



AMERICANS FOR TAX REFORM

POLICY BRIEF

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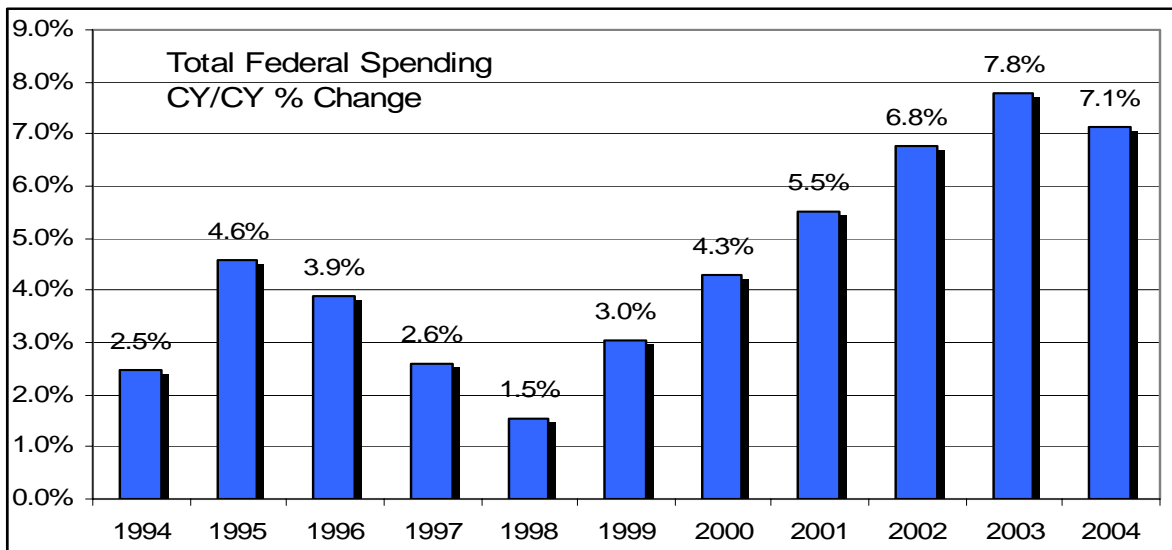
THE FACTS ABOUT FEDERAL SPENDING

Fact #1: Federal Spending Continues to Rise at Unprecedented Levels

In calendar year 2004, federal spending is expected to increase 7.1 percent above calendar year 2003 levels. This is the second consecutive year of federal spending increases above 7 percent. Since 2000, federal spending has exploded, increasing at annual average rate of 6.7 percent. This clearly exceeds historical levels.

Additionally, calendar year 2004 spending will be 2.5 the rate of inflation and falls on top of 2003, which was three times the rate of inflation and 2002 spending, which was four and half times the rate of inflation. There is absolutely no justification for more spending given the enormous increases in spending since calendar year 2000.

Chart 1: Total Federal Spending, Percentage Increase CY 94-04

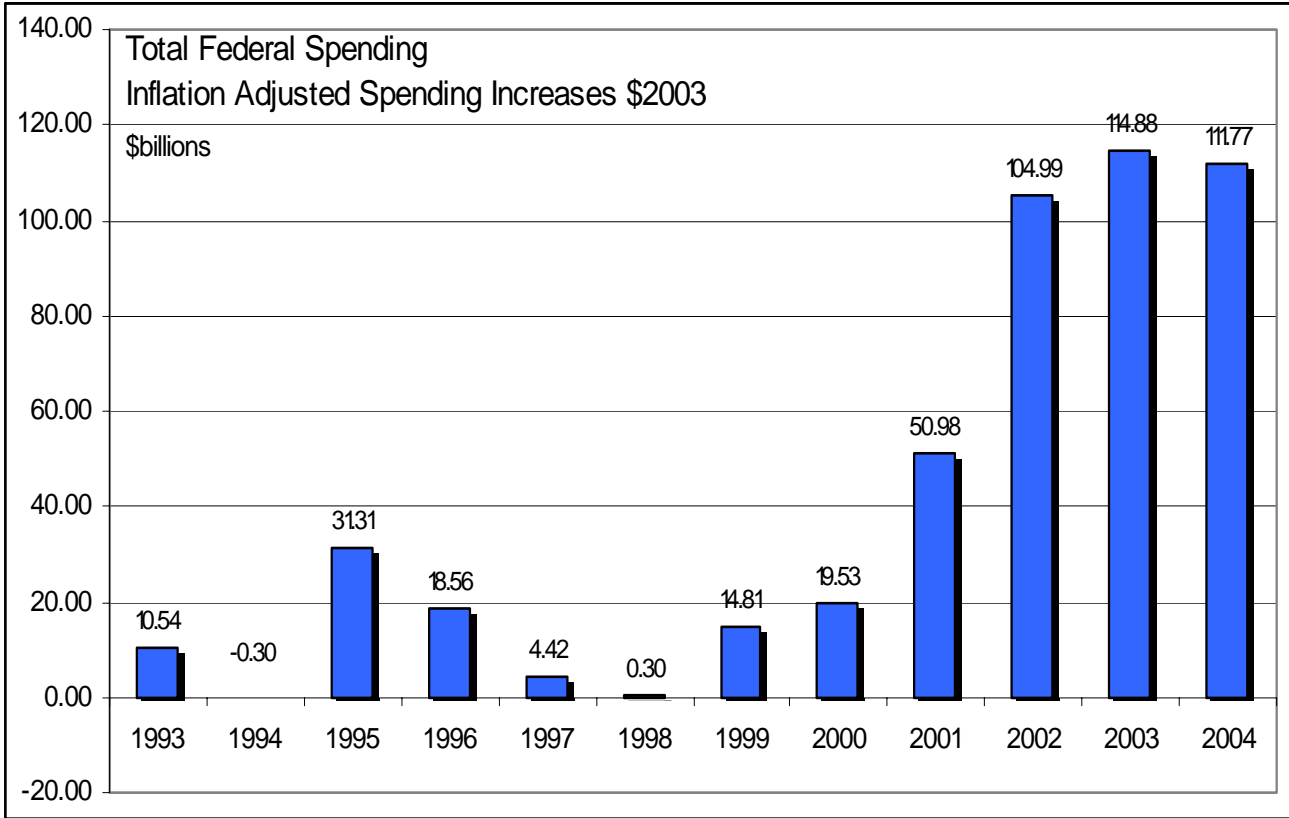


Source: National Income Product Accounts, Congressional Budget Office, and Americans for Tax Reform

Fact #2: CY 2001 – 2004 Spending Increases Are 3.5 Times Greater Than Total Amount for 1993 - 1999

Based on the 2004 numbers, the combined inflation adjusted spending increase amounts for calendar year 2001 – 2004 more than triples the amount of federal spending for the period of 1992 - 2000. In other words, in just the past three years, federal increases are 3.5 times the amount spending increased in the previous eight years combined.

Chart 2: Annual Spending Increases CY 93-04 (billions of \$2003)



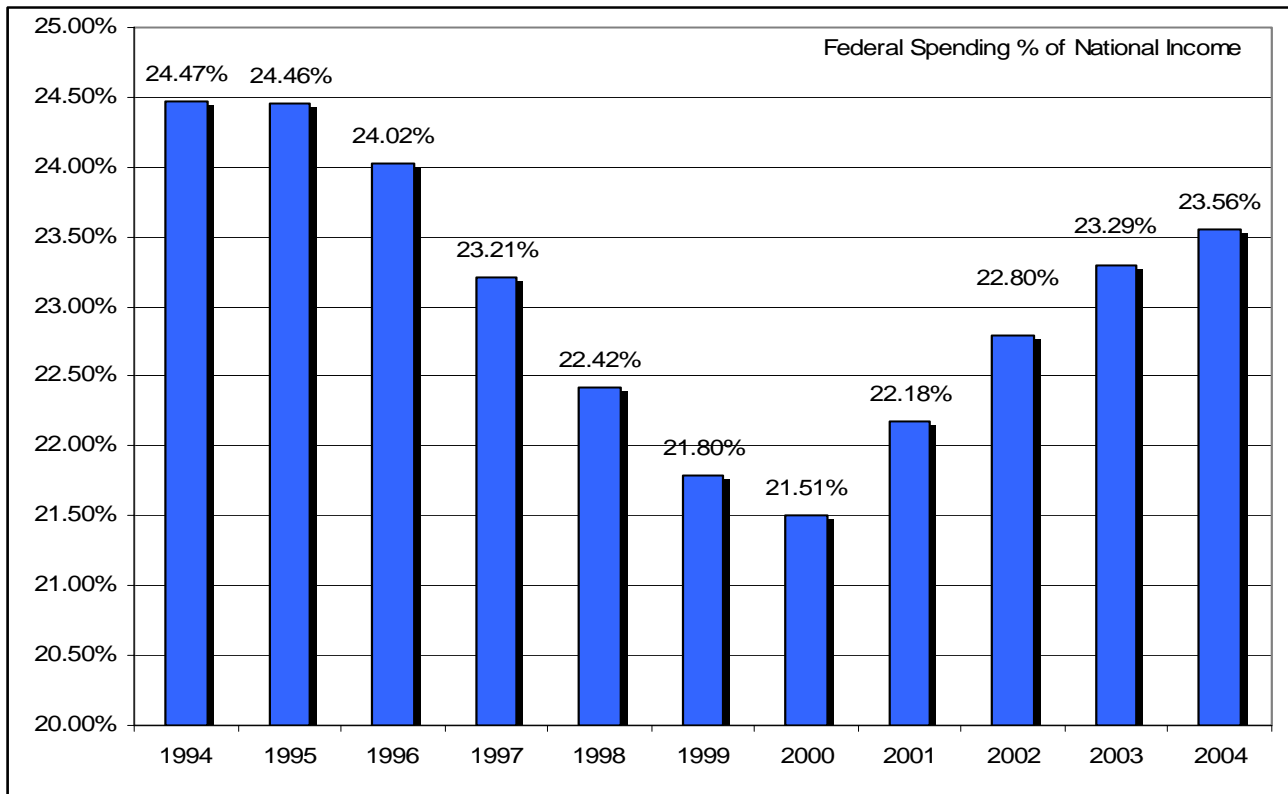
Source: National Income Product Accounts, Bureau of Labor Statistics, and Americans for Tax Reform

Fact #3: Federal Spending Is Consuming More Of The Economy

The dramatic acceleration of spending will increase federal spending as a percentage of national income for the fourth consecutive year. The 2004 increase needs to be placed in context since national income is accelerating at its fastest pace in 20 years. The problem, however, is that government spending is growing ever faster. Accordingly, spending as a percentage of national income will wipe out all the spending restraint achieved by the Congress from CY 1995 – 2000.

This abrupt and substantial rise of federal spending will restrain economic growth in the future and hence, future government revenues, thus exacerbating the current deficit. Clearly, government spending has been growing faster than the growth of the private economy, yet the return on this government spending diminishes for every new dollar spent. Moreover, the future increases needed for this new spending will require higher taxes and government borrowing, which drains money from the private sector.

Chart 3: Federal Spending As a Percentage of NNP CY94–CY04



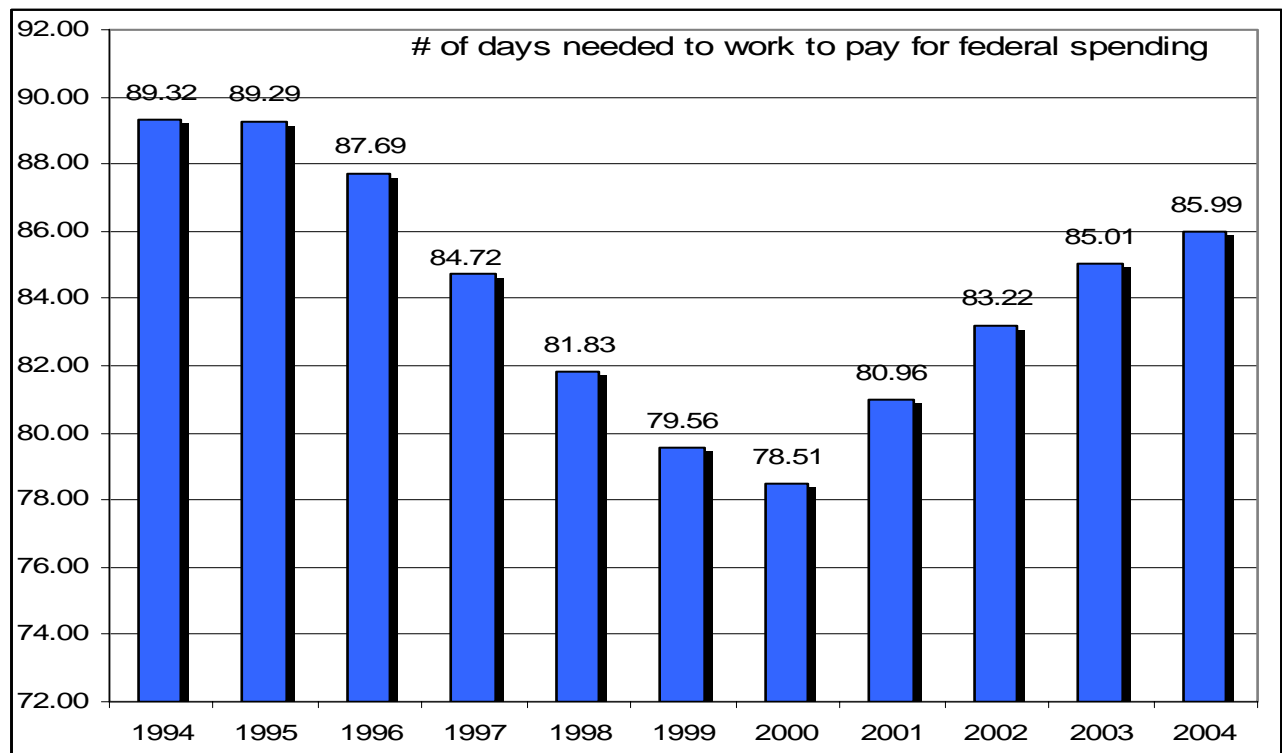
Source: National Income Product Accounts, Americans For Tax Reform

Fact #4: Constituents Must Work 7.5 More Days To Pay For Spending

With the growth of federal spending relative to national income and the significant per household cost, the average American worker must work an additional 7.5 days in calendar year 2004 to pay for spending than was required in 2000.

Putting this in context, since 2000 the average American has worked a combined additional 21.2 days to pay for the federal spending increases. At this rate, in 2004, the average American worked until March 26th to pay for all federal spending.

Chart 5: 10 Additional Days of Work Needed To Pay For Federal Spending



Source: National Income Product Accounts, Americans for Tax Reform
