A CITIZEN’S GUIDE TO THE FEDERAL BUDGET

* see link Chap. 11 under important notes
Deficit

\[ D = G - T \]

Surplus

\[ \text{Surp} = T - G \]

* Counter cyclical fiscal policy*
In theory and practice 1947-1969

- Not so from 1970-1998
- 2000+?

GDP

Expansion

Recession

Time

Deficit (G-T)

Supply

- Countercyclical movement.
Economagic.com: Economic Time Series Page

Search Request: deficit

Matches:

1. Total Government Surplus or Deficit; Billions of dollars SAAR//period=quarterly
2. Federal Government Surplus or Deficit (-) (NIPA Basis); Billions of Dollars//asdef
3. Federal Government Surplus or Deficit; Billions of Dollars SAAR//fgdef
4. Federal Surplus or Deficit (-) FY; Millions of Dollars//fyfso
5. State and Local Surplus or Deficit; Billions of Dollars SAAR//sldef

Click on chart to get and save; or shift-click to save. See more information below.
You can link to this chart with the html http://www.Economagic.com/chartg/var/beana_1501114plust501117.gif
The government budget constraint

**Sources of income**
- taxes
- borrowing
  - at home
  - abroad
- seigniorage
  - printing of money

**Uses of income**
- expenditures
- current
- capital
- transfer payment
  - Social Security
  - Medicare
  - others

\[ T + \Delta B + \Delta M = G + TR \]
\[ \Delta B + \Delta M = (G + TR) - T \]

**Focus 1**

**Financing deficit**
- \( \Delta B \): increase national debt
- \( \Delta M \): print money

**Deficit**

**Focus 2**
- reduce deficit
  - cut G
  - cut TR
  - increase T
• National Debt 6.2
• R/GDP 10.0
\[ \frac{\text{Debt}}{\text{R/GDP}} = 0.62 \]

- high?
- low?

• Deficit and Debt

- Government debt is the sum of past government deficits minus the sum of past surpluses.

\[ \text{National Debt} = \sum_{1776}^{\text{today}} (\text{deficits} + \text{surpluses}) \]

- Has National Debt ever been zero in the past 225 years? No
- Should it be zero? Yes
Search Economic Time Series Page

Economagic.com: Economic Time Series Page

Search Request: debt

Matches:

1. U.S. Public Debt in dollars
2. Consumer Debt Service Payments as Percent of Disposable Personal Income/edisp
3. Household Sector Liabilities: Credit Market Debt; Billions of Dollars, SAI/CMDDEBT
4. Debt of Domestic Nonfinancial Sectors; consists of Outstanding Credit Market Debt of the Government and Private Nonfinancial Sectors; Billions of Dollars; NSA/debtg
5. Debt of Domestic Nonfinancial Sectors; consists of Outstanding Credit Market Debt of the Government and Private Nonfinancial Sectors; Billions of Dollars; SAI/debtg
Series Title: U.S. Public Debt in dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt in trillions of dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1791 01</td>
<td>75463476.52</td>
</tr>
<tr>
<td>1792 01</td>
<td>77227524.66</td>
</tr>
<tr>
<td>1793 01</td>
<td>80506534.04</td>
</tr>
<tr>
<td>1794 01</td>
<td>78427404.77</td>
</tr>
<tr>
<td>1795 01</td>
<td>80747587.39</td>
</tr>
<tr>
<td>1796 01</td>
<td>83762172.07</td>
</tr>
<tr>
<td>1797 01</td>
<td>82064479.33</td>
</tr>
<tr>
<td>1798 01</td>
<td>79226529.12</td>
</tr>
<tr>
<td>1799 01</td>
<td>78408669.77</td>
</tr>
<tr>
<td>1800 01</td>
<td>83976294.35</td>
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<tr>
<td>1801 01</td>
<td>80304050.00</td>
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<tr>
<td>1802 01</td>
<td>80712632.25</td>
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<tr>
<td>1803 01</td>
<td>77054606.40</td>
</tr>
<tr>
<td>1804 01</td>
<td>96127126.88</td>
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</tbody>
</table>

75. million
If you wish, you can change the options for this chart

This series starts in 1791 and ends in 1998.75

Starting year: 1791
Ending year: 2002

Change Main/Top Title
Original is called: U.S. Public Debt in dollars
U.S. Public Debt in dollars

ISU 1961 macro 10.2
became a required course

Change in philosophy
"deficit spending"
Frequently Asked Questions (FAQ) about the Debt

1) GENERAL INFORMATION

1.1) Where is the money spent that is borrowed from the public and who decides where it goes?
1.2) What is the difference between the debt and the deficit?
1.3) What's the difference between the Total Public Debt Outstanding and the Total Public Debt Subject to Limit?
1.4) Why does the debt only change once a day? Why doesn't Treasury keep a rolling tab?

2) MAKE UP OF THE DEBT

2.1) Is there a report that lists the type of Treasury Securities that are issued to finance the debt, their related maturity dates, and amount outstanding?

3) OWNERSHIP OF THE DEBT

3.1) Who owns the debt?
3.2) What is the Debt Held by the Public?
3.3) What are Intragovernmental Holdings?
3.4) What is the Federal Financing Bank?

4) FINANCING THE DEBT

4.1) Why does the debt sometimes go down?
Detailed historical data is maintained by the Office of Management and Budget and published annually as part of the President’s budget submission. The most recent set of such historical tables is available at: http://www.whitehouse.gov/omb/budget/fy2003/pdf/hist.pdf

Table 1.

Revenues, Outlays, Surpluses, Deficits, and Debt Held by the Public, 1962-2002

(In billions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Outlays</th>
<th>On-Budget</th>
<th>Social Security</th>
<th>Postal Service</th>
<th>Total</th>
<th>Debt Held by the Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>230.8</td>
<td>245.7</td>
<td>-15.4</td>
<td>0.5</td>
<td>n.a.</td>
<td>-14.9</td>
<td>340.9</td>
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<tr>
<td>1974</td>
<td>263.2</td>
<td>269.4</td>
<td>-8.0</td>
<td>1.8</td>
<td>n.a.</td>
<td>-6.1</td>
<td>343.7</td>
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<td>1975</td>
<td>279.1</td>
<td>332.3</td>
<td>-55.3</td>
<td>2.0</td>
<td>n.a.</td>
<td>-53.2</td>
<td>394.7</td>
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<td>298.1</td>
<td>371.8</td>
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<td>-3.2</td>
<td>n.a.</td>
<td>-73.7</td>
<td>477.4</td>
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<td>355.6</td>
<td>409.2</td>
<td>-49.6</td>
<td>-3.9</td>
<td>n.a.</td>
<td>-53.7</td>
<td>549.1</td>
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<td>1978</td>
<td>399.6</td>
<td>458.7</td>
<td>-54.9</td>
<td>-4.3</td>
<td>n.a.</td>
<td>-59.2</td>
<td>607.1</td>
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<tr>
<td>1979</td>
<td>463.3</td>
<td>504.0</td>
<td>-38.7</td>
<td>-2.0</td>
<td>n.a.</td>
<td>-40.7</td>
<td>540.3</td>
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<td>1980</td>
<td>517.1</td>
<td>590.9</td>
<td>-72.7</td>
<td>-1.1</td>
<td>n.a.</td>
<td>-73.8</td>
<td>711.9</td>
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<td>1981</td>
<td>599.3</td>
<td>678.2</td>
<td>-73.9</td>
<td>-5.0</td>
<td>n.a.</td>
<td>-78.9</td>
<td>789.4</td>
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<td>1982</td>
<td>617.8</td>
<td>743.7</td>
<td>-120.0</td>
<td>-7.9</td>
<td>n.a.</td>
<td>-128.0</td>
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<td>1983</td>
<td>600.0</td>
<td>808.4</td>
<td>-208.0</td>
<td>0.2</td>
<td>n.a.</td>
<td>-207.8</td>
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<td>1984</td>
<td>666.5</td>
<td>851.9</td>
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<td>0.3</td>
<td>n.a.</td>
<td>-185.4</td>
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<tr>
<td>1985</td>
<td>734.1</td>
<td>946.4</td>
<td>-221.7</td>
<td>9.4</td>
<td>n.a.</td>
<td>-212.3</td>
<td>1,507.3</td>
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<tr>
<td>1986</td>
<td>769.2</td>
<td>990.8</td>
<td>-237.9</td>
<td>16.7</td>
<td>n.a.</td>
<td>-221.2</td>
<td>1,740.6</td>
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<td>1987</td>
<td>854.4</td>
<td>1,004.1</td>
<td>-169.3</td>
<td>19.6</td>
<td>n.a.</td>
<td>-149.7</td>
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<td>1988</td>
<td>909.3</td>
<td>1,064.5</td>
<td>-194.0</td>
<td>38.8</td>
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<td>-155.2</td>
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<tr>
<td>1989</td>
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<td>1,143.8</td>
<td>-205.2</td>
<td>52.4</td>
<td>0.3</td>
<td>-152.5</td>
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<tr>
<td>1990</td>
<td>1,032.0</td>
<td>1,253.2</td>
<td>-277.8</td>
<td>58.2</td>
<td>n.a.</td>
<td>-221.2</td>
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<tr>
<td>1991</td>
<td>1,055.0</td>
<td>1,324.4</td>
<td>-321.5</td>
<td>53.5</td>
<td>-1.3</td>
<td>-269.3</td>
<td>2,689.0</td>
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<tr>
<td>1992</td>
<td>1,091.3</td>
<td>1,381.7</td>
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<td>50.7</td>
<td>-0.7</td>
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<td>1993</td>
<td>1,154.4</td>
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<td>46.8</td>
<td>-1.4</td>
<td>-255.1</td>
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<tr>
<td>1994</td>
<td>1,258.6</td>
<td>1,461.9</td>
<td>-253.9</td>
<td>56.8</td>
<td>-1.1</td>
<td>-203.3</td>
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<td>1995</td>
<td>1,351.8</td>
<td>1,515.8</td>
<td>-226.4</td>
<td>60.5</td>
<td>2.0</td>
<td>-163.9</td>
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<td>1996</td>
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<td>1,560.5</td>
<td>-174.1</td>
<td>66.4</td>
<td>0.2</td>
<td>-107.5</td>
<td>3,734.1</td>
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<tr>
<td>1997</td>
<td>1,579.3</td>
<td>1,601.3</td>
<td>-103.3</td>
<td>81.3</td>
<td>*</td>
<td>-22.0</td>
<td>3,772.3</td>
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<tr>
<td>1998</td>
<td>1,721.8</td>
<td>1,652.6</td>
<td>-30.0</td>
<td>99.0</td>
<td>0.2</td>
<td>69.2</td>
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<td>1999</td>
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<td>1,701.9</td>
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<td>124.7</td>
<td>-1.0</td>
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<td>151.8</td>
<td>-2.0</td>
<td>236.4</td>
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<td>1,863.9</td>
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<td>163.0</td>
<td>-2.3</td>
<td>127.3</td>
<td>3,319.6</td>
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<td>2002</td>
<td>1,653.2</td>
<td>2,011.0</td>
<td>-317.5</td>
<td>160.3</td>
<td>-0.7</td>
<td>157.8</td>
<td>3,540.4</td>
</tr>
</tbody>
</table>

Source: Congressional Budget Office.

Note: n.a. = not applicable; * = between zero and $500 million.
a sustainable trend?

\[
\text{or } \frac{\text{Public Debt}}{\text{GDP}} \uparrow
\]

\[
\text{or } \frac{\text{Money}}{\text{GDP}} \uparrow
\]

disagreeable options.