

Web Memo



Published by The Heritage Foundation

No. 1098
May 30, 2006

Past Trends and Future Troubles in Federal Spending: A Look at the Federal Budget Chart Book

Rea S. Hederman, Jr., Alison Acosta Fraser, and Michelle Muccio

Rapid economic fluctuations have been the norm for the United States over the past 40 years. The U.S. economy has sustained both unprecedented expansionary highs and “mini-depression” lows. Inflation, interest, and unemployment rates have hit soaring highs and remarkable lows. The one constant throughout this period has been the relentless growth of the federal government.

[The Heritage Foundation’s Federal Budget Chart Book](#) examines government spending and tax revenue since the Kennedy Administration and projects the long-term effects of entitlement programs growing on autopilot:

- Since the early 1960s, total inflation-adjusted government spending has increased by almost \$10,000 per household. ([See Chart S-3.](#))
- Over the same period, inflation-adjusted federal tax receipts have tripled but have still been outpaced by growth in federal spending. ([See Chart C-1.](#))
- On its current trajectory, nominal Medicare, Medicaid, and Social Security spending will double by 2050, causing total federal spending to reach stifling European levels. ([See Chart P-7.](#))

Historical Federal Spending

Federal spending has increased steadily over the last 40 years. In recent decades, federal spending per household has rarely declined or even held constant. As the Chart Book shows, federal spending per household has grown faster under the George W. Bush Administration than under any administration since Nixon’s and Ford’s. ([See Chart S-4.](#)) The federal government now spends over \$22,000 per household—nearly an 80 percent increase in inflation-adjusted spending from President Kennedy to President Bush. ([See Chart S-3.](#))

Future Federal Spending

While federal spending has grown faster than personal income in the past, future federal spending growth will accelerate further as entitlements begin to dominate the federal budget. The federal government will spend more squeeze out other areas of federal spending, such than twice what is spent today on Social

This paper, in its entirety, can be found at:
www.heritage.org/research/Budget/wm1098.cfm

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 · heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

Security, Medicare, and Medicaid as the baby boomers age over the next few decades. ([See Chart P-7.](#)) Higher spending on entitlements will as defense and education. Interest on the national debt will also climb. By 2020, the federal deficit as a percent of GDP will reach twice its historical average. ([See Chart P-1.](#))

Unprecedented Taxation

Historically, federal tax revenue has held around 18 percent of GDP since 1962. ([See Chart P-6.](#)) However, Social Security, Medicare, and Medicaid by themselves are projected to exceed 18 percent of GDP by 2040, despite various changes in marginal tax rates. ([See Chart P-9.](#)) Congress must restructure these programs to reduce the risk of a dramatic increase in the burden of taxation.

Conclusion

In return for their tax dollars, taxpayers are saddled with a massive federal bureaucracy that distorts markets by diverting the economy's most productive resources into expensive and wasteful programs. Past spending growth pales in comparison to projected future spending stemming from entitlements. Lawmakers must recognize that sustained long-term spending increases would eventually lead to long-term tax increases, raising taxes to an unprecedented level in this nation. Regardless of how it is financed, expanded spending on entitlements would greatly reduce economic growth and increase unemployment. The following charts show historical trends and, more importantly, the future problems that loom unless Congress and the President get a handle on federal spending.

[Rea S. Hederman, Jr.](#), is Senior Policy Analyst in the Center for Data Analysis, and [Alison Acosta Fraser](#) is Director of, and [Michelle Muccio](#) is a Research Assistant, in the Thomas A. Roe Institute for Economic Policy Studies, at The Heritage Foundation.