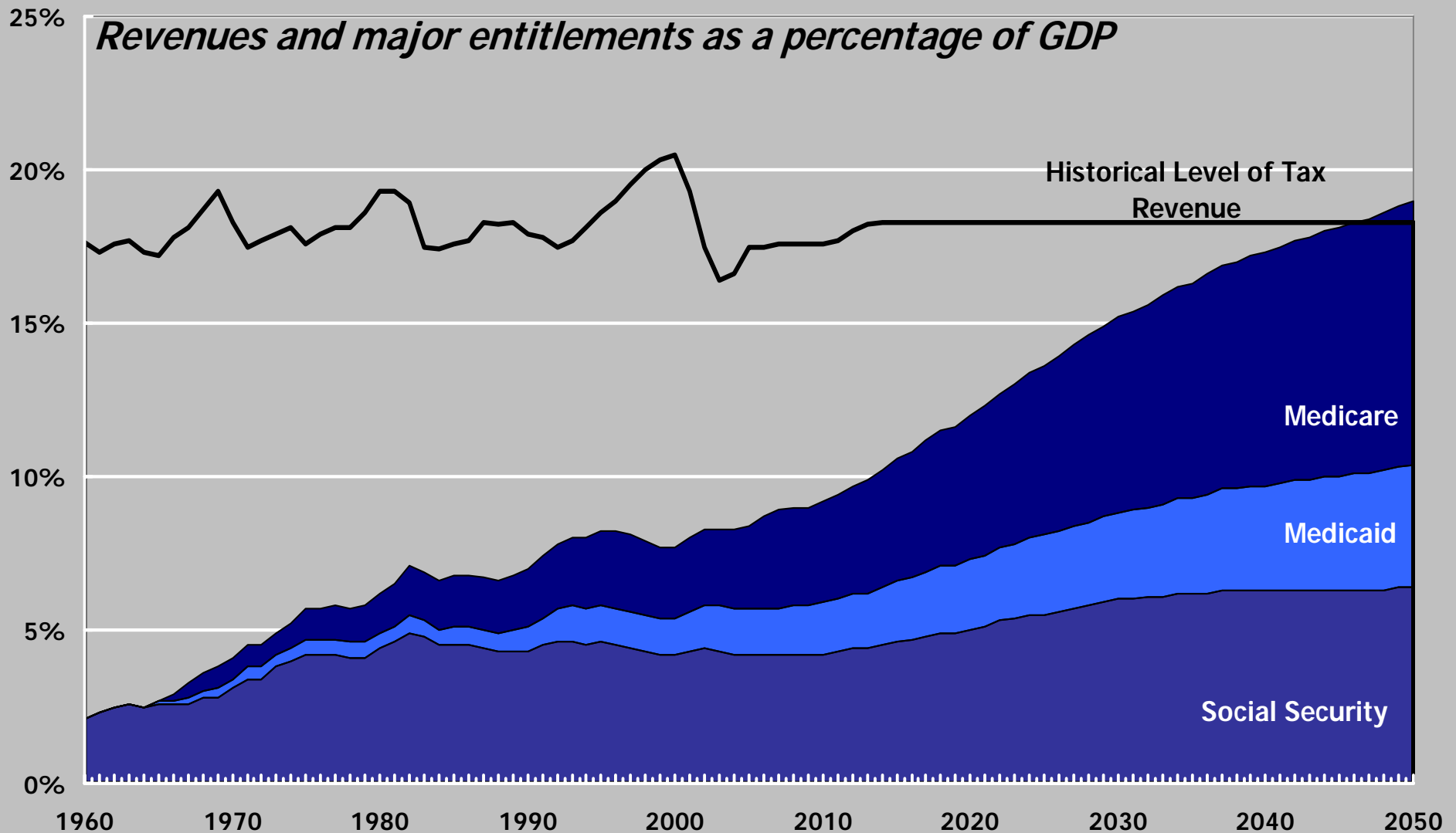


The Budget and Entitlements: Time to Take Action

*Stuart Butler
The Heritage Foundation*

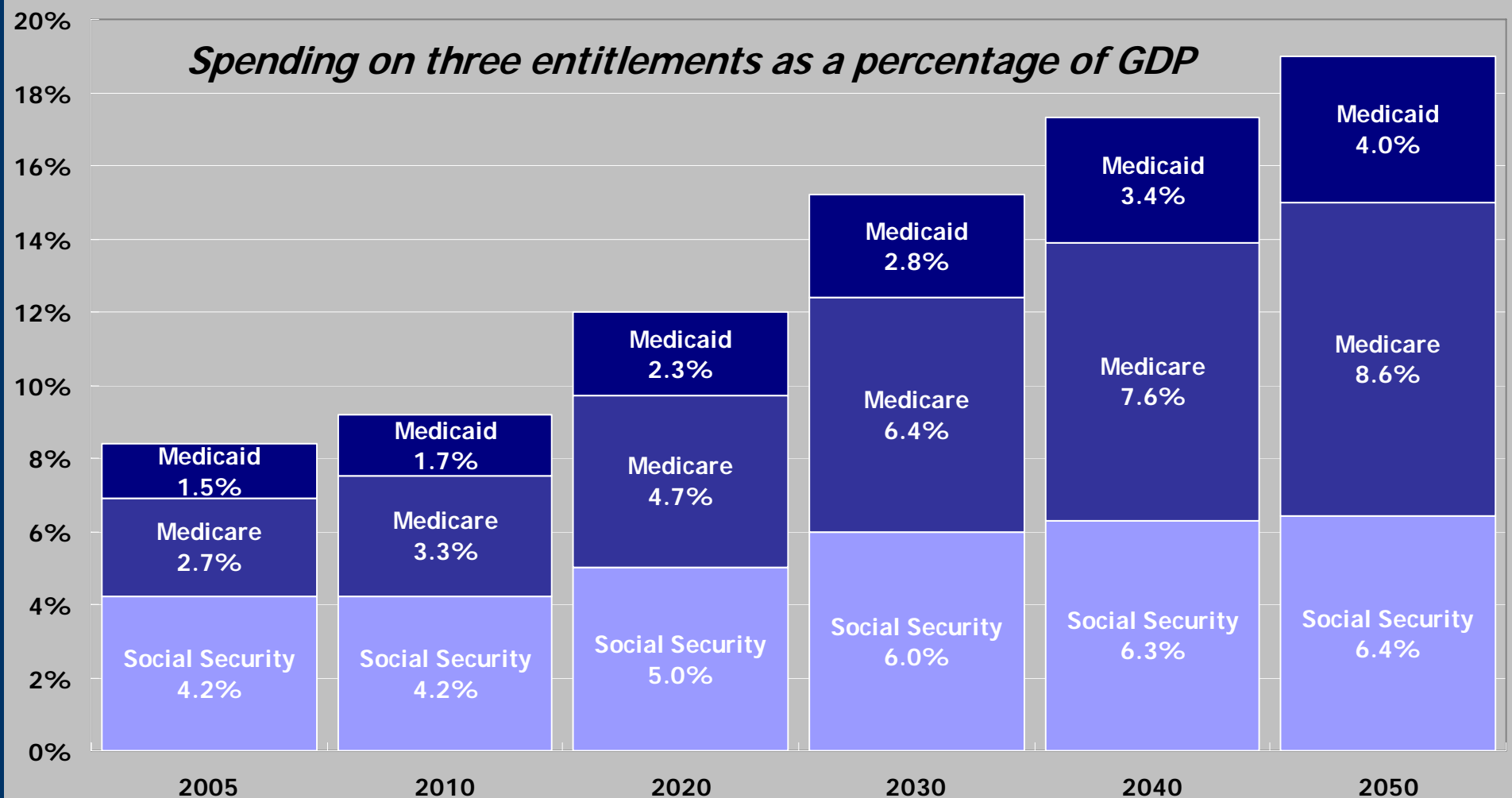
January 7th, 2007

Entitlements will crowd out everything else and collide with historical long-term level of taxes



Source: CBO Long-Term Budget Outlook, December 2005
Scenario 2 Data - Intermediate Spending and Lower Revenues

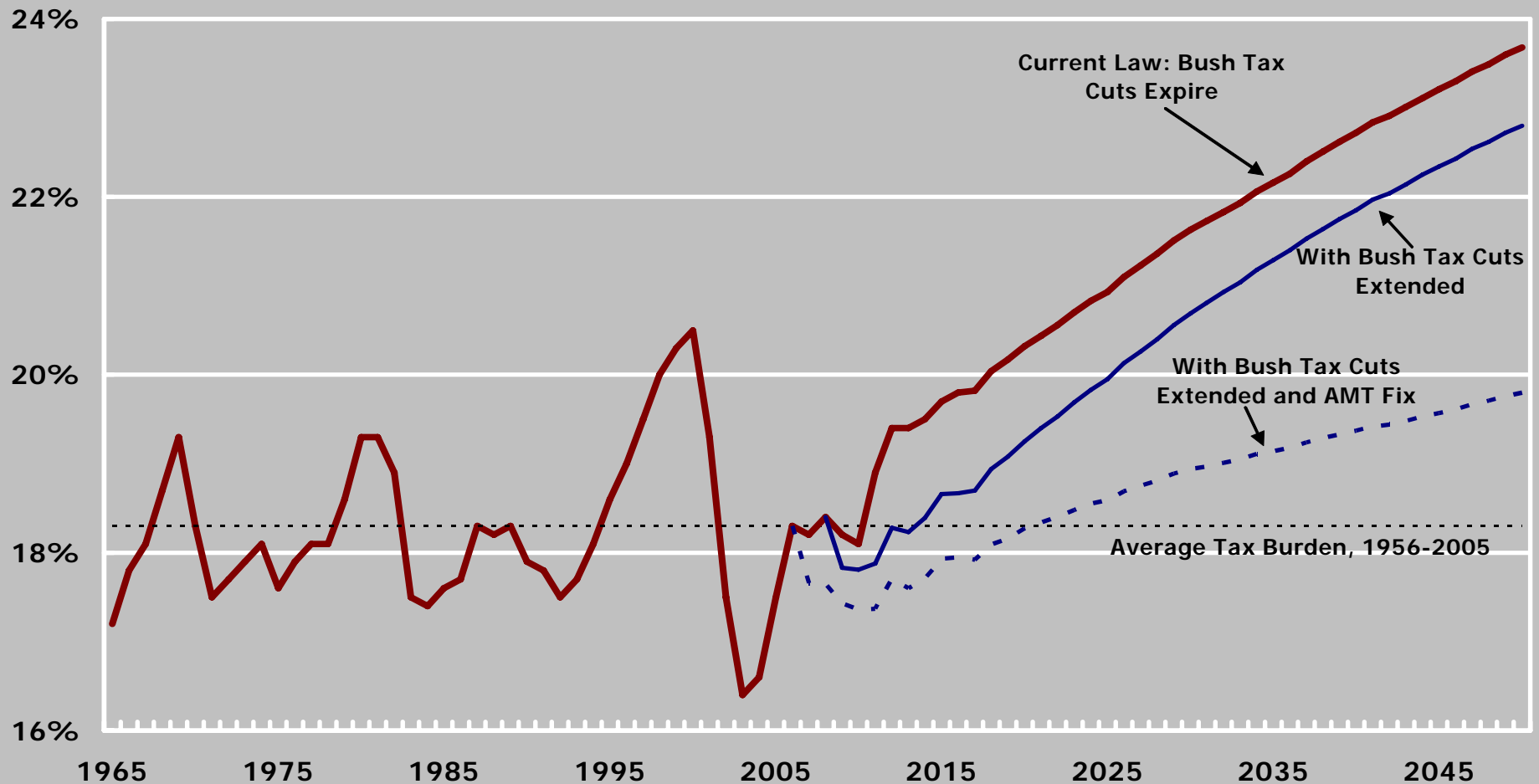
Health is the main entitlement cost driver of the entitlements tsunami



Source: CBO Long-Term Budget Outlook, December 2005
Scenario 2 Data - Intermediate Spending and Lower Revenues

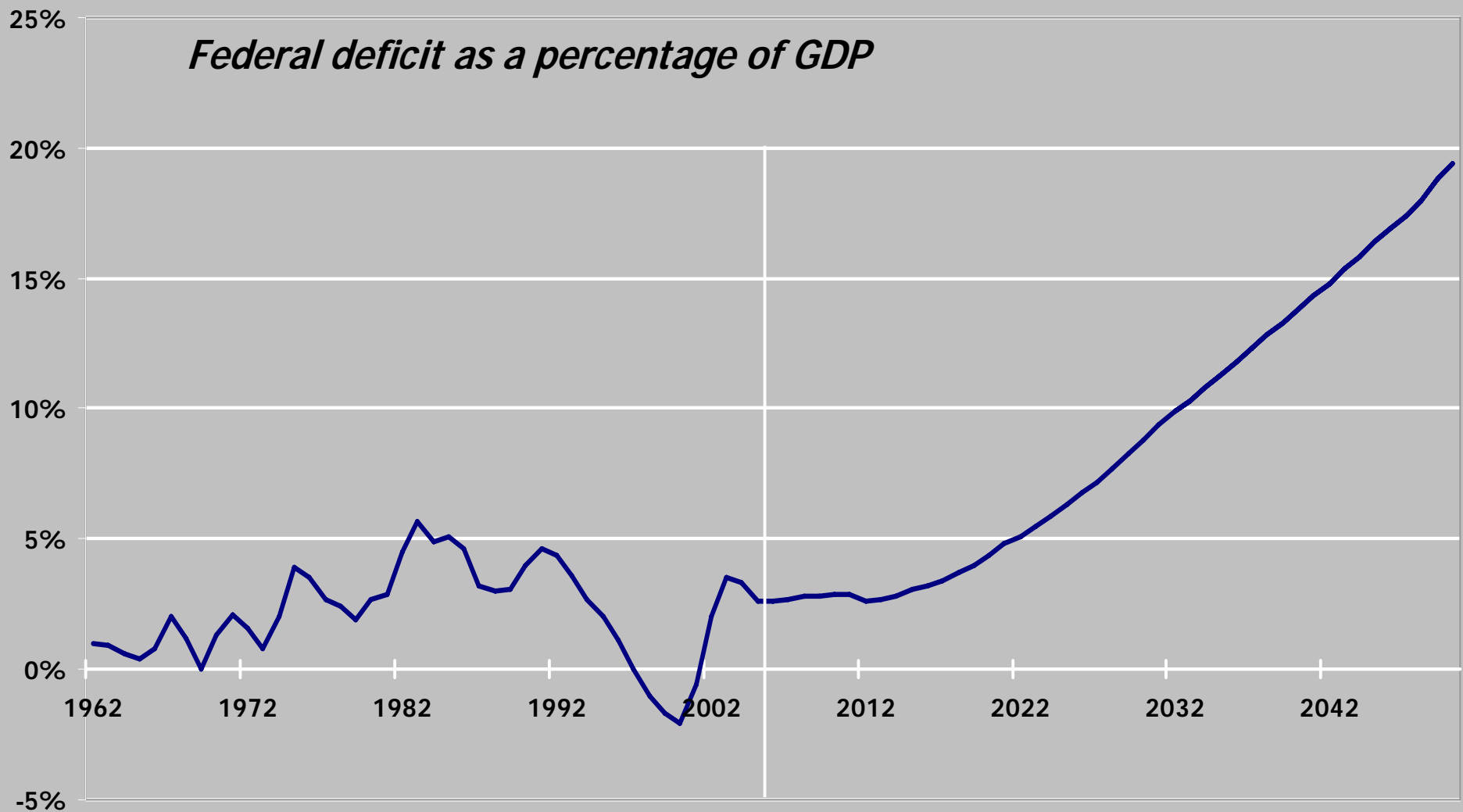
There has been no real tax cut: Under current law taxes will rise sharply thanks to pre-Bush laws

Projected Federal Tax Revenue for Three Tax Policy Scenarios as a Percentage of GDP (1965-2050)



Source: CBO Long-Term Budget Outlook, December 2005 and Budget Update, August 2006.

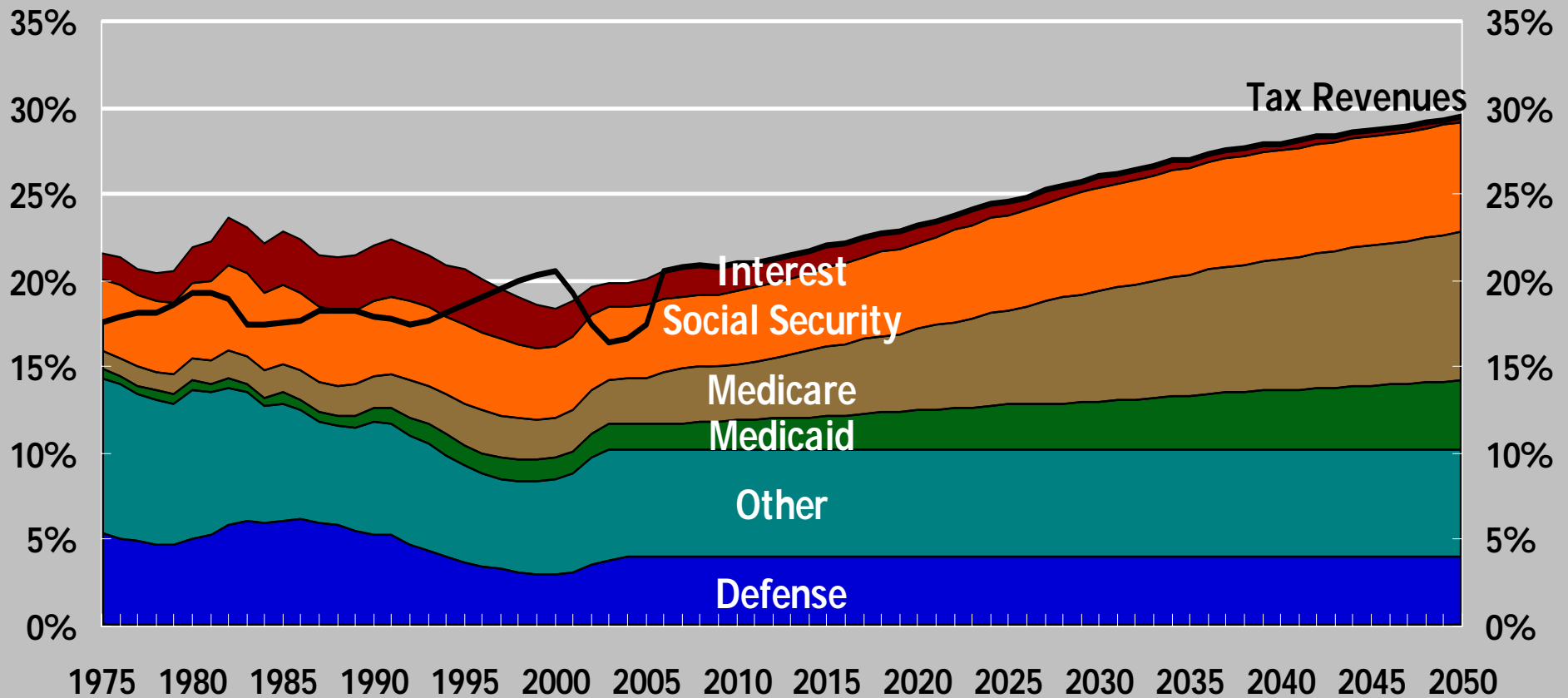
Absent action deficits not a problem soon - but then skyrocket to unprecedented levels



Source: CBO Long-Term Budget Outlook, December 2005
Scenario 2 Data - Intermediate Spending and Lower Revenues

If entitlements are not sharply curbed, balancing the budget means taxes rise to European levels

*Balanced Budget with no spending cuts
(assuming realistic discretionary spending)*



Source: CBO Long-Term Budget Outlook, December 2005
Scenario 2 Data - Intermediate Spending and Lower Revenues