



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

**A MESSAGE FROM THE
SECRETARY OF THE TREASURY**

It is my privilege to issue to the Congress and the American people the 2007 *Financial Report of the U.S. Government*. The budget and financial results presented in this report demonstrate the remarkable strength of the U.S. economy that translated into record-breaking revenues of \$2.6 trillion flowing into the Treasury in 2007. A combination of solid economic growth and improved corporate tax yields have contributed to revenue growth of nearly 50 percent since 2003. This increase in revenues and our sustained economic expansion resulted in a continued decline in the federal budget deficit. In addition to reporting the government's 2007 operating costs and financial condition, this report discusses the nation's long-term fiscal outlook.

The report highlights a huge challenge—a coming wave of spending for our two major entitlement programs, Social Security and Medicare. The costs for these two programs will grow substantially faster than the economy over the next several decades as the “baby-boom” generation retires and health care costs continue to rise.

We must now look ahead to the future claims on spending for Social Security and Medicare and squarely face the challenge of fundamental reform to ensure the sustainability of these programs. We must also strive to make all our disclosures in this area as transparent as possible, provide all points of view with relevant data, and expand our reporting to include the reasons these critical forecasts are increasing year over year.

Through the type of comprehensive reporting contained in this report, we hope to inform and support the decision-making so critical to the nation's fiscal future.

Henry M. Paulson, Jr.

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