DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

A Message from the Secretary of the Treasury

This report provides another sobering picture of our long-term fiscal challenges.

Our actual and projected deficits are too high, swollen by the tax cuts and spending decisions of the previous decade, exacerbated by the economic crisis, and, over the longer run, enlarged by the aging of the population and the rising cost of health care.

The President and the Congress have enacted reforms that make a substantial contribution to dealing with these challenges. Caps on discretionary spending, combined with the automatic spending cuts that take effect at the start of 2013, will cut the 10-year deficits by $2.1 trillion – half of what is necessary to reduce deficits to the point where our overall debt burden starts to fall as a share of the economy. The spending sequester and the scheduled expiration of the tax cuts enacted in 2001 and 2003 provide a strong incentive for agreement on further reforms by the end of 2012. The Affordable Care Act reforms are projected to reduce the cost of providing health care for seniors substantially over the next two decades.

Restoring fiscal sustainability will require substantial additional changes, including tax reforms to increase revenue and changes to make our entitlement programs sustainable over time. But these reforms, if done in a broad-based and balanced way and phased in over time to give Americans a chance to plan and adjust, will not impose an unfair or excessive burden on the citizens of this country.

These fiscal challenges are not, of course, the only economic challenge facing the United States. The economy is still healing from the terrible damage caused by the financial crisis. The economy has been expanding and businesses are investing and hiring, but the pace of growth has been moderate. Creating conditions for stronger economic growth will require, among other things, a substantial program of public investment combined with incentives for private investment and reforms to improve education and to help drive innovation.

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