

GOVERNMENT SPENDING FACT SHEET

Why is the Current Trend in Government Spending a Problem?

- Government is growing at an alarming rate: last year, the government's budget grew 6% while the private economy grew only 0.5%. There has been no recession in government.
- When government spends money, it takes resources out of the private sector, either through taxes or borrowing. Higher taxes and increased borrowing crowd out private enterprise, resulting in slower economic growth and a reduced standard of living for all Americans. According to a JEC study, over a seven-year period every dollar of government spending reduces the size of the economy by \$2.09.
- Another JEC study estimates that if total (federal, state, and local) government spending had remained at 1965 levels—28.4% of GDP, as opposed to nearly 40% today—GDP would now be \$1.5 trillion higher. This represents nearly \$6,000 for every American.
- Today, government allocates resources to many activities unrelated to the fundamental mission of defending our nation and protecting our individual rights. For example, the recent supplemental appropriations bill was supposed to fund the War on Terrorism, but included \$2 million for a worm exhibit at the Smithsonian!

How is Government Spending Taxpayer Money?

- Government spending on the military has plunged as a portion of the budget. During the Kennedy administration, defense spending comprised more than 50% of the budget. By 2001, military spending had declined to only 13% of the federal budget.
- Mandates in existing law put more than two-thirds of federal spending on autopilot. This so-called “mandatory” spending represents an abdication of the federal government's responsibility to allocate resources based on current information and new challenges.

How Much is Government Spending Today?

- In 2001, the federal government spent a record \$2.28 trillion. Spending in the first seven months of fiscal year 2002 is 8.7% higher than the same period last year. This pace is expected to hold, resulting in spending in 2002 totaling nearly \$2.5 trillion. This will represent the largest year-on-year increase in *real* government spending since the mid-1970s.
- Federal government spending this year is expected to total nearly 20% of GDP, up from 18.4% just two years ago.
- *The Washington Post* indicates that this year's spending combined with the expected increase in 2003 will amount to the largest spending increase since the “Great Society” of the 1960s.
- In the 104th Congress, domestic spending fell by 3% in real terms. In the 105th, it increased by 4%. The 106th increased spending by 11%. The current Congress is on pace to increase domestic spending by **15%**.