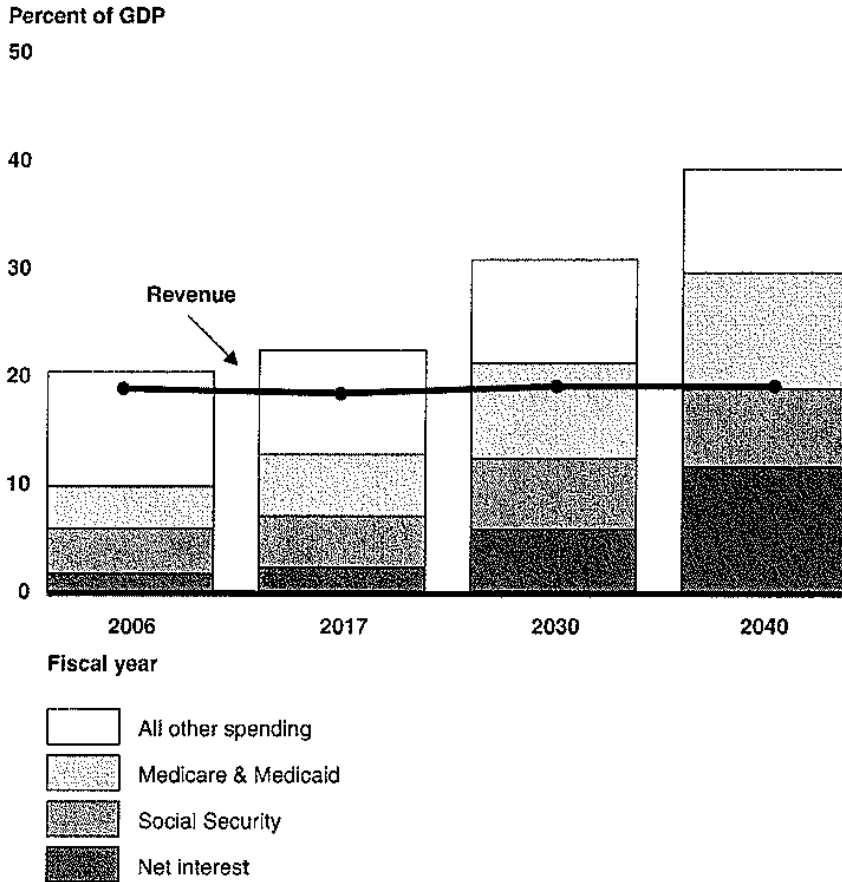


TAX CUTS MADE PERMANENT WITHOUT SPENDING CUTS

In graphic form, the GAO said tax cuts made permanent without spending cuts (i.e. the course sought by Saxby Chambliss and the Republicans) means:

Figure 3: Potential Fiscal Outcomes under Alternative Simulation: Revenues and Composition of Spending as Shares of GDP



Source: GAO's August 2007 analysis.

Note: Discretionary spending grows with GDP after 2007. AMT exemption amount is retained at the 2006 level through 2017 and expiring tax provisions are extended. After 2017, revenue as a share of GDP is brought to its historical level of 18.3 percent of GDP plus expected revenues from deferred taxes (i.e., taxes on withdrawals from retirement accounts). Medicare spending is based on the Trustees April 2007 projections adjusted for the Centers for Medicare and Medicaid Services alternative assumption that physician payments are not reduced as specified under current law.

Note: The above chart is conservative because it assumes that future spending grows with GDP, whereas spending grew approximately 7 percent per year from 2001-2006, (i.e. the years the Republicans were completely in control) while GDP grew at less than 3 percent per year, on average during that time period.