

FEDERAL SPENDING: FACTS AND FIGURES

Article I, Section 8 of the Constitution gives Congress a finite list of enumerated powers, including providing for the national defense, establishing post offices, minting coins, creating and staffing a judiciary, and regulating interstate commerce. Providing these important services requires the federal government to spend money. However, as the federal government's power and scope has increased dramatically, so has its spending. In 2015 the federal government spent more than \$3.8 trillion.

GROWTH IN SPENDING

Federal spending is increasing dramatically, and policymakers from both political parties have grown the size of the federal budget. Since 2000, the annual federal budget has grown by more than \$1 trillion, or 53%, even after adjusting for the effects of inflation.

Yet this chart doesn't tell the full story. As the economy grows, it makes sense that government spending should grow along with it— with more people and a bigger country, more spending

may become necessary. Therefore, economists prefer to talk about government spending as a share of the overall economy as measured by the Gross Domestic Product (GDP). Even with that comparison, federal spending is increasing quickly; growing from 18% of the economy in 2000 to over 22.5% of GDP in 2015. In the post-World War II period, government spending has averaged about 20% of GDP.

This is important for several reasons. As the federal government grows, it is funded by raising taxes or borrowing, taking away more and more of taxpayers' hard-earned dollars. Spending by the federal government also crowds out investment from the more-efficient private sector. Moreover, government has regularly borrowed money from future generations to pay for the profligate spending habits of today. All of this puts a burden on the economy (2).

WHAT DOES THE FEDERAL GOVERNMENT SPEND ITS MONEY ON?

Given its large expenditures both as total dollars and as a share of the economy, the federal government devotes our resources to a variety of different products and services. In 1965, the year Medicare and Medicaid were created, the federal government spent the bulk, 43%, of its money on national defense and 15% on Social Security. By 2015, those figures had changed dramatically. Defense spending fell to 16% of total spending while Social Security consumed 24%. Medicare, Medicaid, and marketplace subsidies spending represents another 28% of the federal budget and are expected to increase exponentially over the coming decades.

QUICK FACTS

- Since 2000, the federal budget has grown by more than 53%, after accounting for inflation.
- Federal government spending accounted for 22.5% of the United States economy in 2015 (3).

NOTABLE & QUOTABLE

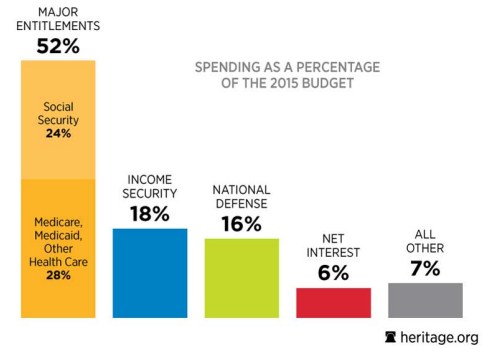
"In the long run government will spend whatever the tax system will raise, plus as much more as it can get away with."

- **Milton Friedman** (1).

CONCLUSION

There are legitimate reasons for the federal government to spend tax dollars, but its current spending habits far exceed that basic standard. As government tries to achieve more things, federal spending continues to grow rapidly. The federal government's share of the economy continues to expand at an ever growing pace and projections show this growth will continue far into the future.

Where Does All the Money Go?



Endnotes:

1. Peter Robinson, Uncommon Knowledge: Milton Friedman's Advice for the Next President (March 2000) (online at <http://www.hoover.org/multimedia/uncommon-knowledge/26956>).
2. Paper #1831 (March 2005) (online at <http://www.heritage.org/research/reports/2005/03/the-impact-of-government-spending-on-economic-growth>).
3. Percentage of GDP https://ycharts.com/indicators/govt_spend_gdp

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