



AMERICANS FOR TAX REFORM

P O L I C Y B R I E F

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THE FACTS ABOUT FEDERAL SPENDING

A Series Of Federal Spending Summaries From The Americans For Tax Reform

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Abstract

As Congress gets sets to debate the appropriate spending levels for fiscal year 2004, the Americans for Tax Reform (ATR) will be issuing a number of short policy briefs on federal spending. The attached paper is the first in a series and specifically focuses on total federal spending. Subsequent papers will examine individual departmental spending.

Overall, the federal budget has exploded in the past four years, which is reflected by using a wide variety of measures including 1) simple percentages; 2) inflation-adjusted dollars; and 3) as a percentage of national income. Despite this clear fact, some members of Congress will claim the President's FY2004 budget does not spend enough money. The facts, however, overwhelmingly demonstrate that the President's budget request clearly is sufficient to meet the needs of the country, even in light of the current economic, fiscal, and homeland defense needs.

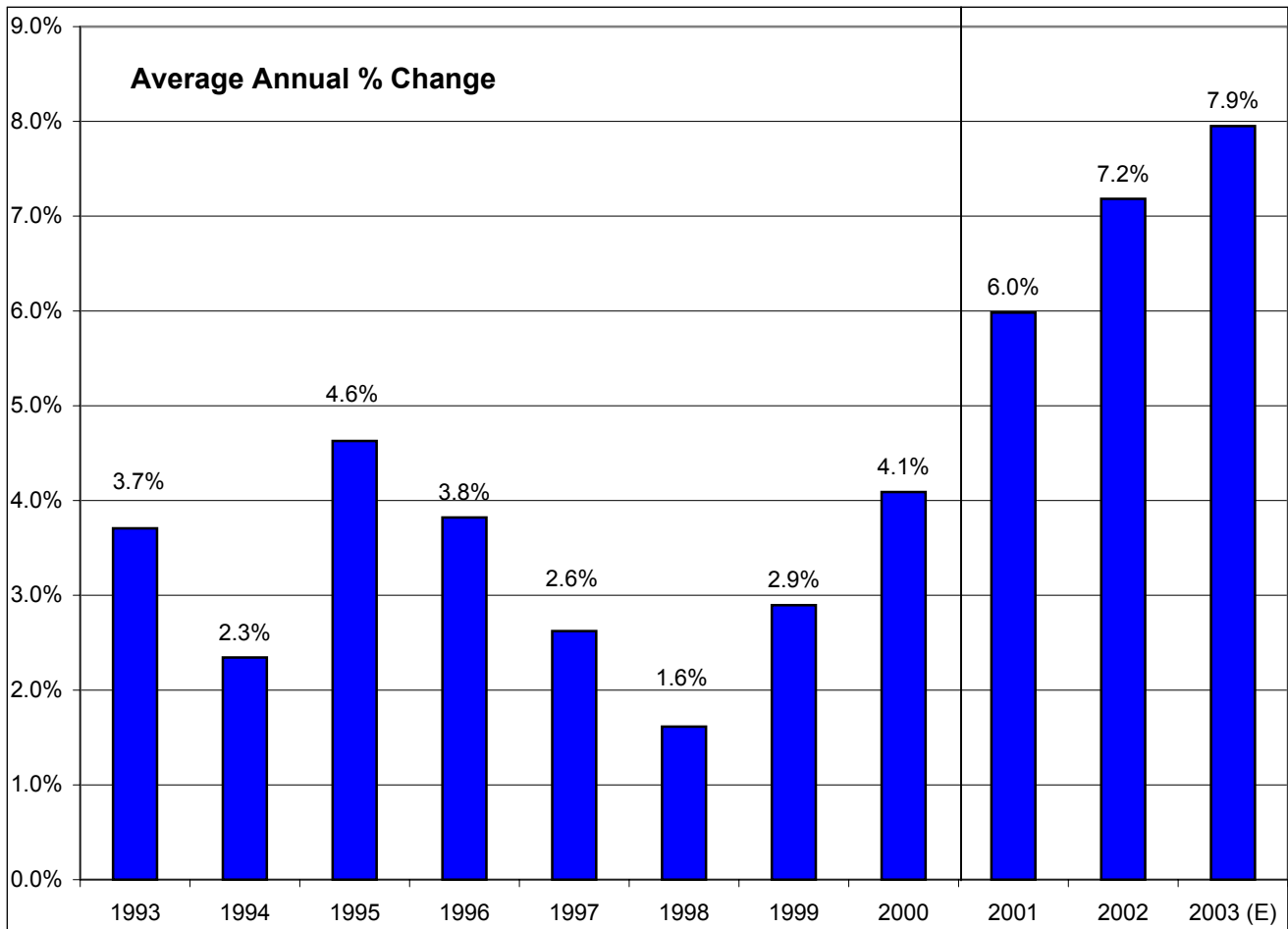
President Bush's budget request funds the federal government at unprecedented levels. As such, the past three years of spending increases more than triples the amount of spending increases for the period of 1992-2000. This new spending has increased the amount of government spending relative to the economy and the nation's national income. As such, new spending will cost the average household \$3,358 more in federal taxes for 2001-2003 than the previous three-year period and subsequently, force the average American to work nearly 10 more days of the year to pay for government rather than in 2000. Any proposal that exceeds the President's request will only exacerbate this situation. Therefore, it is imperative that Congress stays within the President's budget request for fiscal year 2004.

Fact #1: Federal Spending Is Rising At Unprecedented Levels

In calendar year 2003, federal spending is expected to increase nearly 8 percent above calendar year 2002 levels. This is the largest percentage increase of federal spending since 1992, as the country had experienced nearly a decade of spending restraint. In fact, the expected 7.9 percent increase in 2003 is roughly three times the annual average of federal spending between 1993 and 2000. Since 2000, federal spending has increased at annual average rate of more than seven percent and has clearly exceeded historical levels.

Additionally, calendar year 2003 spending will be three times the rate of inflation and falls on top of 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 93-03



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

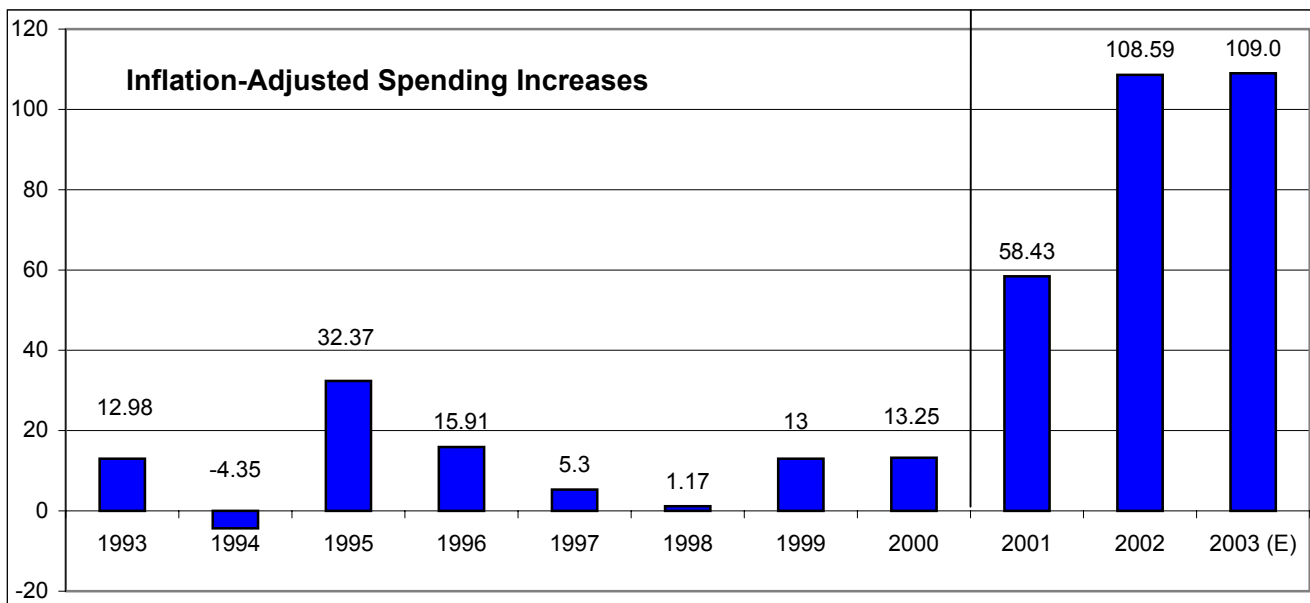
Fact #2: CY 2001 – 2003 Spending Increases Are Three Times The Total Amount For 1992 - 2000

Based on the 2003 numbers, the combined inflation adjusted spending increase amounts for calendar year 2001 – 2003 more than triples the amount of federal spending for the previous eight-year period from 1992 - 2000. In other words, in just the past three years, Congress is on pace to increase spending three times the amount than they did in the previous eight years combined.

According to Brian Riedl of the Heritage Foundation, the War on Terror is only responsible for a small portion of the increase in federal spending. Only 21 percent of the increased federal spending for FY 03 is for defense and less than a quarter of that 21 percent can directly be attributed to the War on Terror.¹

In a later paper, Riedl adds that nearly two-thirds of spending increases in the past five years has been non-defense spending. “Substantial increases are even going to lower priority programs, such as the Agricultural Marketing Service (83 percent), Power Marketing Administration (104 percent), and Denali Commission (from \$0 to \$74 million).”²

Chart 2: Annual Spending Increases CY 93-03 (billions of \$2002)



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

¹ Source: Riedl, Brian. R. “How Washington Increased Spending by Nearly \$800 Billion in Just Four Years.” Heritage Foundation. <http://www.heritage.org/Research/Budget/BG1581.cfm>

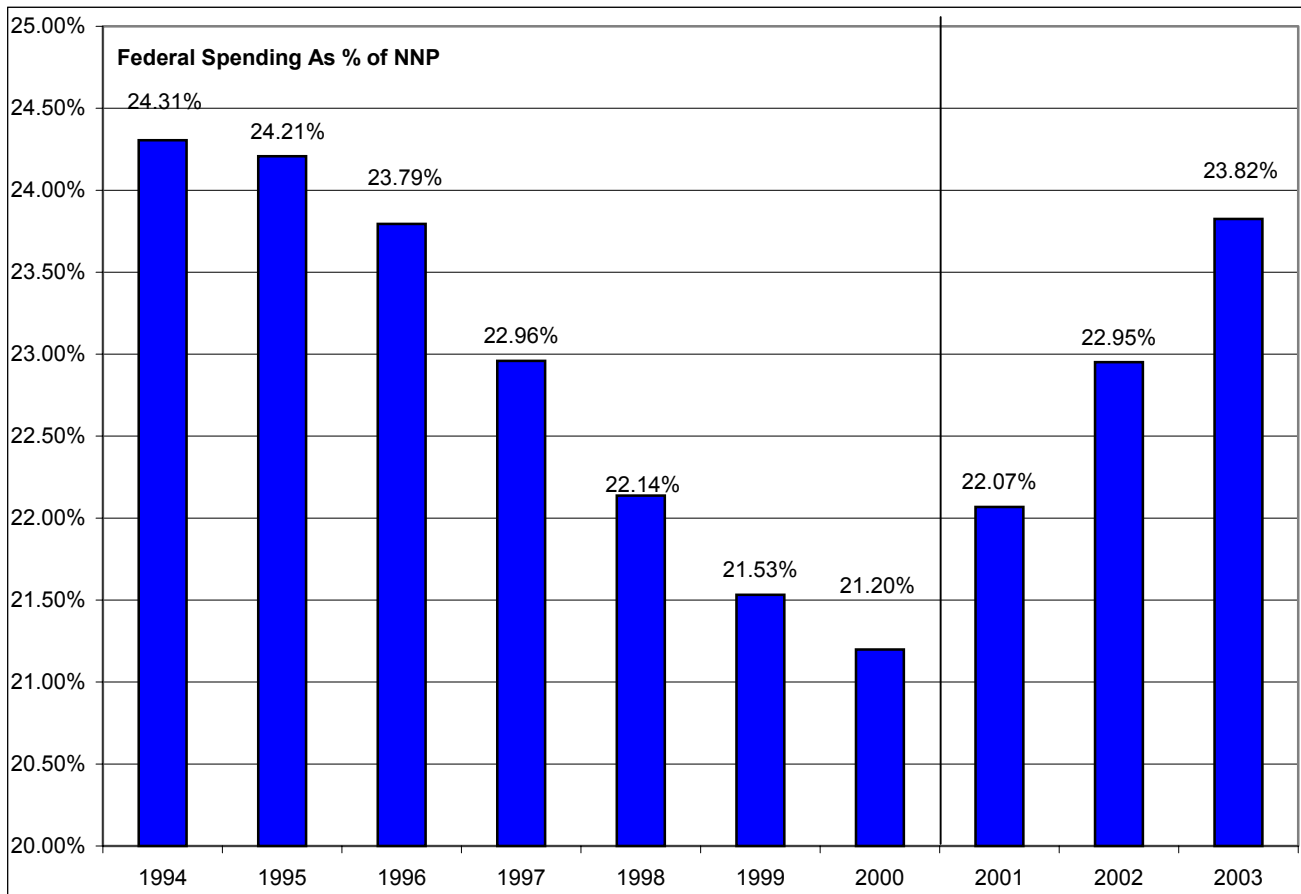
² Source: Riedl, Brian. R. “Ten Common Myths About Taxes, Spending, and Budget Deficits.” Heritage Foundation. <http://www.heritage.org/Research/Budget/BG1660.cfm>

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 by nearly 1 percent compared to calendar year 2002 which comes on top of a 1 percent increase from 2001 to 2002. 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–FY03



Source: National Income Product Accounts, Americans For Tax Reform

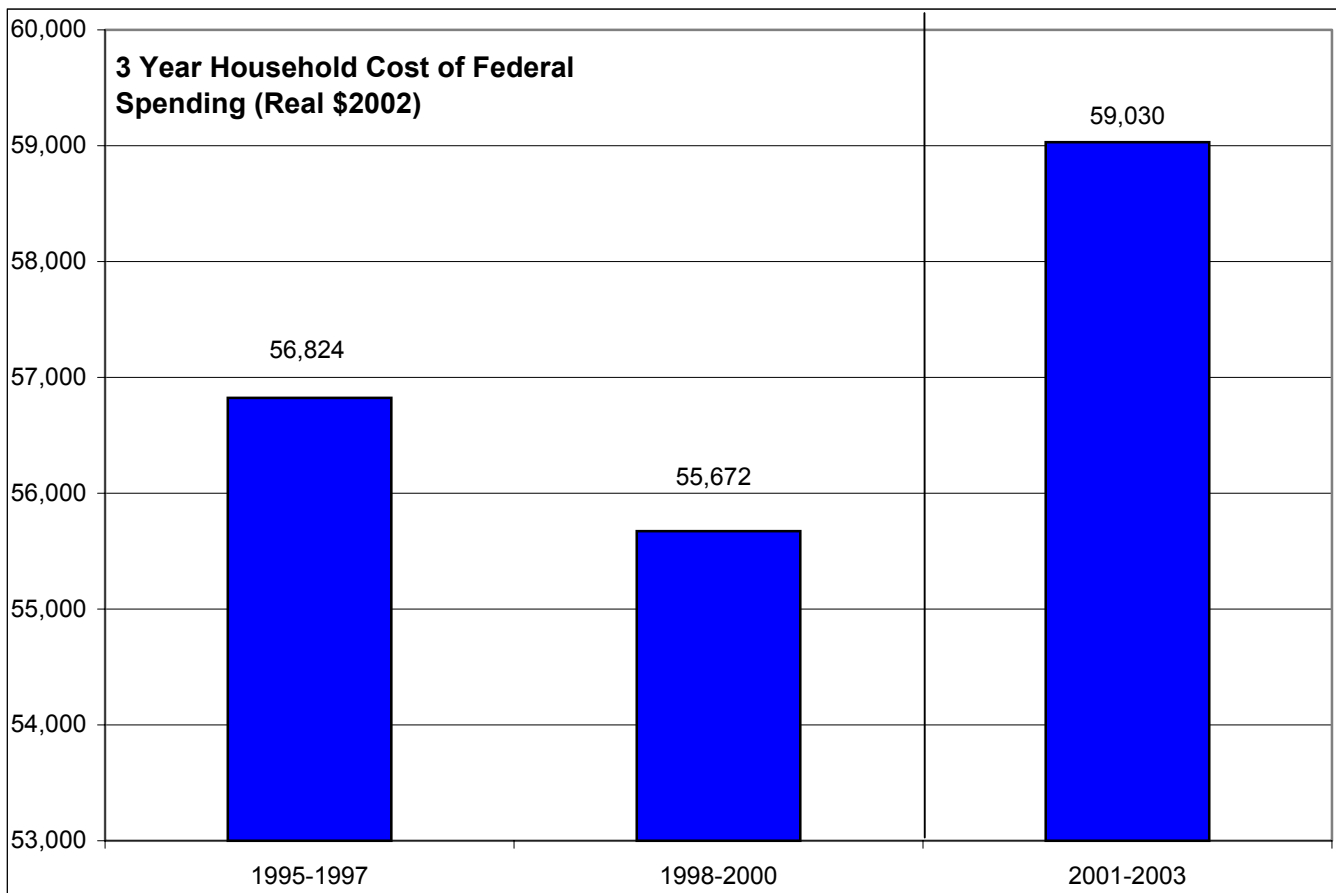
Fact #4: \$59,030 Per Household Cost For CY 2001-2003 Spending

All this new spending comes at a cost to American working families. The sustained increase of federal spending has translated into higher costs per household. In fact, for 2001-2003, the average household will be forced to pay nearly \$60,000 just for federal spending.

This massive increase in spending will cost the average household \$3,358 more in federal taxes relative to the last three-year period and breaks the cycle of declining federal spending per household experienced in the 1990's. How can anyone claim the President's budgets are under funded?

This is real money being taken away from real families. Any new spending, as being proposed, will push American families over the edge as they grapple with high household debt burdens and a sluggish economy.

Chart 4: Congress Seeks To Rob Families' Hard Earned Income



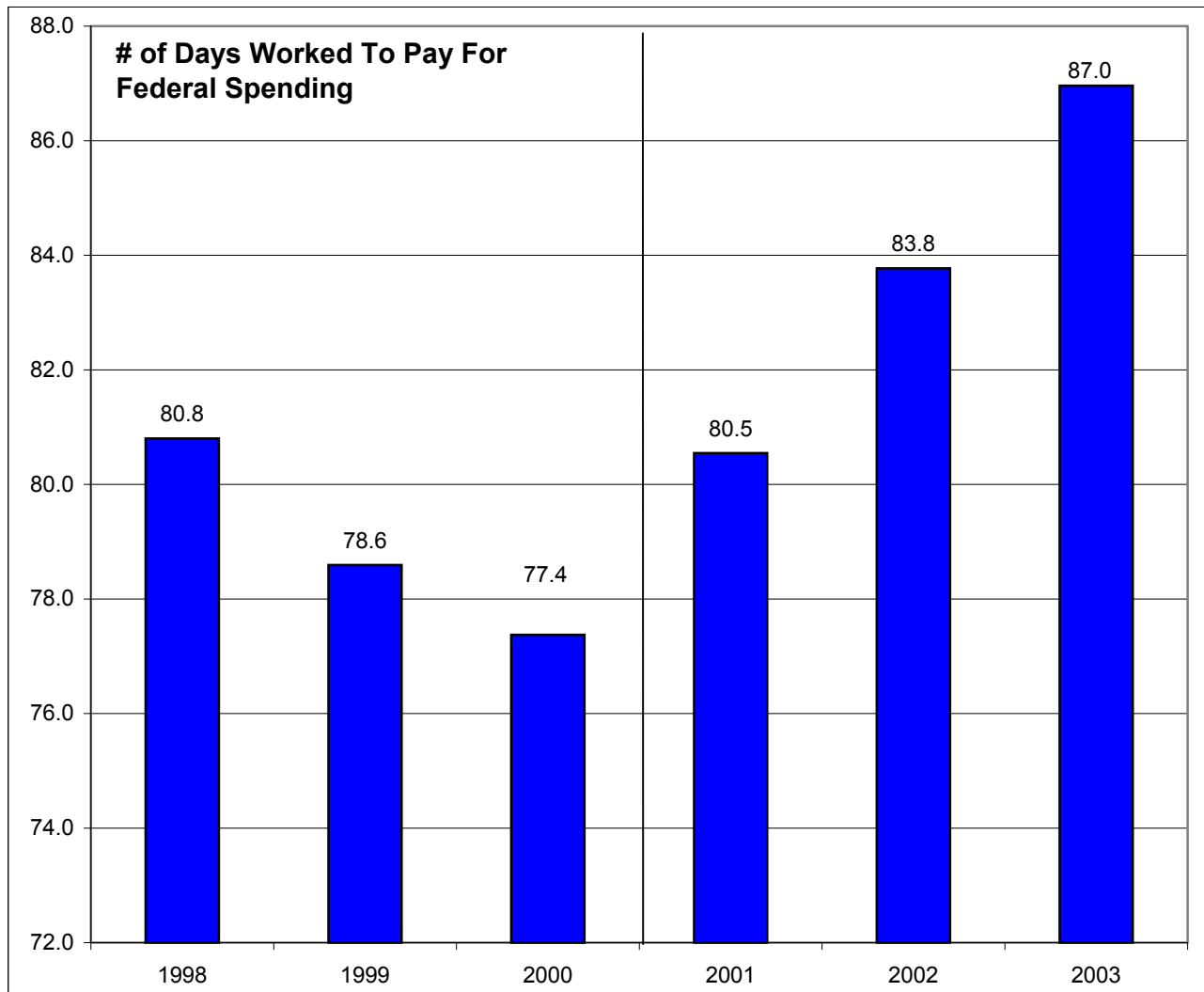
Source: National Income Product Accounts, Bureau of Labor Statistics, US Census Bureau and Americans for Tax Reform

Fact #5: Constituents Must Work 10 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 ten days in calendar year 2003 to pay for spending than was required in 2000. As such, the average American needs to work two full workweeks to pay for the substantial increase in government spending.

Putting this in context, since 2000 the average American has worked a combined additional 19.2 days to pay for the federal spending increases. At this rate, in 2003, the average American will have to work until March 27th 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
