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The Federal Budget and U.S. Competitiveness in World Markets: An Overview

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Abstract

Federal budget priorities establish the economic environment that determines the competitive position of American industry. The shift from purchases to transfers and the declining share of corporate taxes has characterized the evolution of the Federal budget since the 1960's. Federal transfers from savers and investors to consumers reduces capital formation, slows economic growth, and detracts from U.S. competitiveness in global markets. The cash-flow accounting in the Federal budget, which does not distinguish capital investment from operating costs from transfer payments, tends to bias expenditures away from public investment. Growing entitlements and mounting interest payments obligate future taxpayers and constrain needed programs, further limiting public investment. Annual deficits equaling 3-5 percent of GDP have pushed the Federal debt to 70 percent of GDP.

Keywords: Federal budget, global competitiveness, budget deficits, entitlements, intergenerational transfers, social priorities.

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Summary

The level and composition of revenues and expenditures in the Federal budget help create the economic environment. Budget priorities create implicit incentives and disincentives that affect the evolving competitiveness of industries and sectors within the economy.

- Federal revenues have been a relatively constant 20 percent of GDP since 1978, while spending has varied from 23 to 25 percent of GDP. The excess spending has raised the interest portion of government expenditure from 8 to 12 percent, interest as a percent of GDP from 1.6 to 3.3 percent, and outstanding debt from 35 to 70 percent of GDP between 1982 and 1995.

- The composition of Federal expenditures has changed dramatically over the past 30 years. Purchases of goods and services, which exceeded 60 percent of Federal expenditures before 1965, are now 35 percent. Transfers to individuals, States, localities, international entities, and bondholders now exceed 60 percent of Federal spending, compared with less than 40 percent before 1965.

- The budget, calculated on a cash-flow basis, treats capital spending, operating costs, and transfer payments as equivalent, even though their impacts are quite different.

- Operating costs have been a declining share of the budget since 1982, while transfers have been growing substantially faster than revenues.

- Intergenerational transfers have also continued to grow substantially faster than revenues, implying increasing obligations for future generations.

- Federal spending has averaged $1.20 for every dollar of revenue collected since 1982. The corporate share of tax revenue has declined since 1940 as more of the tax burden has been placed on individuals. Between 1940 and 1944, corporate taxes averaged almost 150 percent of individual income taxes. In FY 1996, corporate tax revenues will be only 25 percent of individual taxes.

- Budget deficits, running between 3 and 5 percent of GDP since 1982, have reduced net national savings to only 5 percent of GDP. Higher interest rates reduce private investments, and public investments are forced to compete with rapidly increasing interest and other transfer payments in the budget. In comparison, other industrial countries have lower deficits and higher savings rates.

- The Congressional Budget Office estimates that reducing the deficit would lower interest rates, increase domestic investment, reduce foreign capital inflows, and raise the growth of U.S. GDP. The nature of the deficit reduction program changes the size of the estimates, since each revenue and spending option affects national growth and productivity differently.
Federal budget priorities establish the economic environment that helps determine the competitive position of American industry. Priorities, though often the topic of immediate debate, emerge from the long-term perspective: 40 to 50 years of Federal revenues and spending in relation to one another, and in relation to Gross Domestic Product (GDP). The stability of the shares and ratios transcends the effects of inflation, while changing budget components reflect shifting social values.

Since 1978, Federal revenues have been a relatively constant share -- 20 percent -- of GDP, while spending has fluctuated between 23 and 25 percent. The composition of revenues and spending has changed over the last 30 years. Corporate income taxes are a declining share and Social Security taxes are a rising share of revenues. Corporate profit taxes equaled 65 percent of individual income taxes in the 1950's, compared with about 20 percent since 1980 and 25 percent in fiscal 1995. Purchases of goods and services, which exceeded 60 percent of Federal spending before 1965, are now 35 percent. Transfers to individuals, States, localities, international entities, and bondholders now exceed 60 percent of Federal spending, compared with less than 40 percent before 1965.

The changes imply policy shifts from spending on goods, services, and capital items to redistributing wealth. These policy shifts have economic consequences, and the economic consequences affect U.S. competitiveness. To the extent that saving and investment rates of donors differ from those of recipients, capital formation is affected, and with that, national output and productive capacity. Continued borrowing to finance deficit spending tends to raise interest rates and the cost of capital for all borrowers. Private investment falls and mortgage payments rise. The negative saving represented in aggregate by the Federal deficit is enough to offset all personal savings.

Intergenerational transfers provide benefits to older Americans that are paid for by their children and grandchildren. In addition to the benefits to retirees under Social Security and Medicare paid by taxes on current workers, rising interest payments on growing Federal debt crowds out discretionary spending in the future. Such transfers have both direct costs and opportunity costs.

Federal budget cash-flow accounting emphasizes programs and functions, but does not distinguish among capital spending, operating costs, and transfer payments. Ignoring the distinction biases expenditures toward consumption as the purchase of an investment good with a productive life of many years is treated as a current expenditure. Is the dollar of deficit being borrowed to pay for a capital investment, or to make a transfer payment? The economic consequence and repayment possibilities of such spending clearly differ.
The revenue and outlays in major categories of the Federal budget for fiscal 1995 and 2000 are presented in table 1. Simple extrapolations based on 1990-96 compound growth rates are compared with baseline estimates from the Congressional Budget Office (CBO). Social Security is the largest expenditure category, accounting for 22 percent of outlays. Health and Medicare spending are the most rapidly growing categories. Interest represents more than 15 percent of total outlays. The CBO-estimated deficit in 2000 is 14 percent of projected outlays, compared with about 12.5 percent in fiscal 1995. CBO projects that revenues will grow about 4.6 percent per year between 1995 and 2000. Expenditures grow about 5.25 percent per year between 1995 and 2000, compared with 4.2-percent growth between 1990 and 1996.

This report describes the Federal presence in the economy, looks at the policy issues and consequences of budgetary trends, and draws implications for U.S. competitiveness.

Federal Presence in the Economy

Federal revenues since 1978 have been approximately 20 percent of GDP, while expenditures have reached as high as 25 percent. Government expenditures as a percent of GDP varies across OECD countries, from a low of 15 percent in Japan to more than 40 percent in France (fig. 1). This percent varies to some extent by the degree of decentralization of government. In France, federal government expenditures represent a very large part of total government expenditures. In the United States, State and local government expenditures are more than 40 percent of Federal expenditures and State and local revenues exceed 45 percent of Federal revenues. In 1993, total government expenditures accounted for 34.5 percent of GDP and receipts for 31 percent of GDP. The share of State and local expenditure in the United States has been fairly stable over time.
Between 1975 and 1982, both Japan and the United Kingdom ran larger budget deficits than the United States (fig. 2). But since 1983, U.S. deficits have exceeded those in the UK, France, and Japan. France had budget surpluses for most years from 1970 to 1990, except 1983-86 when they had a slight deficit. The U.S. budget deficit in 1993 was about 3 percent of GDP (fig. 3).
During WW-II, Federal spending rose to 43 percent of GDP, with the deficit approaching 30 percent of GDP. During the war, Federal tax revenues barely exceeded 20 percent of GDP. The deficit was financed by extensive bond sales, borrowing from the public. By 1946, the Federal debt was 125 percent of GDP (fig. 4).1

After WW-II, economic growth raised GDP while Federal deficits were small and the ratio of Federal debt to GDP fell. Between 1974 and 1981, the Federal debt was about 34 percent of GDP. The fiscal policies of the 1980's reversed this trend. The debt is projected to approach 70 percent of GDP at the end of fiscal year 1996.

The Budget Perspective

Federal spending on defense peaked at more than 90 percent of the budget in 1945, then declined to approximately 50 percent. It further declined to about 25 percent of the budget by 1976, showed a slight increase in the Reagan years, and is projected to be less than 20 percent in fiscal 1996. Defense expenditures have declined in both absolute and relative terms since 1988. This is a reflection of the end of the cold war (fig. 5). Continuing cuts in defense must be weighed against priorities in other areas.

1The changing definition of the fiscal year produced the discontinuities in the charts. On the left hand side, the years run from July (t-1) to June (t). On the right hand side, the years run from October (t-1) to September (t). In the middle is the so-called "transition quarter" from July to October in 1976. All the charts based on fiscal-year concepts will have this discontinuity.
Non-defense spending includes Social Security, Medicare, health, income security, and other spending. Income security includes food stamps, welfare programs, and unemployment insurance. "Other" spending includes all the activities of general government -- regulation to research, legislation to administration, inspection to infrastructure, criminal justice to communications. In the 1960's and 1970's, "other" spending accounted for about 20 percent of the budget; in the mid-1990's, only about 10 percent of spending will be in this category.

Social Security spending has grown from an insignificant level in 1940 to more than 20 percent of projected spending in FY 1996. Demographics are a major force behind Social Security spending. When the "baby-boom" generation starts to collect its benefits, the Social Security "trust fund" will be strained. The President's Social Security Commission predicts that the Social Security trust fund will run out of money by 2030 unless major changes are made in the structure of the program.

Medicare was first enacted in 1965. It has grown to more than 10 percent of Federal spending in the 1990's. Other health spending (Medicaid, VA hospitals, the NIH) is an additional 10 percent of the budget.

Income security programs are about 15 percent of the budget. These were originally intended as countercyclical spending that rose when economic growth slowed and declined as the economy recovered. However, they no longer seem to respond as readily to the business cycle.
Individual income taxes provide revenues for about 40 percent of Federal expenditures (fig. 6). Corporate income taxes provide revenues equal to about 10 percent of the outlays, although their historical share has been as high as 30 percent. Social Security taxes provide revenues equal to nearly 35 percent of Federal spending, and exceed current-year payments to Social Security recipients. Other revenues include everything from customs duties and license fees to grazing fees and criminal penalties. In the 1950’s, other revenues amounted to nearly 20 percent of the total, while they are less than 8 percent in the 1990’s. The Federal deficit in most years since the mid-1970’s has exceeded 15 percent of the outlays. The Federal Government has spent on average of $1.20 for every $1.00 of revenue in this period.

Corporate income taxes have not risen as rapidly as individual income taxes. In 1940-44, corporate taxes were more than 150 percent of individual taxes (fig. 7). This has declined to about 20 percent since 1980. In FY 1996, corporate income taxes are projected to be 25 percent of individual income tax revenues. The relative decline in corporate taxes mirrors the changing composition of national income, with labor’s share increasing and capital’s share declining.

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2In fact Social Security taxes have exceeded payouts since the inception of the program. In 1996, the projected surplus exceeds $150 billion. The problem with the program is not current receipts versus current expenditures, but the actuarial problems in the future when the composition of payees versus payers drops drastically with the increase in retired population.
The National Accounts Perspective

The National Income and Product Accounts (NIPA) have a different breakdown of the Federal sector than the budget. The NIPA presentation separates transfers from purchases, and distinguishes among the recipients. NIPA is reported by calendar year rather than fiscal year.

Direct and indirect compensation of Federal employees is approximately 13 percent of Federal spending in recent years, down from 25 percent in the mid-1950's (fig. 8). Nonpayroll purchases of goods and services are 12-15 percent, down from nearly 50 percent in the early 1950's. Before the "Great Society," Federal purchases of goods and services were more than 60 percent of expenditures. Since 1975, purchases of goods and services have been less than 40 percent and are approaching 30 percent of the total. Federal purchases fund social investments including transportation, education, and public research and development. In agriculture, public investment in high-yield varieties, cropping and conservation practices, and improved animal stocks have boosted agricultural productivity. Public commitments to education and science have provided the means for technological progress and human capital development, and thus, higher standards of living.

The most rapidly growing segment of Federal outlays is transfers to individuals. Transfers rose from 20 percent of outlays in 1968 to nearly 50 percent by 1994. Transfers to individuals include Social Security payments, unemployment, welfare, farm price supports, food stamps, and higher education (Pell)
Employee compensation fills the gap between the top of the graph and 100 percent.

Other outlays include international transfers; Federal grants-in-aid to State and local governments (12-15 percent of Federal outlays in recent years) for road-building, education, crime-fighting, and community development; and subsidies to government enterprises, like AMTRAK and the Postal Service (2-3 percent of spending).

Net interest on the Federal debt was 12 percent of outlays in 1994. The share of outlays for interest has decreased slightly since 1990, as a result of reduced interest rates caused by stimulative monetary policy and low rates of inflation (fig. 9) Interest paid represents about 5 percent of the outstanding debt in 1996, down from more than 7 percent of the debt in 1982. As a fraction of GDP, interest on the debt has been about 3 percent of GDP since 1985. From 1950 to 1975, interest was less than half that.

The NIPA view of Federal revenues is similar to the budget view, except that the data pertain to calendar rather than fiscal years (fig. 10). Personal income taxes (and nontax payments) contribute a fairly stable 40 percent of Federal expenditures. The share of revenues from corporate profit taxes and indirect business taxes has declined since 1955, when it funded nearly 50 percent of Federal spending. In 1993,
the share was only 15 percent. Social Security (and other related) taxes were only 10 percent of the total in 1955, but are more than 35 percent in 1994. The deficit is currently 20 percent of Federal spending.

Policy Issues and Consequences

Budget allocations force hard choices. The choice is between a society that places more emphasis on overcoming income disparities, versus one where the emphasis is on government’s overcoming market failures and providing public goods to promote higher growth. However, whatever the social objectives behind policy decisions, there are economic consequences to political choice.

Social choices manifest themselves in public programs. For instance, entitlement programs represent a commitment to equity. The commitment to growth is shown by public investment in infrastructure, and government's role in overcoming market failures is represented by regulatory institutions such as the Federal Reserve System. When there is a large disparity between public and private returns, government expenditures on public goods such as education even out the disparity. Some spending redistributes income and wealth. Some public transfers are intergenerational while others transfer resources between income groups. Social Security and Medicare are intergenerational transfers, while food stamps and unemployment insurance are income transfers. Public research and development spending evens out the difference between private and public returns to such investment.

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3 Some might argue that constraints, rather than preferences, dominate the political decisionmaking process. When budgets are not binding, and especially when they are growing, Congress is not forced to make the tradeoffs required for fiscal discipline.
Food safety and inspection services remedy a perceived failure of the private market to adequately regulate itself.

A change in the size of the Federal budget and in the composition of either spending or revenue affects growth and competitiveness. The budget deficit subtracts from national savings. Since the tax cut of 1982, the United States has run higher deficits than at any time except for war years. Many transfer programs redistribute income from those with high marginal rates of saving and investment to those with lower rates of saving and investment. This compounds the reduction in national investment potential.

Trends clearly identify a shift from government expenditures on goods and services to income redistribution. Through 1968, more than 60 percent of Federal spending bought goods and services. Since 1975, more than 60 percent of Federal spending redistributes income from taxpayers to other individuals, to State and local governments, to international entities, and to Federal bondholders.

Redistributive policy assumes that the social benefits derived from the transfer exceed the donors' loss. Society benefits from the transfer: faster growth, better schools, cleaner environment, safer neighborhoods, and healthier children. These are laudable goals and research backs each claim. But to what degree does the transfer result in increased current consumption rather than investments in physical capital?

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4 There are two categories of transfers: intergenerational and intragenerational. Most intergenerational transfers are clearly consistent with lowering the savings rate. Some intragenerational transfers such as support of education, Medicaid, and others can be thought of as investments in human capital which may contribute to growth and competitiveness.
and human capital? To what degree is this outcome the result of the effectiveness of special-interest lobbyists rather than social benefit? To what degree does the transfer process crowd out the legitimate need for government to address true market imperfections? To what degree does the rise in transfers take into account the needs of the future taxpayer who will have to pay for the cumulative deficits?

A large component of public expenditures on goods and services can be viewed as public investment while redistributive expenditures largely result in increased consumption. Public expenditures purchased interstate highways, B-2 bombers, aerospace engineers, microelectronic components, and Federal courthouses. To the degree that public expenditures augment productive capacity and raise national productivity, there is a general and lasting benefit. To the degree that transfers take funds away from groups that invest and give them to groups that consume, national savings is undermined.

The effectiveness of spending within categories is as problematic as the allocation among them. For example, even in an area that can be arguably asserted as a legitimate public investment such as public infrastructure, the disposition of funding does not necessarily lead to the highest social payoff. Public expenditures on inland waterways need to be assessed against alternatives such as urban highways and public transportation. A program's marginal benefit must be both positive and more than its marginal cost to avoid a social loss.

The deficit itself induces a perverse intergenerational problem. Rising interest payments on the growing Federal debt crowd out discretionary spending in future years. The President's Budget contains an estimate of the intergenerational tax rate. In 1993, it estimated the lifetime net tax rate on future generations at 71.1 percent; in 1995, the estimate is 82 percent. This is the tax rate after crediting back the future benefits transferred to those taxpayers.

The intergenerational problem highlights another problem: the budget does not distinguish between spending on capital, operations of government, and transfer payments. This encourages a reallocation of funds away from productive uses to consumptive uses of Federal revenue. A dollar spent on paper clips is treated the same as a dollar spent on an office building, which is treated the same as a dollar for research, which is treated the same as a dollar spent on food stamps, Medicare, Social Security, or welfare. All are taken out of the same cash flow even though some of these expenditures expand capital stock and productive capacity.

The growth in expenditures has been in social entitlement programs. Since 1990, Social Security expenditures have been rising at 5.9 percent, Medicare at 9.9 percent, income security programs at 7.7 percent, and other health programs at 12.8 percent, while defense, international affairs, and all other programs have been growing at less than half the rate of revenue generation (5.3 percent). Under the current system, the public doesn’t know whether the Government is borrowing to build a building or to make a welfare transfer. Furthermore, in terms of solving the deficit, treating all Federal expenditure as a cash outlay biases cuts toward discretionary outlays -- such as investments in transportation, other infrastructure, education, and research --rather than entitlements such as welfare, Medicare, and income security, which are considered mandatory. The accounting system encourages confusion between alternative functions of government.

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Business would not confuse expenditure on R&D, plant and equipment, and training for its staff with charitable contributions. But the Government does just that. An accounting system that would separate operating expenditures from public R&D and investments, and would treat insurance schemes such as Social Security on an actuarial-sound basis would go a long way toward resolving the deficit problem.

Finally, government spending grows without bound because much of it is subject to rules and not budgets. Anyone or anything that can qualify under the rules can create a claim on the Federal purse strings. This is particularly true in the medical area where the recipients of the payments decide the level of medical service. The basic problem is that payments are made on behalf of instead of by the primary purchaser of services. Under this type of system, it is in the interests of the recipient to maximize the amount of services received rather than consider the benefit tradeoff between alternative uses of the resources. Unless the system is transformed into one with countervailing controls, expenditure escalation is likely to continue.

The Federal Budget and U.S. Competitiveness

Competitiveness is the degree to which an industry, sector, or country effectively uses resources in creating value. For a given resource use, the most competitive economic unit is the one creating the largest value. Competitiveness is a dynamic process requiring continual investment in productivity growth that results in higher income growth. Policies that encourage increasing efficiency and productivity increase competitiveness while those that discourage efficiency and productivity reduce it. Public and private research and development generate the innovations that result in productivity growth. Investment is the means of capturing embodied technical change. Lucas (1993) and Romer (1990) suggest that a critical factor in competitiveness is public sector investment. Countries committed to investments that improve the ability of markets to allocate resources efficiently show higher growth than countries with less commitment. Policies that encourage domestic savings create the resource pool that can be invested in new plant and equipment, human capital, or research and development.

Several features of the evolving budget problem directly affect the competitiveness of U.S. industry and agriculture. The deficit reduces national savings. The deficit, since 1982, has been 3-5 percent of GDP, much higher than in countries like France, the UK, and Japan. The United States has a low national savings rate compared with other OECD countries (average 20 percent) and the high-growth Asian newly industrialized countries (NIC’s) (average 35 percent). Gross national savings in the United States since 1982 has averaged 10-15 percent of GDP, and has been falling (fig. 11). Net national savings, with depreciation deducted, has been only 3-8 percent. The most obvious impact of the deficit has been to reduce the U.S. national savings rate by an amount equal to all of personal savings.

The changing composition of the budget from, primarily, purchases of goods and services and public investment to transfer payments also affects the national savings rate. The shift in budget composition represents 20-25 percent of the budget, or $320-$400 billion based on the projected 1996 budget. If the average savings rate of the donor group is 10 percent higher than the recipient group, then the net impact

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* A payment on behalf of someone is not the same as a transfer to that person. A transfer to that person gives him full control over the disposition of those resources. A payment on his behalf goes to the payee, not the beneficiary. The "transfer" aspect of that expenditure goes from the Government to the payee, not to the "beneficiary" of the payment. If an 80-year old Medicare recipient were to receive a transfer of $250,000, she might well bequeath that to her grandchildren rather than spend it on medical treatments that might only prolong her dying. But, the programs instead say that $250,000 will be spent on such-and-such procedures. The economic consequences differ significantly.
Assessing the quantitative impact of the budget deficit on GDP growth is very difficult. There is wide disagreement among economists about the net effects of the budget deficit. However, the size of the

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Eisner (1984) argues that to truly determine the impact of the budget deficit, one must construct a net real high employment deficit. Based on his calculations, this deficit can vary substantially from the nominal deficit reported by the Government. It one went to the kind of accounting process where capital investments are treated differently than transfers and operating costs, a different deficit would also be obtained.
The Congressional Budget Office (CBO) has examined the impact of a smooth deficit reduction process between 1996 and 2002. Based on the full removal of the deficit, CBO estimates that the U.S. GDP growth rate would increase by 0.5 percent (CBO, 1995). The same CBO analysis predicts a fall in interest rates. CBO estimates that eliminating the deficit would reduce the short-term (3-month) Treasury bill rate by 1.1 percent and the long-term (10-year) Treasury bond rate by 1.7 percent. Reducing interest rates would slow the foreign capital inflow that helped finance the deficit. The cost in 1994 alone is more than $300 billion for all borrowers (1.7 percent of $17.8 trillion in debt). The cumulative cost over 1982-95 is approximately $2.1 trillion.8

An estimate of the cumulative cost of the deficit on U.S. income can be made using the CBO projection of growth impact. The cumulative impact of the loss in GDP from the budget deficit between 1982 and 1995 amounts to $466 billion 1995 dollars. This does not take into account the future cost. Even if policy changes that are currently proposed go into place and succeed in reducing the deficit by 2002, additional costs would bring the total loss close to $750 billion. Furthermore, by importing capital from abroad to pay for the deficit, the United States has become the largest debtor nation in the world, further taxing the income streams of our current and future citizens.

Restatement of the Problem

The above analysis highlights a set of related problems:

- Prolonged significant Federal budget deficits have a substantial cost in terms of forgone income and growth.
- The composition of Federal expenditures also matters. All categories of expenditures do not have equal impacts on the economy.
- The budget operates on a cash-flow basis, and does not distinguish among capital, operating, and transfer items. Entitlement spending is mandated, while general government is considered "discretionary."
- Spending that is mandated by formulas exposes the budget to unlimited growth and thereby forestalls solutions to the deficit problem.

Solutions to these economic problems require balancing political ramifications against economic consequences. The broader the realm of discourse, the more likely the spirit of compromise, and the closer the outcome approaches a "social optimum."

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8A proper accounting of all costs involves not only cumulating the real dollar loss, but also discounting the cumulative loss to current terms. This discounting process reduces the importance of losses furthest away in time. It also depends on the discount rate used. Since the highest costs are occurring nearest to the present, the discounting process will not significantly alter the fact that the costs have been staggeringly high.
References


______. An Analysis of the President's Budgetary Proposals for Fiscal Year 1996. A Report to the Senate Committee on Appropriations, April 1995.


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9All U.S. data used in the illustrations of this paper can be found in the Statistical Appendix to the 1995 Economic Report of the President, and earlier years. The data for the international comparisons came from the World Bank STARS database.
deficit and the changing composition of expenditures. The data from 1982 suggest substantial deviation from a growth path where the budget was balanced.

An estimate of the cumulative cost of the deficit on U.S. income can be made using the projection of growth of the U.S. economy. This estimate is based on the data in the December 1994 Economic Report of the President. The 1993 cumulative deficit of $14.7 billion would have amounted to $46.6 billion in 1995 dollars. This does not take into account the future cost. Even if policy changes were made to correct the situation, it is anticipated that by 2002, additional costs would bring the total 1995 dollar deficit to $82 billion. The cumulative deficit of $46.6 billion represents the total cost of the cumulative deficits that have accumulated since 1982.

The composition of Federal expenditures is a significant factor in determining the deficit. The composition of Federal expenditure items is shown in the table below.

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<tr>
<td>Interest Payments</td>
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<tr>
<td>Transfer Payments</td>
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The table above shows the proportion of expenditures dedicated to each category. Overall, the Federal government has a budget deficit, but the composition of expenditures varies significantly from year to year. The cumulative deficits have been a significant factor in the growing national debt.

In summary, the cumulative deficits have had a substantial cost in terms of forgone income and lost economic growth. The Federal government is facing a significant challenge in addressing the deficit and ensuring a sustainable economic future.