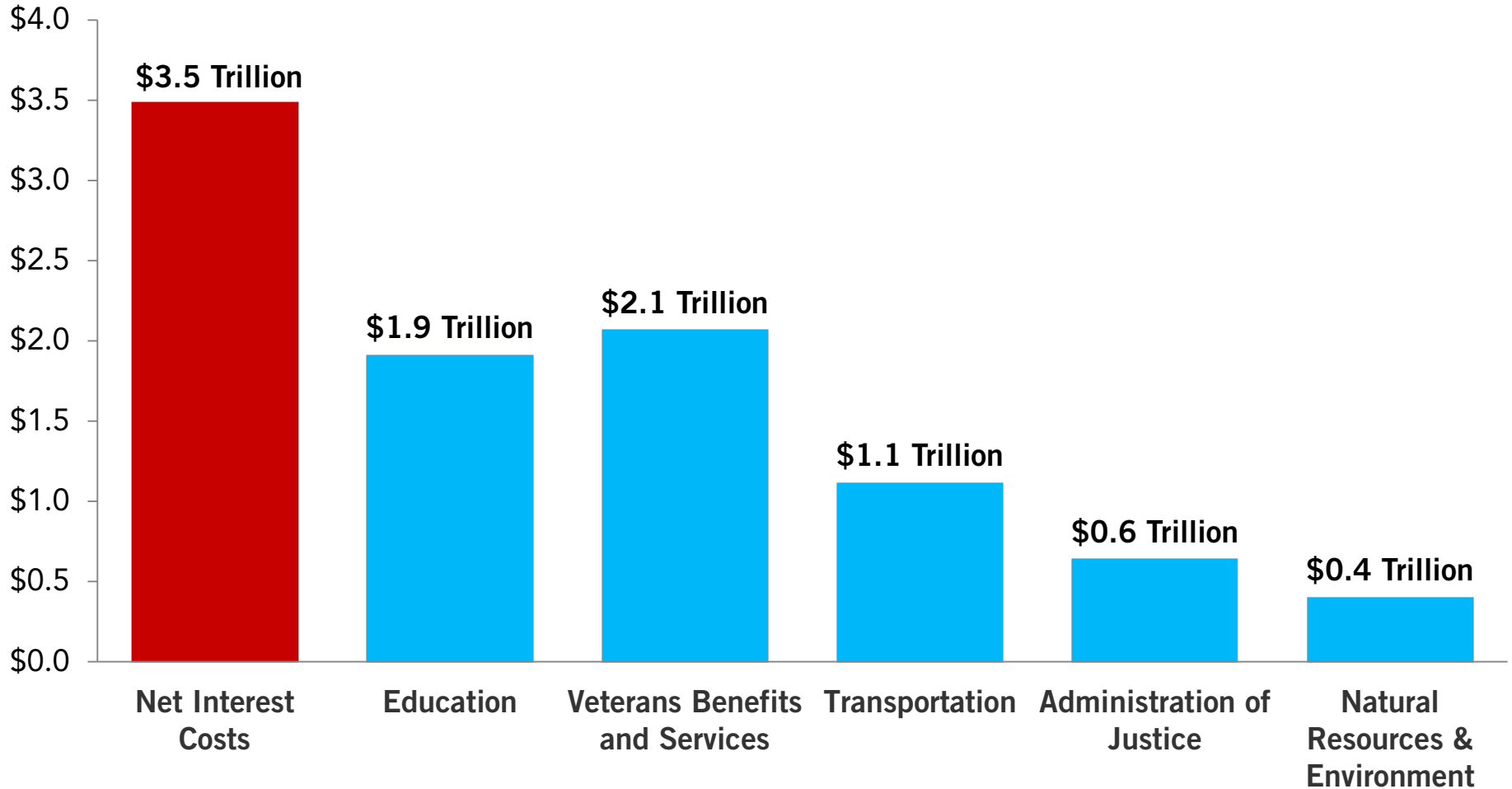
Federal Spending (% of GDP)

Average Spending (1973–2022): 2.4% (R&D, Infrastructure, Education)

Projected Interest Costs:
- 2024: 3.1%
- 2034: 3.9%
- 2044: 5.0%
- 2054: 6.3%

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Over the past decade, the U.S. spent more on interest costs than on other national priorities

Federal Spending From FY2014 to FY2023 (Trillions of Dollars)

SOURCE: Office of Management and Budget, *Historical Tables, Budget of the United States Government: Fiscal Year 2025*, March 2024.
NOTE: Education includes education, training, employment, and social services.

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Spending for Social Security and Medicare will continue to climb

Federal Spending (% of GDP)

Actual | Projected

Social Security and Medicare

All Other Non-interest Spending

Net Interest

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The elderly population is growing rapidly and living longer

U.S. Population Age 65+ (Millions)
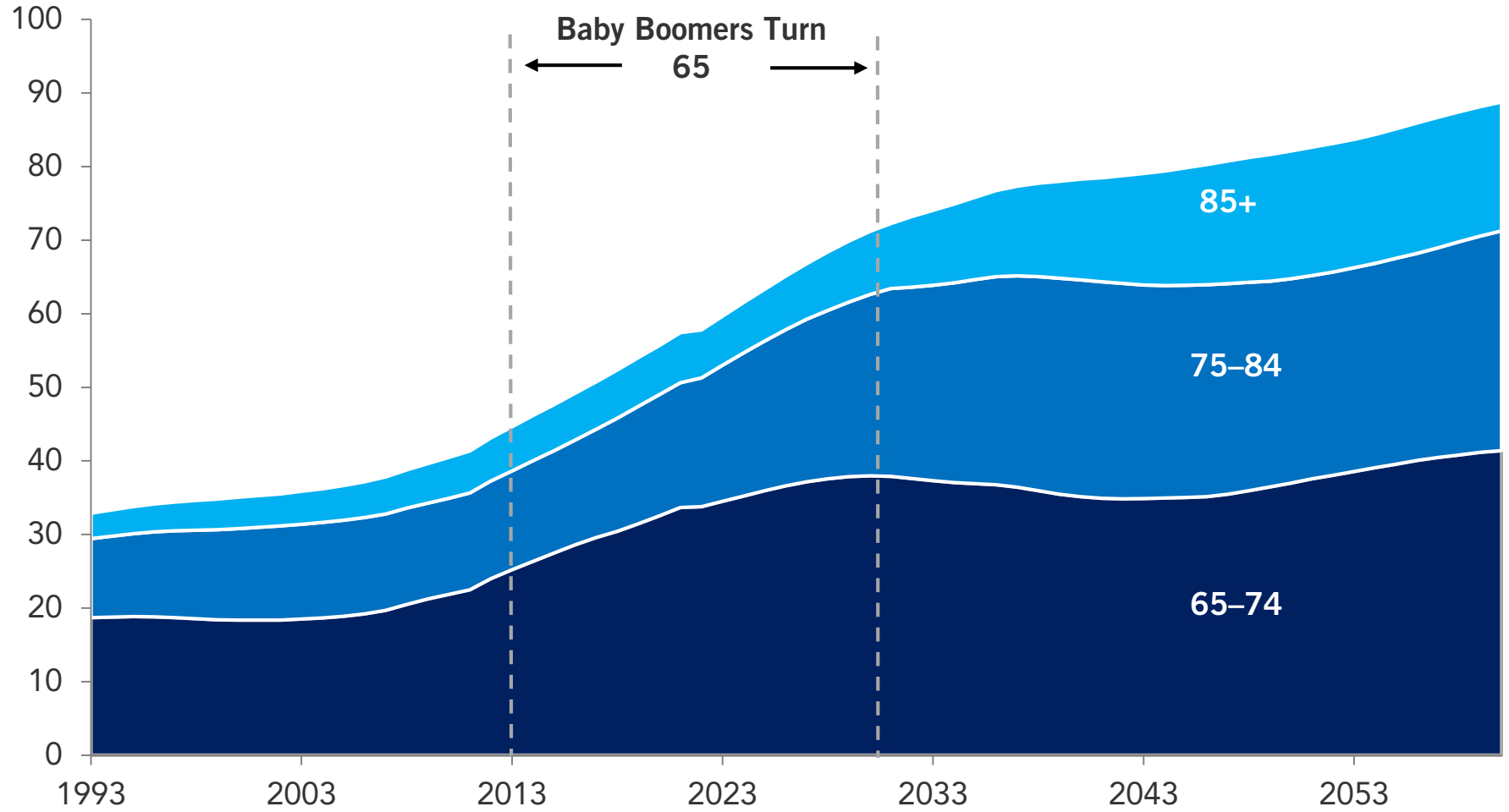
SOURCES: U.S. Census Bureau, *National Intercensal Estimates*; *2023 Population Estimates*, August 2023; and *2023 National Population Projections*, November 2023.

Medical spending increases rapidly with age

Healthcare Spending Per Capita by Age Group (Dollars)
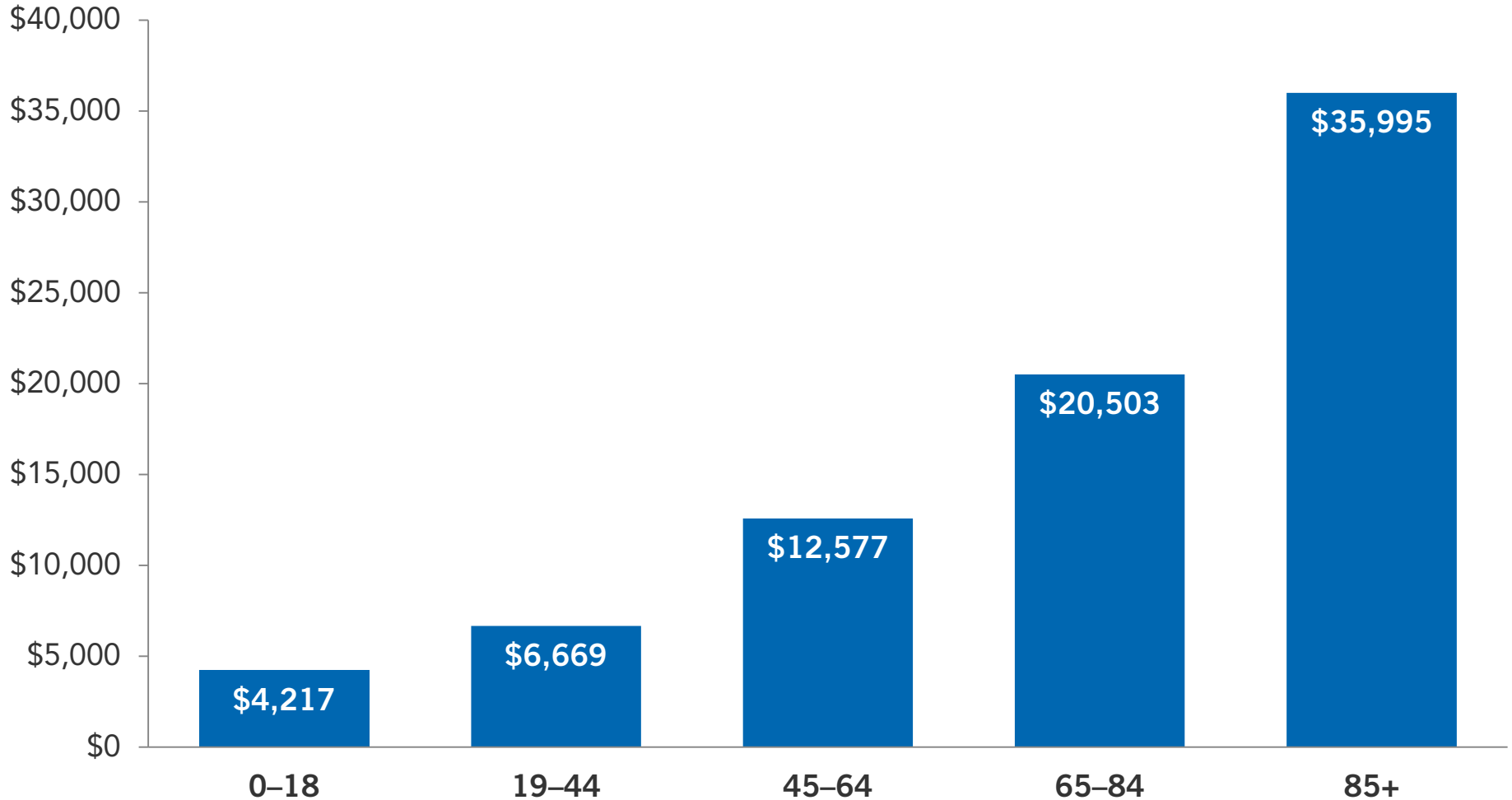
SOURCE: Centers for Medicare and Medicaid Services, *National Health Expenditures by Age and Sex*, August 2023.
NOTE: Data are for 2020.

Healthcare costs in the United States have increased drastically over the past several decades

National Health Expenditures (% of GDP)

U.S. per capita healthcare spending is over twice the average of other wealthy countries

Healthcare Costs Per Capita (Dollars)

Country	Amount
United States	$12,555
Switzerland	$8,049
Germany	$8,011
Netherlands	$7,358
Belgium	$6,600
Australia	$6,596
France	$6,517
Sweden	$6,438
Average	$6,414
Canada	$6,319
Ireland	$6,047
United Kingdom	$5,493
Japan	$5,251
Italy	$4,291

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Although the United States spends more on healthcare than other developed countries, its health outcomes are generally not any better

WORST ← → BEST

Health Status

Life Expectancy at Birth

U.S.

Latvia .... Japan

Infant Mortality

U.S.

Colombia .... Japan

Quality of Primary Care

Unmanaged Asthma

U.S.

Turkiye .... Japan

Unmanaged Diabetes

U.S.

Turkiye .... Japan

Quality of Acute Care

Safety During Childbirth

U.S.

Canada .... Colombia

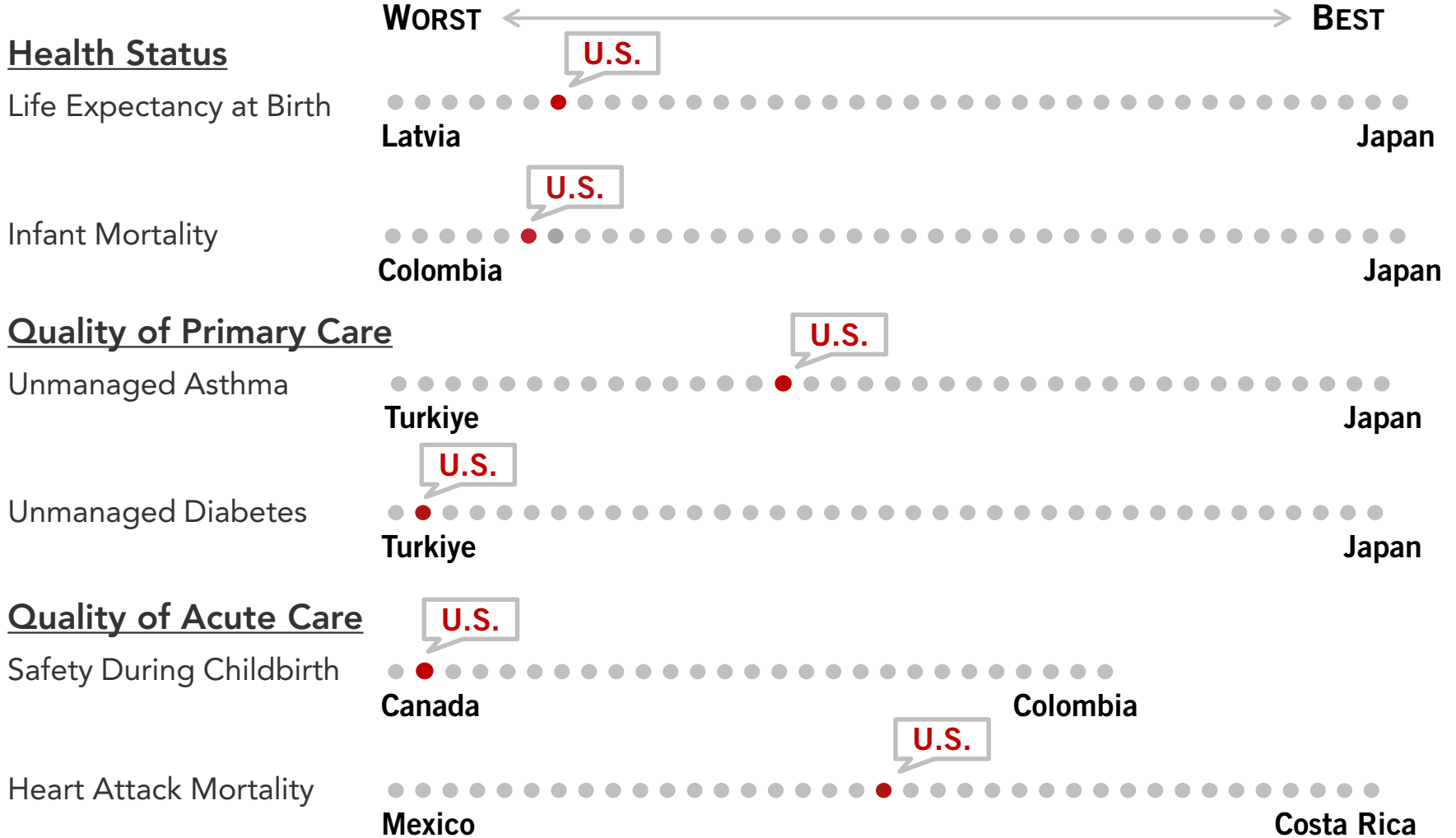### Heart Attack Mortality

U.S.

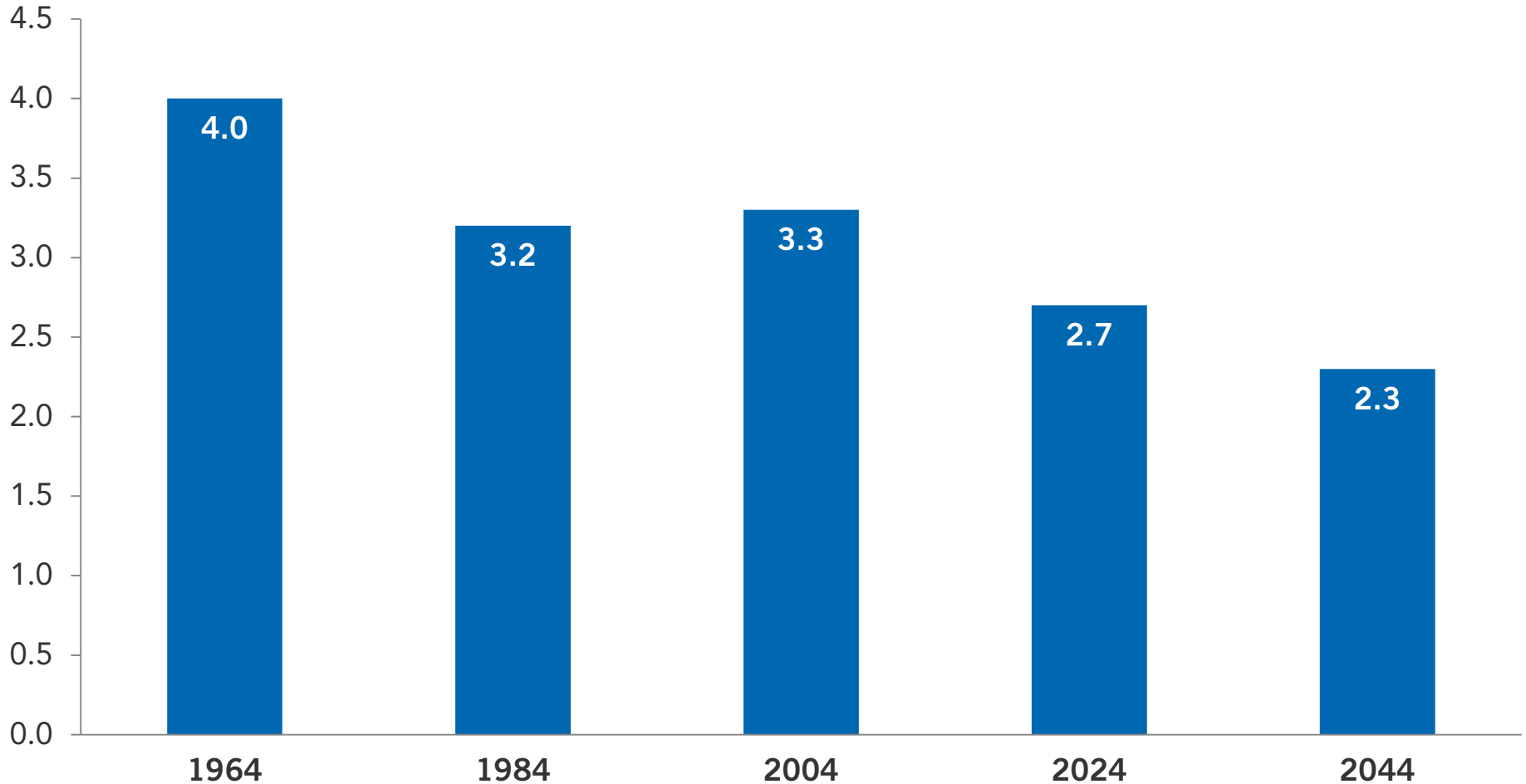Mexico .... Costa Rica

SOURCE: Organisation for Economic Co-operation and Development, *OECD Health Statistics 2023,* July 2023.
NOTES: Data are not available for all countries for all metrics. Data are for 2022 or latest available.

As the population ages, fewer workers will be paying taxes to support each Social Security beneficiary

Workers per Beneficiary Ratio

Year	Ratio
1964	4.0
1984	3.2
2004	3.3
2024	2.7
2044	2.3

SOURCE: Social Security Administration, *The 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, May 2024.
NOTE: Data are covered workers per beneficiary of the Old-Age, Survivors, and Disability Insurance program.

Social Security is facing significant cash shortfalls

Social Security Surpluses/Deficits (% of GDP)

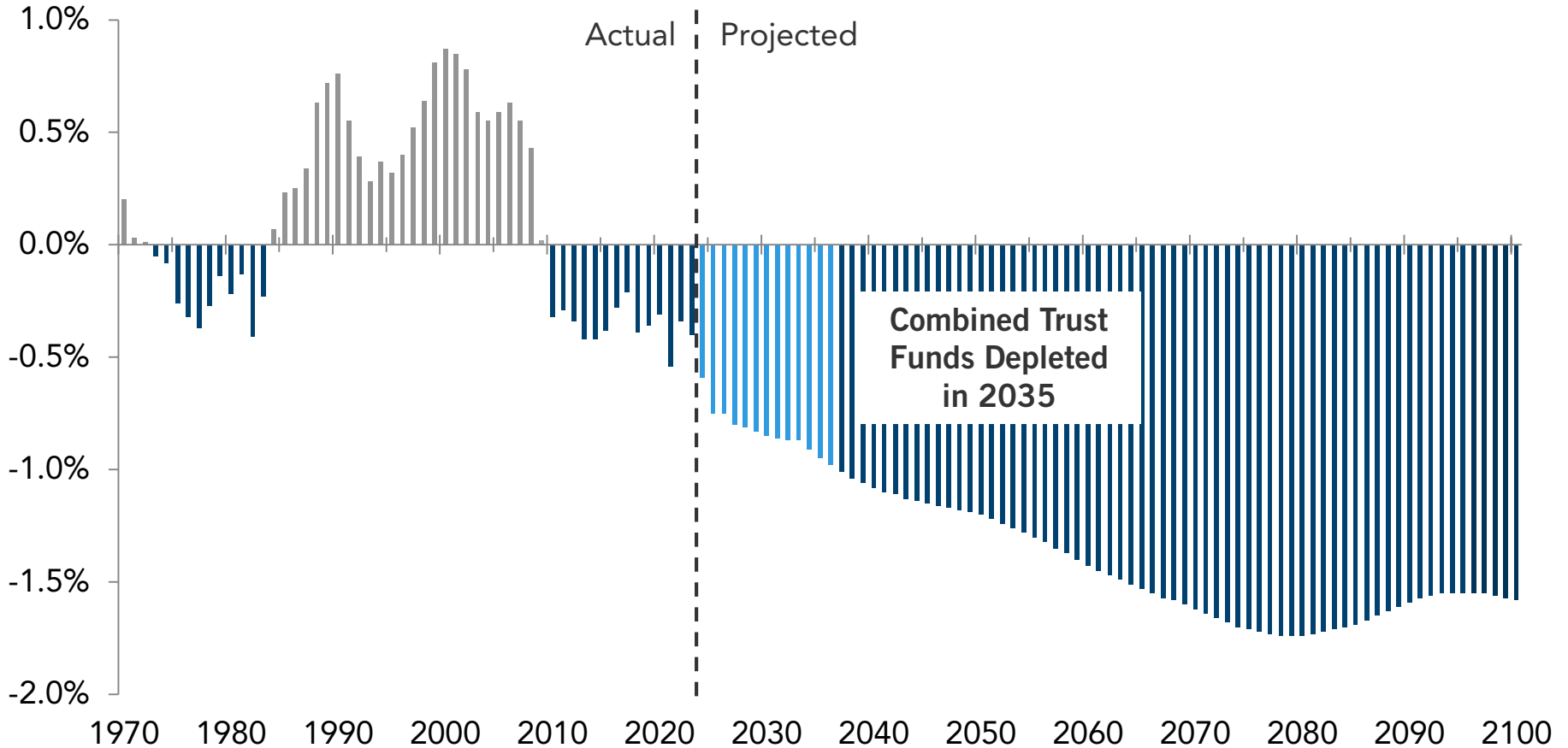Actual | Projected

Combined Trust
Funds Depleted
in 2035

SOURCE: Social Security Administration, *The 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds,* May 2024.
NOTES: Surplus/deficit numbers exclude interest income. The Old-Age & Survivors Insurance trust fund is projected to be depleted in 2033 and lead to a 21 percent cut in benefits that year; the Disability Insurance trust fund is not projected to become depleted during the 75-year period ending in 2097.

Low-income seniors rely on Social Security benefits for a major share of their retirement income

Social Security Benefits (% of Total Income)

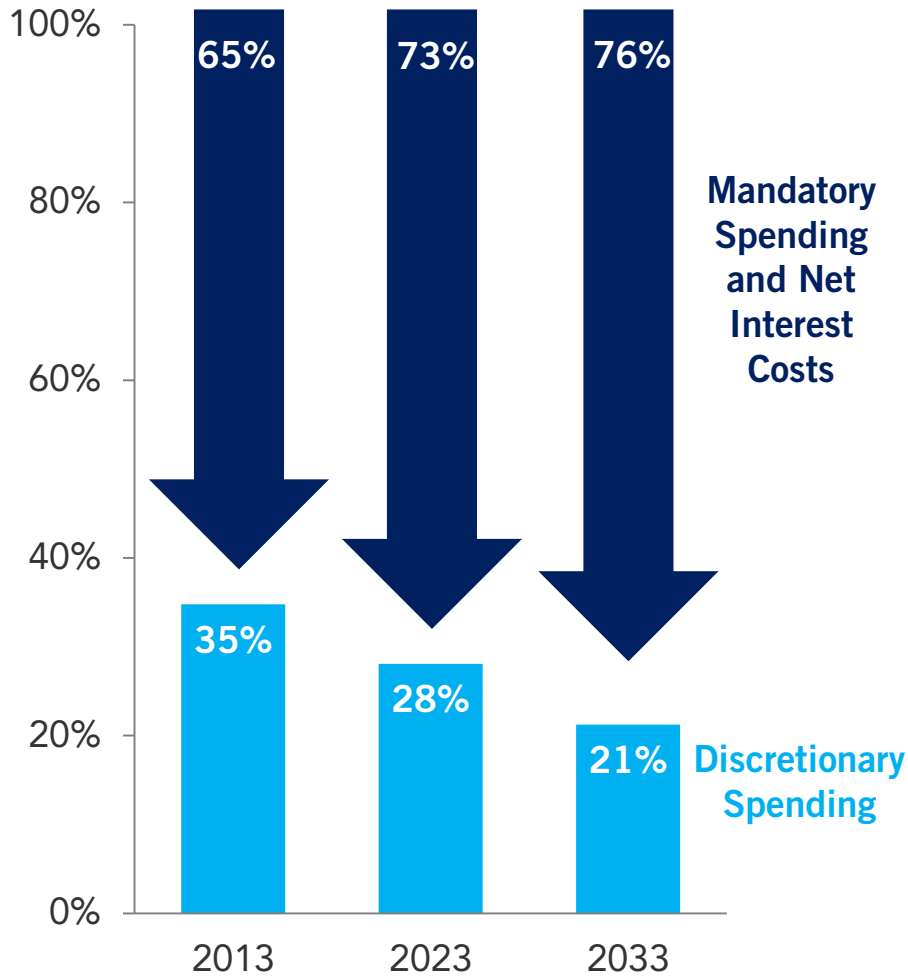|	
Lowest Quintile (Under $13,499)	81%
Second Quintile ($13,499–$23,592)	81%
Middle Quintile ($23,592–$39,298)	61%
Fourth Quintile ($39,298–$72,129)	39%
Highest Quintile (Over $72,129)	15%
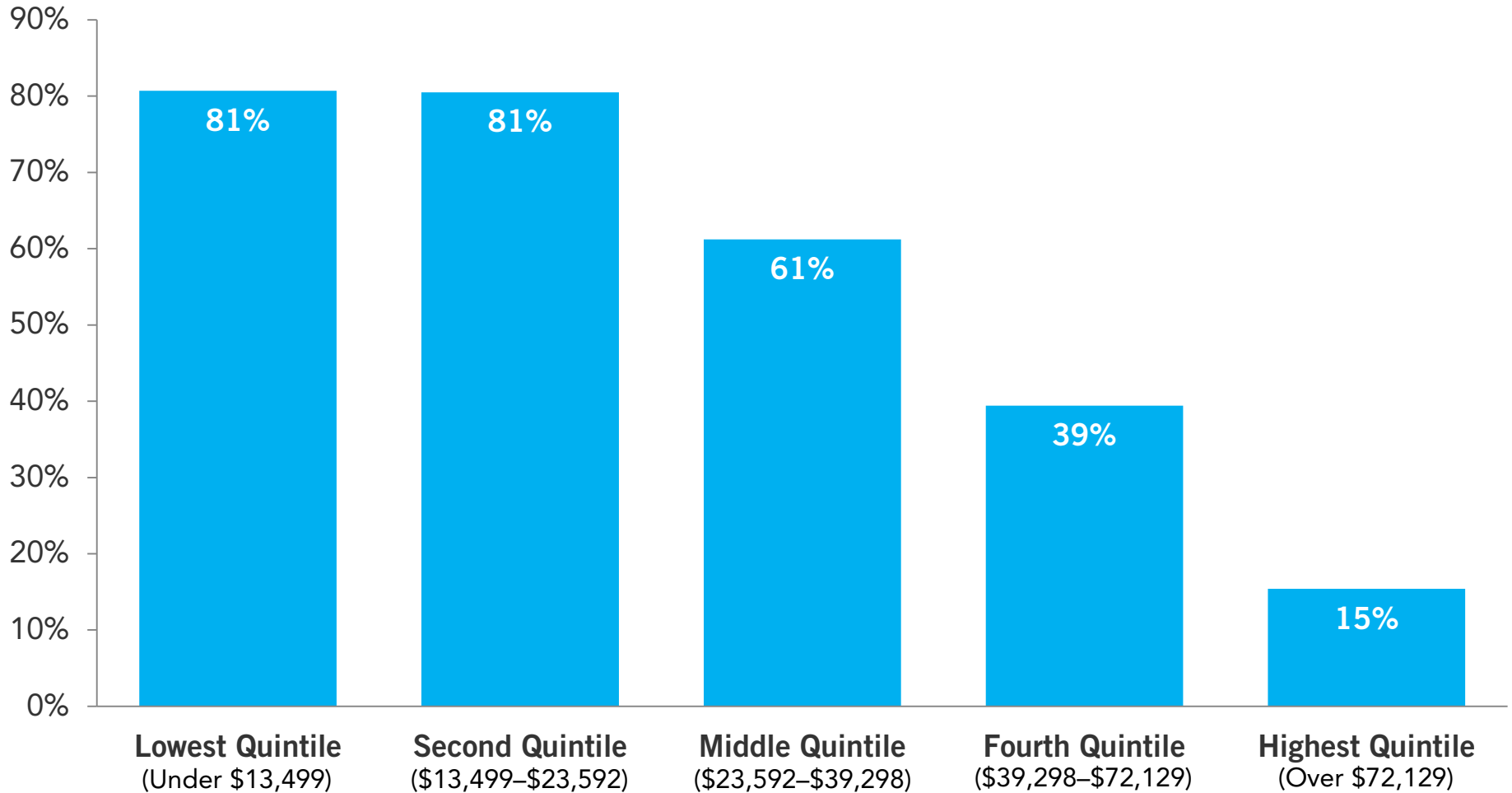
SOURCE: Social Security Administration, *Income of the Population 55 or Older, 2014,* April 2016.
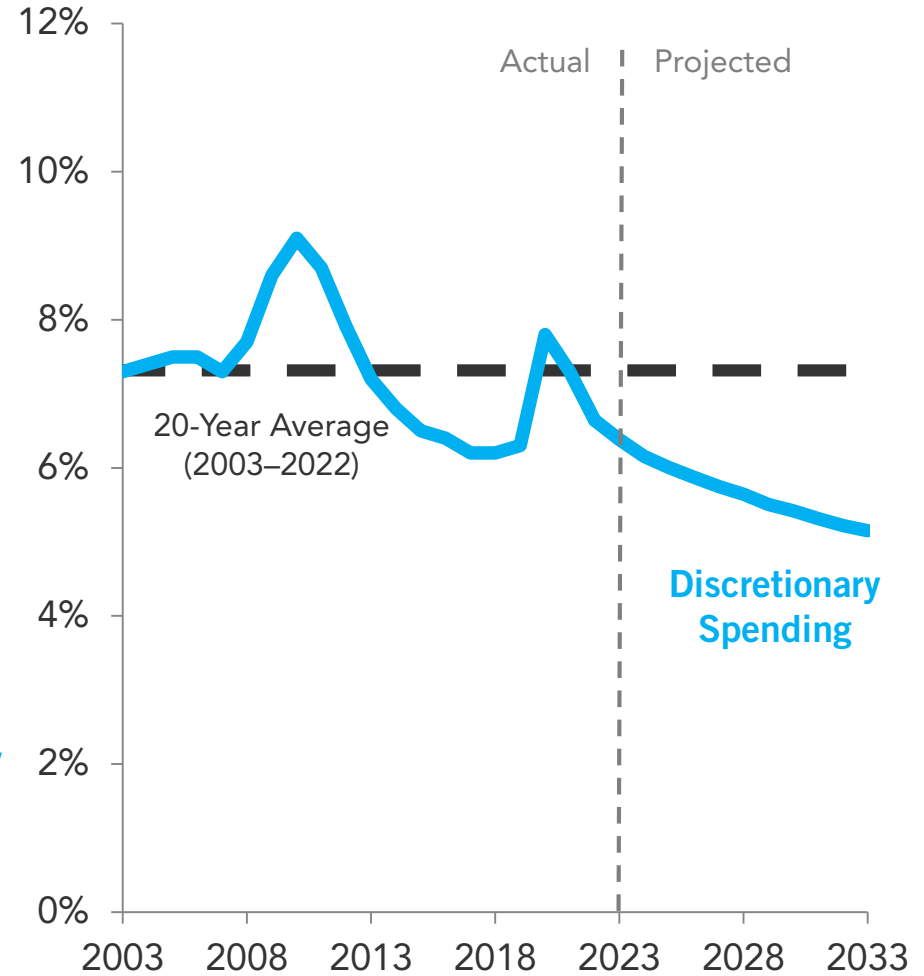NOTE: A quintile is one-fifth of the population. Data are for 2014.

Discretionary spending is projected to remain below its historical average

Percent of Federal Spending

Bar chart data:
- 2013: Mandatory Spending and Net Interest Costs 65%, Discretionary Spending 35%
- 2023: Mandatory Spending and Net Interest Costs 73%, Discretionary Spending 28%
- 2033: Mandatory Spending and Net Interest Costs 76%, Discretionary Spending 21%

Percent of GDP

Line chart showing Discretionary Spending and 20-Year Average (2003–2022), with Actual and Projected regions divided at 2023. Years range from 2003 to 2033.
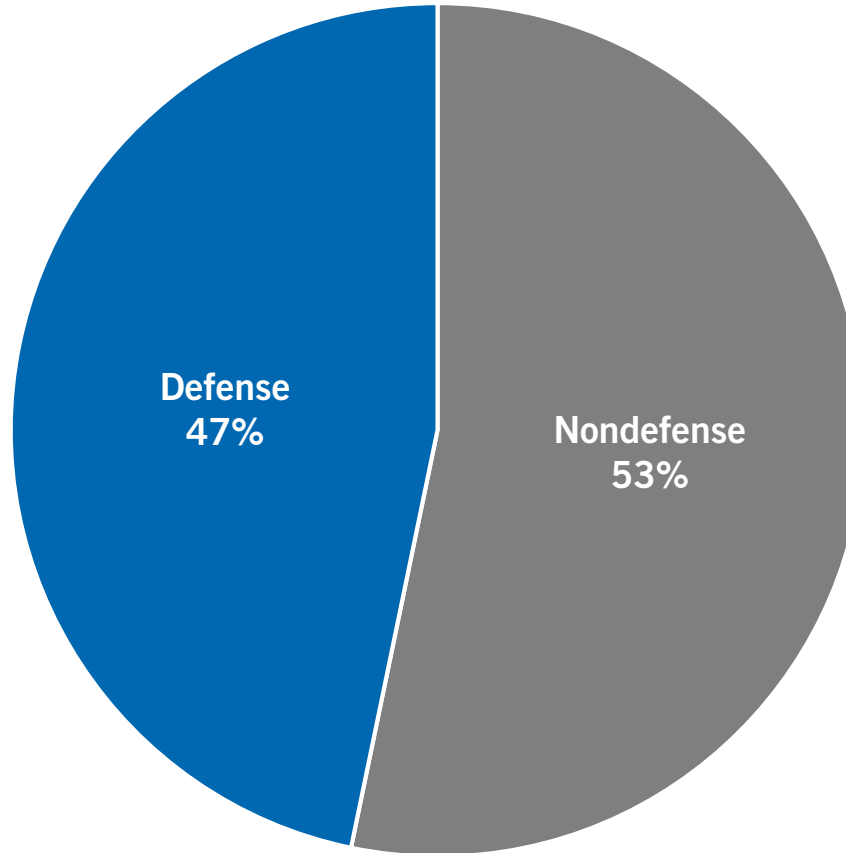
SOURCES: Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034,* February 2024; and Office of Management and Budget, *Historical Tables, Budget of the United States Government: Fiscal Year 2024*, March 2023.

Defense spending accounts for nearly half of total discretionary spending
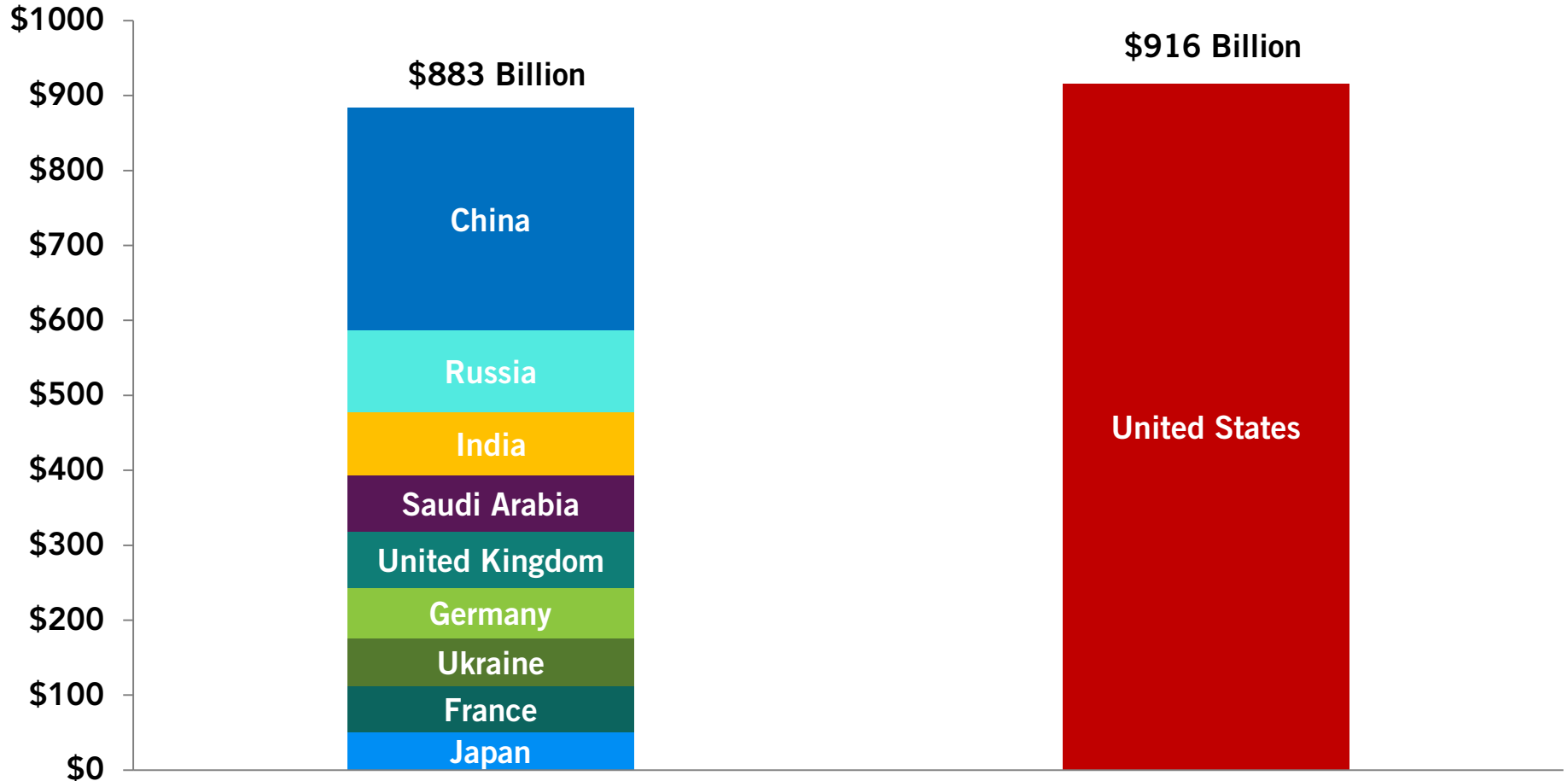
**2023 Discretionary Outlays:
$1,722 Billion**

Defense
47%

Nondefense
53%

SOURCE: Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034*, February 2024.

The United States spends more on defense than the next 9 countries combined

Defense Spending (Billions of Dollars)

$883 Billion

China
Russia
India
Saudi Arabia
United Kingdom
Germany
Ukraine
France
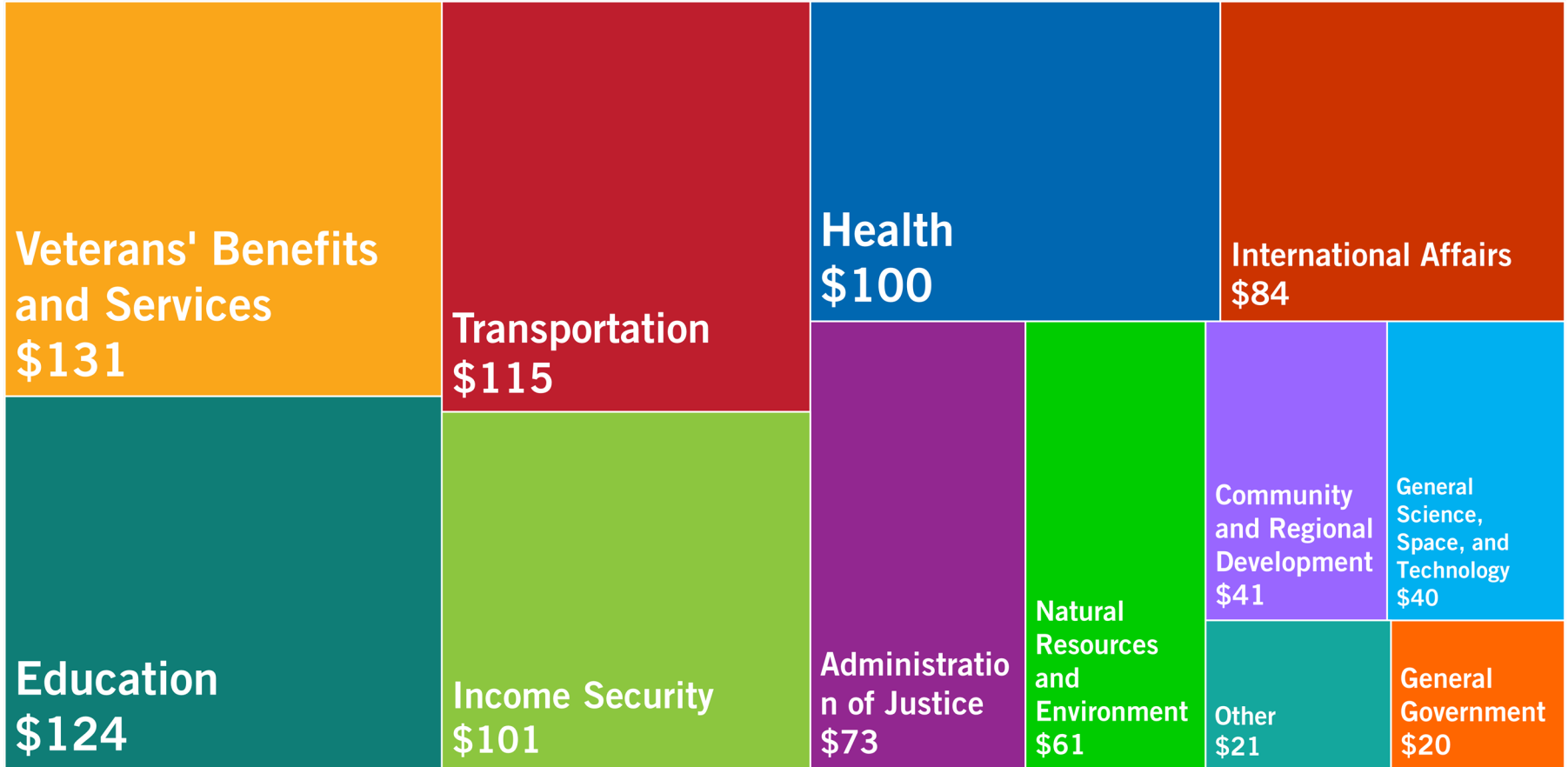Japan

$916 Billion

United States

SOURCE: Stockholm International Peace Research Institute, *SIPRI Military Expenditure Database*, April 2024.
NOTES: Figures are in U.S. dollars converted from local currencies using market exchange rates. Data for the United States are for fiscal year 2023, which ran from October 1, 2022 through September 30, 2023. Data for the other countries are for calendar year 2023. The source for this chart uses a definition of defense spending that is more broad than budget function 050 and defense discretionary spending.

![PETER G. PETERSON FOUNDATION logo]

Non-defense discretionary spending funds a wide range of programs

Nondefense Discretionary Outlays in 2023 (Billions of Dollars): $912 Billion

Veterans' Benefits and Services $131	
Education $124	
Transportation $115	
Income Security $101	
Health $100	
Administration of Justice $73	
Natural Resources and Environment $61	
International Affairs $84	
Community and Regional Development $41	
General Science, Space, and Technology $40	
Other $21	
General Government $20	

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The federal government collects revenues from a variety of sources
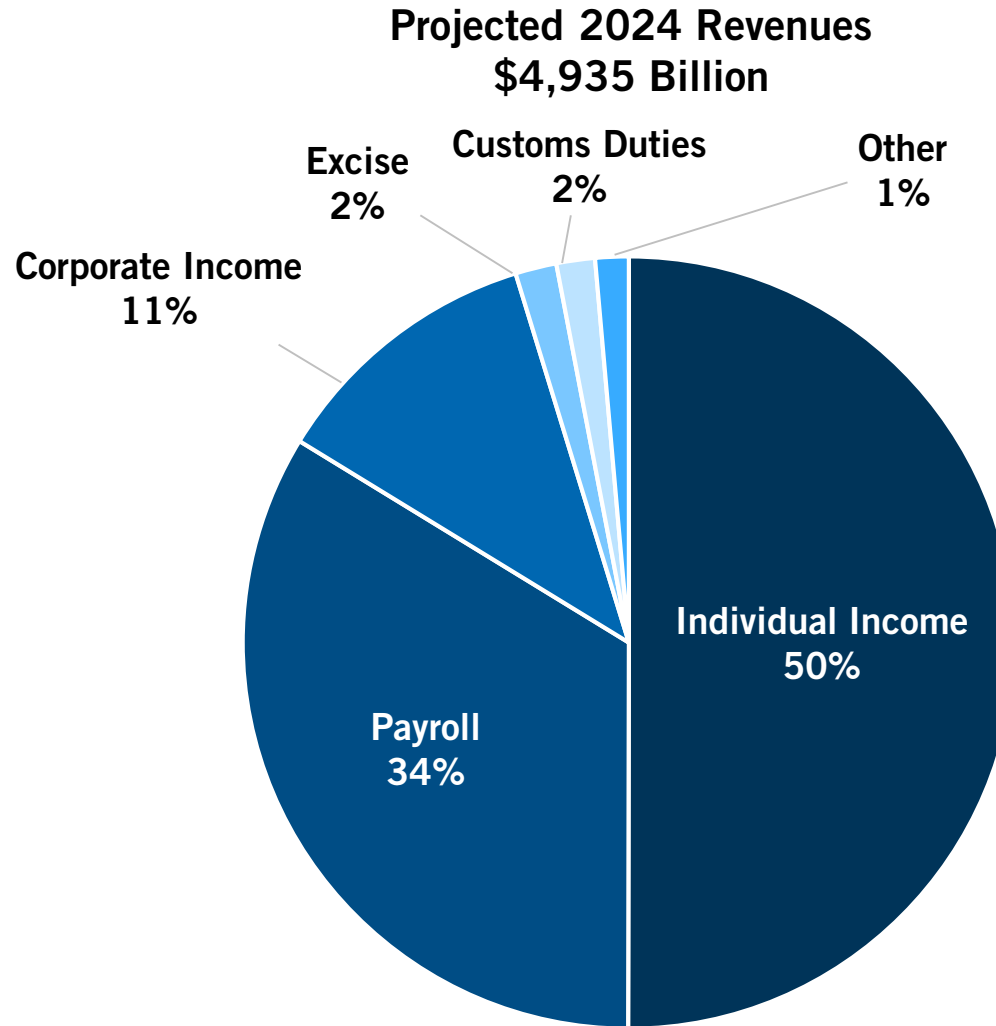
Projected 2024 Revenues
$4,935 Billion

- Excise 2%
- Customs Duties 2%
- Other 1%
- Corporate Income 11%
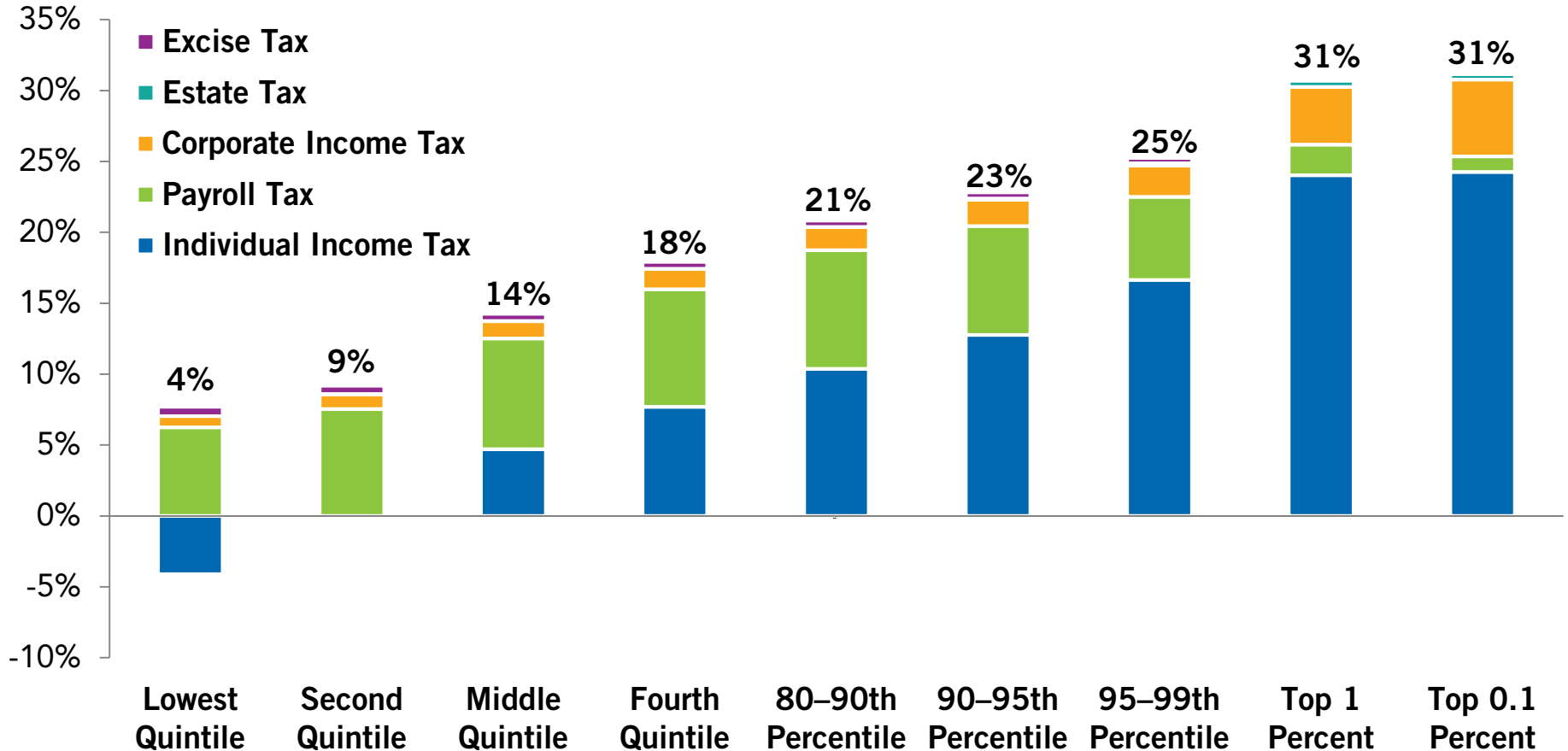- Individual Income 50%
- Payroll 34%

SOURCE: Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034,* February 2024.
NOTE: Other includes estate and gift taxes, income from the Federal Reserve, and miscellaneous fees and fines.

The U.S. tax system is progressive, with higher-income taxpayers facing higher tax rates

Effective Federal Tax Rates By Type (% of Expanded Cash Income in 2022)

Legend:
- Excise Tax
- Estate Tax
- Corporate Income Tax
- Payroll Tax
- Individual Income Tax

Categories and totals:
- Lowest Quintile: 4%
- Second Quintile: 9%
- Middle Quintile: 14%
- Fourth Quintile: 18%
- 80–90th Percentile: 21%
- 90–95th Percentile: 23%
- 95–99th Percentile: 25%
- Top 1 Percent: 31%
- Top 0.1 Percent: 31%

SOURCE: Tax Policy Center, *Baseline Share of Federal Taxes,* March 2023.
NOTES: Individual income tax rates for the lowest and second quintiles are negative and are netted against the payroll tax rate. A quintile is one-fifth of the population. In 2022 dollars, the income breaks are: 20% $30,600; 40% $59,700; 60% $105,900; 80% $193,600; 90% $281,800; 95% $409,800; 99% $991,000; 99.9% $4,409,300.

The top 1 percent of taxpayers generate 24 percent of total federal tax revenues

Share of Federal Tax Revenues


Top 1 Percent
24%

All Other Taxpayers
76%
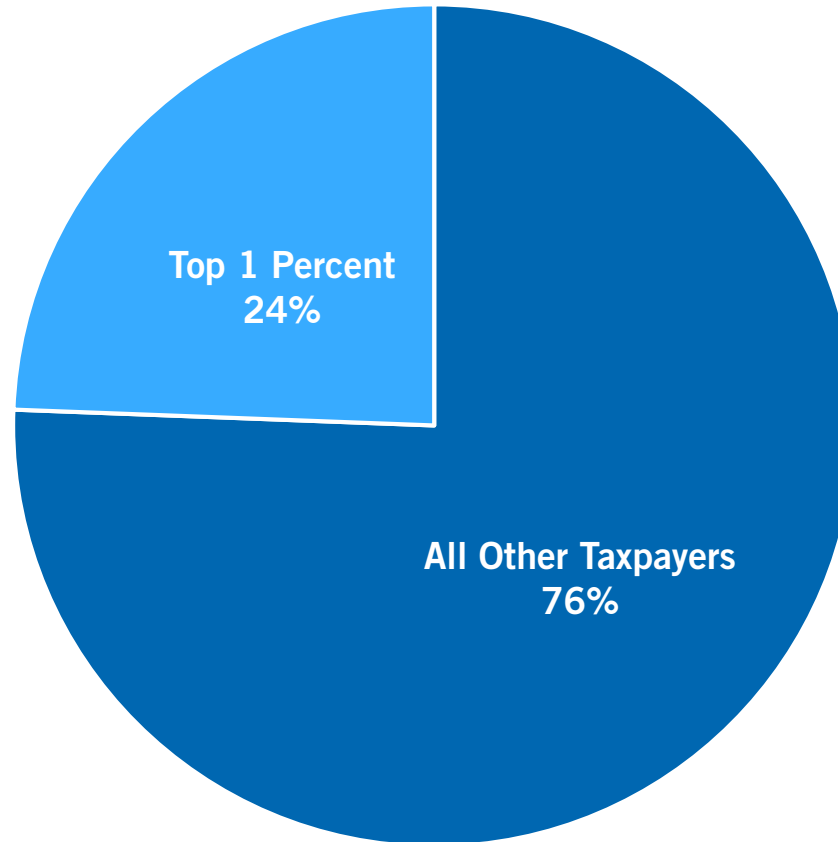
SOURCE: Tax Policy Center, *Baseline Distribution of Income and Federal Taxes,* October 2022.
NOTES: Federal tax revenues include revenues from the excise tax, estate tax, corporate income tax, payroll tax, and individual income tax. Data are for 2023. Income percentile classes are based on 2022 dollars; a tax unit was in the top 1 percent if its income was $991,000 or higher, as measured by expanded cash income.

Income growth since 1980 has been larger for high-income earners, even when including transfers and taxes

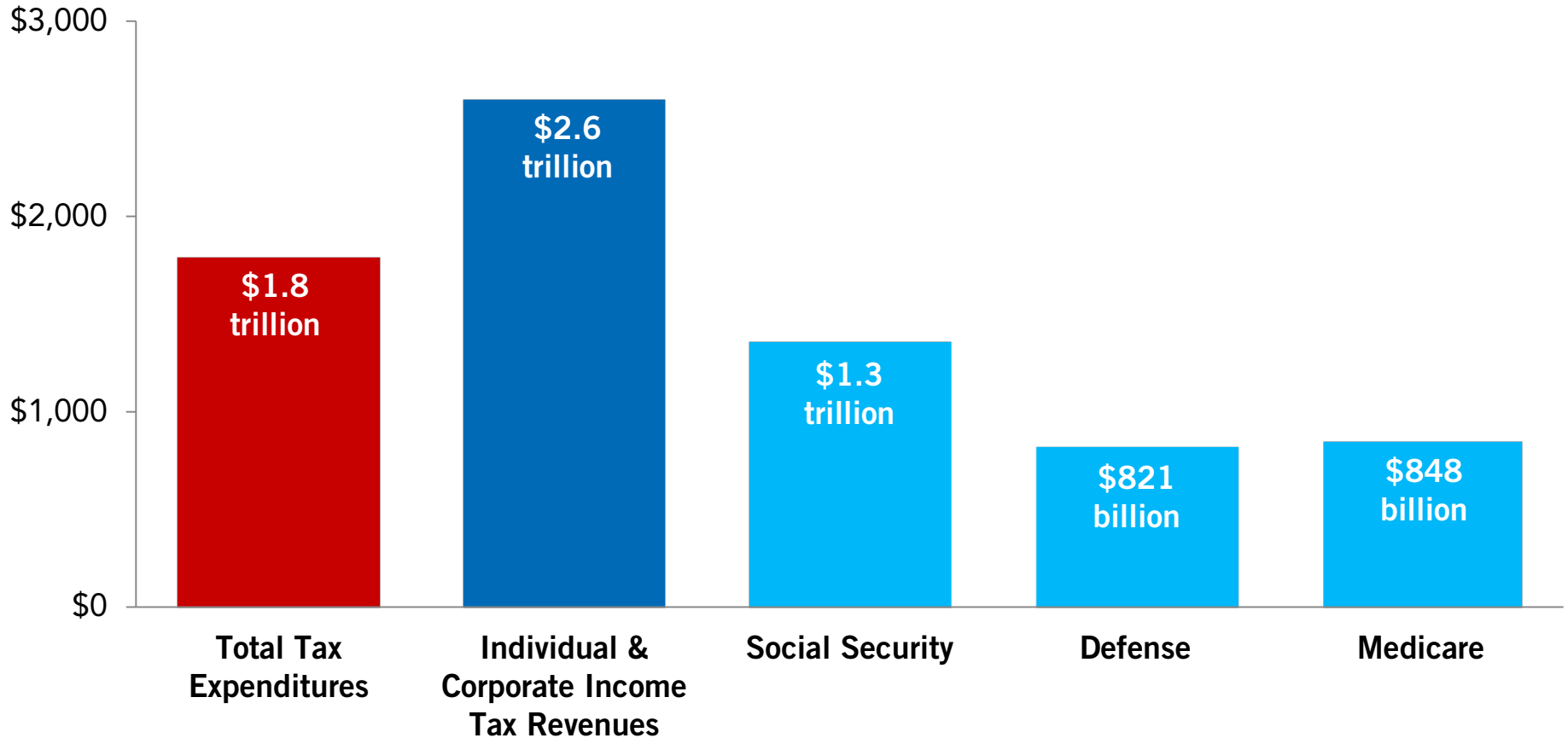**Cumulative Growth in Average Income After Transfers and Taxes (2020 Dollars)**
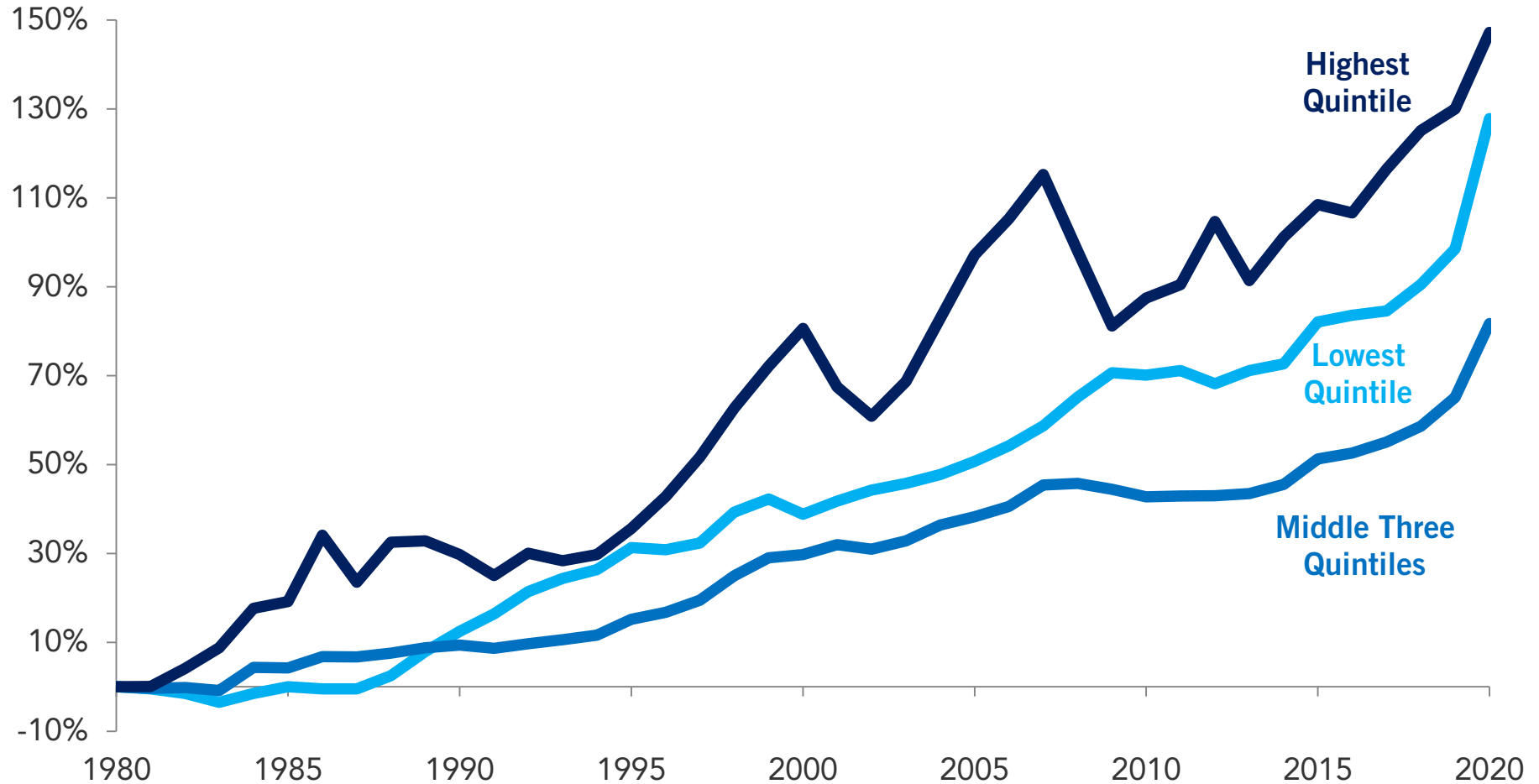
SOURCE: Congressional Budget Office, *The Distribution of Household Income in 2020*, November 2023.
NOTES: Income after transfers and taxes is comprised of market income plus income from social insurance programs (i.e. Social Security), plus means-tested transfers received (i.e. Medicaid), minus federal taxes.

Tax breaks cost more than any individual government spending program

Budgetary Cost in 2023 (Dollars)

Total Tax Expenditures	Individual & Corporate Income Tax Revenues	Social Security	Defense	Medicare
$1.8 trillion	$2.6 trillion	$1.3 trillion	$821 billion	$848 billion

SOURCES: Bureau of the Fiscal Service, *Monthly Treasury Statement*, September 2023; and The Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2023-2027*, December 2023.

NOTES: Tax expenditures are deductions, credits, exclusions, and preferential rates. The estimates for tax expenditures reflect the total in the individual and corporate income tax systems; they do not account for any interactive effects of combining various provisions. Medicare spending is net of premiums and payments from the states. Defense represents discretionary defense spending.

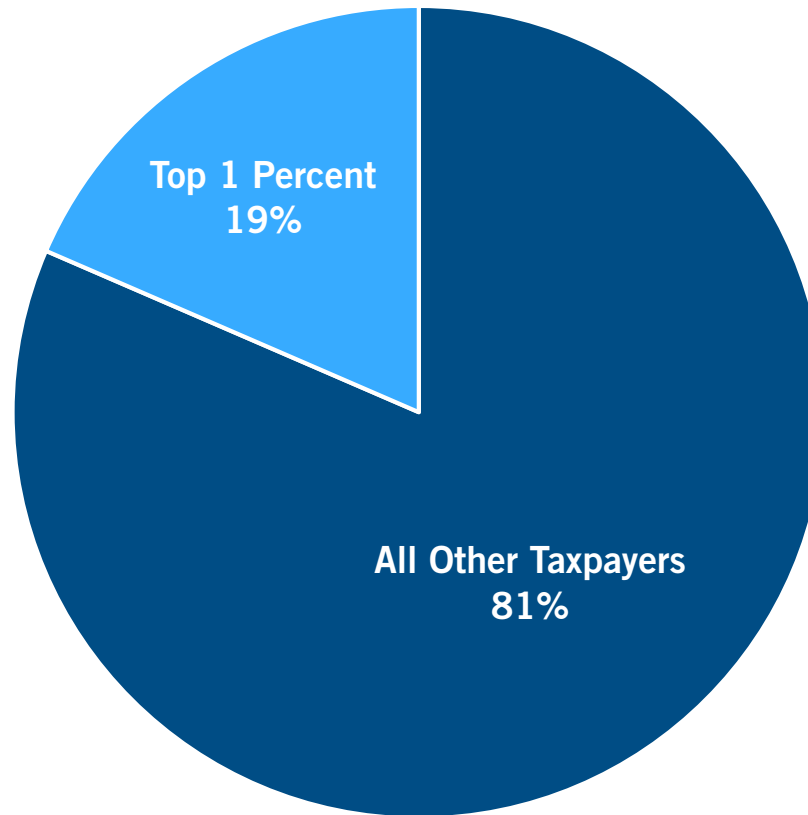# Eight popular tax provisions account for 70 percent of annual tax expenditures

Major Tax Expenditures	Budgetary Costs (2023)
Exclusion of pension contributions and earnings and individual retirement arrangements*	$369 billion
Exclusions of and reductions on dividends and long-term capital gains**	$311 billion
Exclusion of employer contributions for medical insurance and care	$202 billion
Child Tax Credit (CTC)	$122 billion
Subsidies for insurance purchased through health benefit exchanges	$80 billion
Earned Income Tax Credit (EITC)	$71 billion
Step-up basis of capital gains at death	$58 billion
20-Percent deduction for certain Pass-through income	$56 billion
Total	**$1.3 trillion**

SOURCE: The Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2023-2027*, December 2023.
NOTES: *Estimate includes defined benefit plans and defined contribution plans. **Estimate includes qualified dividends, home sales, and exclusion of small corporate stock. Entries do not sum due to rounding.

The top 1 percent of taxpayers receive 19 percent of the benefit from individual income tax expenditures

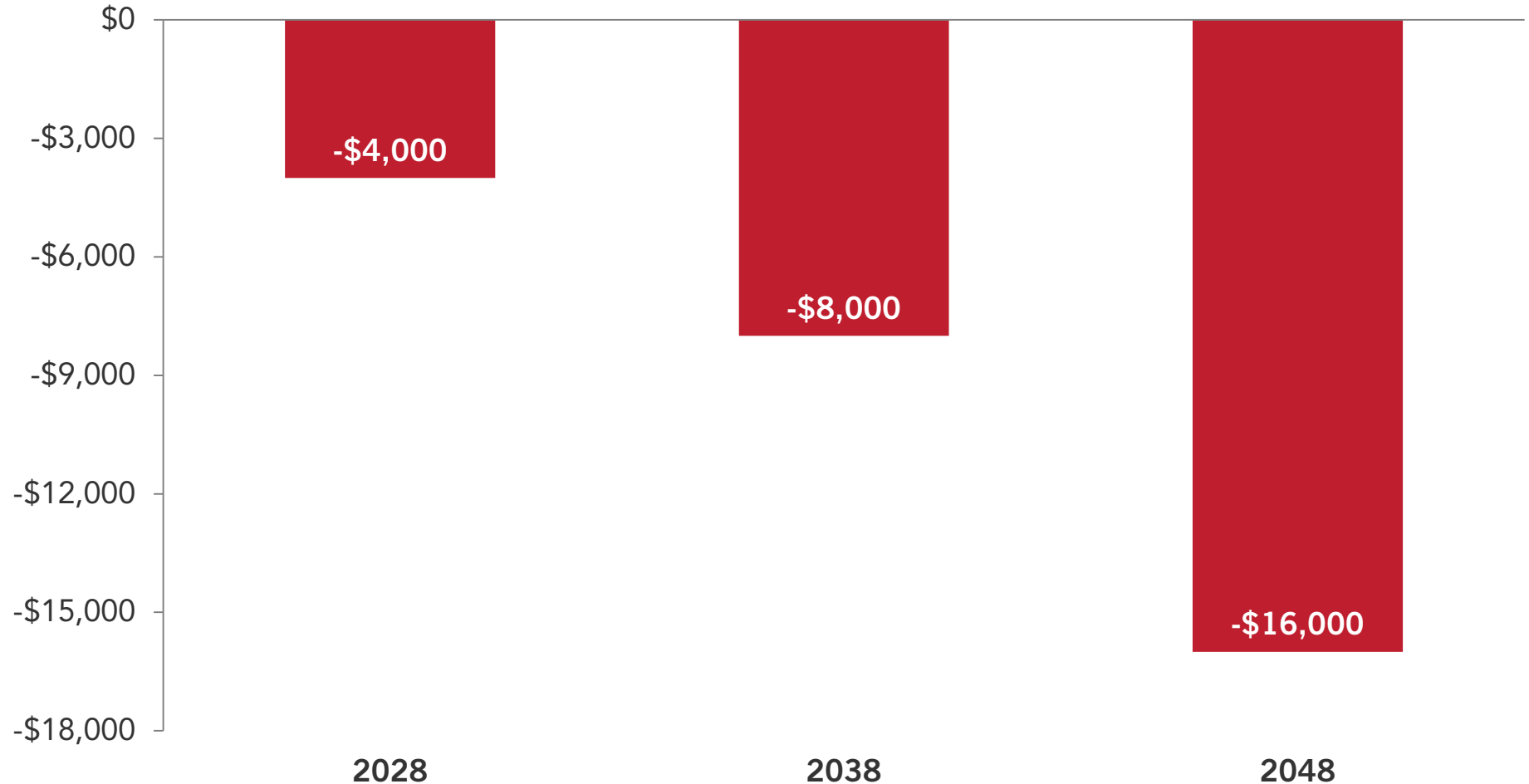## Distribution of Individual Income Tax Expenditures

Top 1 Percent
19%

All Other Taxpayers
81%

The growing federal debt is projected to reduce family incomes substantially

Income Loss For a Four-Person Family, on Average (2019 Dollars)

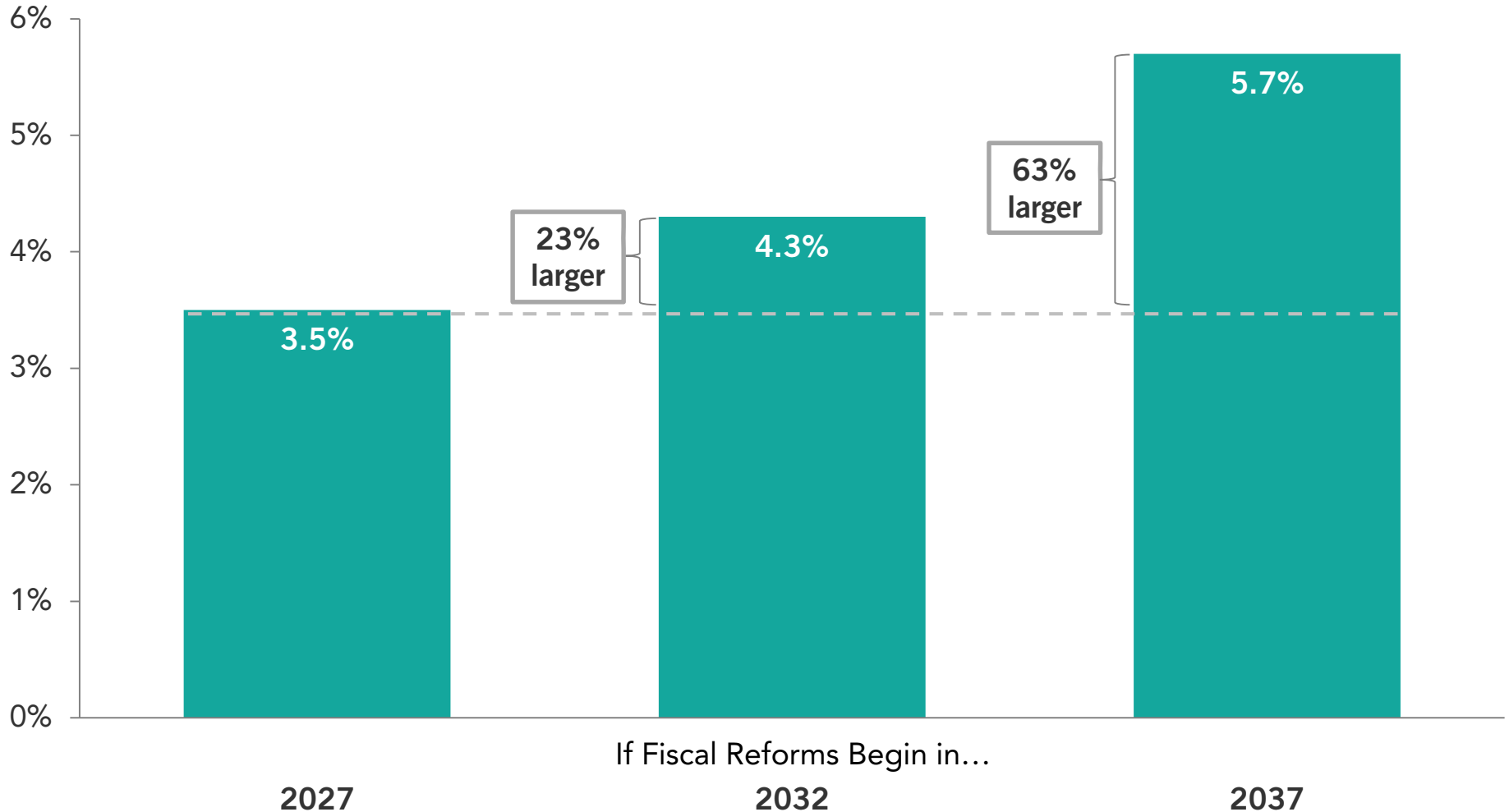| Year	Income Loss
2028	-$4,000
2038	-$8,000
2048	-$16,000

SOURCE: Congressional Budget Office, *The Deficit Reductions Necessary to Meet Various Targets for Federal Debt*, August 2018.
NOTE: The income measures are based on CBO's projections of real gross national product per person. The income loss is the difference between the income level if debt rises as it does under current law and the income level if debt remains near its current share of gross domestic product.

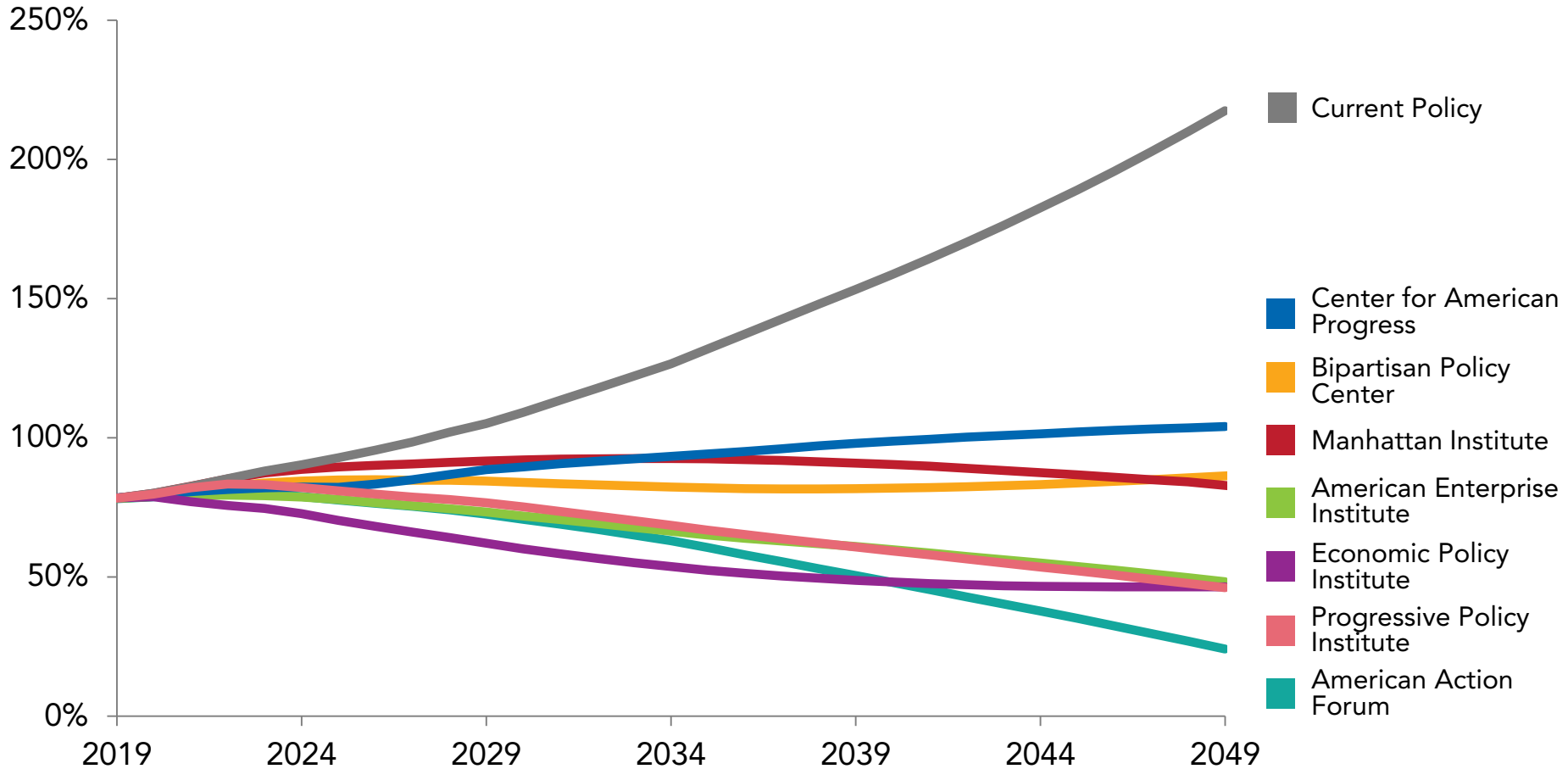# Waiting to act raises the cost of stabilizing the debt

Size of Annual Budget Changes Needed to Stabilize the Debt (% of GDP)

If Fiscal Reforms Begin in…

2027	2032	2037
3.5%	4.3% (23% larger)	5.7% (63% larger)

Debt Held by the Public (% of GDP)

Legend:
- Current Policy
- Center for American Progress
- Bipartisan Policy Center
- Manhattan Institute
- American Enterprise Institute
- Economic Policy Institute
- Progressive Policy Institute
- American Action Forum

SOURCE: Peter G. Peterson Foundation, *Solutions Initiative 2019*, June 2019.
NOTE: Current Policy reflects the Alternative Fiscal Scenario for 2019–2029 in CBO's The *Budget and Economic Outlook: 2019 to 2029* (January 2019) and PGPF calculations for 2030–2049 based on CBO's *The Long-Term Budget Outlook Under Alternative Scenarios for Fiscal Policy* (August 2018) and *The 2018 Long-Term Budget Outlook* (June 2018).