



This chart by Mercatus Center Senior Research Fellow Veronique de Rugy shows the long-term path of federal spending, isolating three of its largest components: Social Security, Medicare and Medicaid, and interest on the debt. Using data from the Congressional Budget Office's *2010 Long-Term Budget Outlook*, this chart illustrates the harsh reality that if we do not deviate from our current path, the majority of future federal spending will be to finance the spending of the past.

As our debt grows, triggered by increased Medicare and Medicaid spending, the interest payment on that debt grows as well. If we do not change course, debt will end up as our biggest budget item. Indeed, the cost of the debt as a percentage of gross domestic product (GDP) will explode from a mere 1.8 percent of GDP in 2012 to more than 46 percent of GDP in 2084.

There is consensus that this path is unsustainable. According to the Congressional Budget Office (CBO), in fiscal year 2010, the gross federal debt will amount to \$13.2 trillion. This gross federal debt is comprised of the debt held by the public (\$8.8 trillion) plus the debt held by intra-governmental accounts (\$4.5 trillion), such as the money paid by taxpayers for Social Security and Medicare. Together, this gross federal debt represents over 90 percent of U.S. GDP. The debt held by the public represents 60 percent of GDP, a stark contrast with its 36.5 percent of GDP in fiscal year 2007.

Until we reach a sustained budget balance, the cost of the debt will continue to spiral. Federal spending, including spending on health care, must be checked. The sooner this is done, the better.