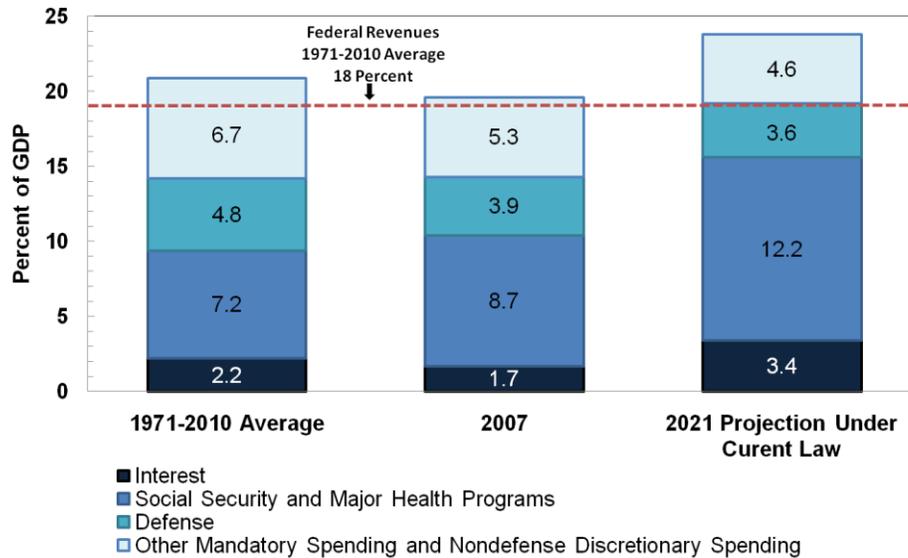




Federal Spending in Perspective



Source: Congressional Budget Office, 2011 Long Term Budget Outlook
 Produced by: Veronique de Rugy, Mercatus Center at George Mason University

The country faces difficult tradeoffs in putting the federal budget on a sustainable path. This chart by Mercatus Center Senior Research Fellow Veronique de Rugy compares federal spending and its key components as shares of GDP on average over the past 40 years, before the recession began, and in 2021 under the Congressional Budget Office’s current-law baseline projections.

During the past 40 years, government spending has ranged from as low as 18.2 percent of GDP in 2000 and 2001 to as high as 25 percent in 2009; revenues have averaged 18.0 percent of GDP. As a result of this overspending, budget deficits will continue to rise from 1.6 percent (2007) to roughly 6 percent (2021) of GDP.

Entitlement spending is the main driver behind this increase over the historical baseline. Under current law, CBO projects that spending on Social Security and major health care programs—mainly Medicare, Medicaid, Children’s Health Insurance Program—would be 12.2 percent of GDP in 2021; a 70 percent increase relative to the historical average. All spending apart from this and interest payments on the debt have averaged 11.5 percent of GDP during the past 40 years. That broad category includes defense (largest single item), food stamps, unemployment compensation, veteran’s benefits, transportation, and other programs.

Assuming current tax and spending policies persist through 2021, limiting federal spending to 18 percent of GDP would require cutting spending by one-fourth. We can continue to fuel the spending fire—and ignore these chilling facts—or we can extinguish it by putting federal spending in proper perspective.

Veronique de Rugy explains the trajectory of [federal spending under three plans](#) at NRO’s The Corner.

To contact Dr. de Rugy, call 202.550.9246 or email rlandaue@gmu.edu