CENTER ON BUDGET AND POLICY PRIORITIES
820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@cbpp.org www.cbpp.org

July 23, 2003

OMB FIGURES SHOW REVENUES — DUE TO TAX CUTS — AT EXCEPTIONALLY LOW LEVELS, WHILE SPENDING LEVELS ARE NOT ESPECIALLY HIGH

By Isaac Shapiro and Richard Kogan

The data in the Office of Management and Budget's mid-session review indicate that exceptionally low tax revenues, not exceptionally high levels of spending, constitute the main factor behind the jump in the deficit.

- OMB projects that receipts will equal 16.3 percent of gross domestic product in 2003.[1] This level confirms earlier projections by the Center on Budget and Policy Priorities that in 2003 revenues as a share of the economy will hit their lowest level in 44 years. (See Table 1 on the next page.) Income tax receipts (including receipts from both the individual and corporate income tax) are on course to drop to their lowest level, measured as a share of the economy, since 1943.

- OMB data indicate that the tax cuts enacted since 2001 account for $157 billion of the reduction in revenue.[2] This means that, absent the tax cuts, revenues would have equaled 17.8 percent of GDP in 2003, not close to the lowest level in 44 years.

- OMB projects that receipts as a percent of GDP will fall even further in 2004, to the lowest level since 1950, and will then begin to rise. But the levels will remain low. In the ten-year period from 2004-2013, receipts will amount to a smaller share of GDP than they averaged during the 1960s, 1970s, 1980s, or 1990s.

- The OMB figures also indicate that spending will equal 20.6 percent of the economy in 2003.[3] This is neither an exceptionally high level of spending nor even an above-average level of spending. It is below the level of spending as a share of the economy in every year from 1980 to 1995, and well below spending as a share of the economy during the

What is Different about This Year?
The budget as a share of GDP

	2003	**Average 1962-2001**
Expenditures	20.6%	20.6%
Revenues	16.3%	18.7%
Deficits	4.2%	1.9%

Columns may not add due to rounding

[1] *Mid-Session Review,* Office of Management and Budget, July 15, 2003, page 39.

[2] *Ibid*., page 3. OMB estimates that the tax cuts adopted since 2001 increased the deficit by $177 billion. We estimate that about $10 billion of this reflects increased interest payments and $10 billion increased refunds of tax credits; so the net reduction in revenues is an estimated $157 billion.

[3] *Ibid*, page 39.

downturns of the early 1980s and 1990s. In 1982-1983, spending averaged 23.3 percent of GDP; in 1991-1992, spending averaged 22.3 percent of GDP.

- Spending as a share of the economy has grown since its recent low in 2000, but the majority of this increase reflects increased defense spending, including for the wars in Afghanistan and Iraq, and rising homeland security costs.

A separate Center analysis, *Sanitizing the Grim News*, examines the causes of the rising deficit in more detail.

Table 1
Federal Receipts as a Share of Gross Domestic Product, 1951-2004

Fiscal Year		Fiscal Year	
1951	16.1%	1978	18.0%
1952	19.0	1979	18.5
1953	18.6	1980	18.9
1954	18.4	1981	19.6
1955	16.6	1982	19.1
1956	17.4	1983	17.5
1957	17.7	1984	17.4
1958	17.3	1985	17.7
1959	16.1	1986	17.5
1960	17.8	1987	18.4
1961	17.7	1988	18.1
1962	17.5	1989	18.3
1963	17.8	1990	18.0
1964	17.6	1991	17.8
1965	17.0	1992	17.5
1966	17.3	1993	17.6
1967	18.3	1994	18.1
1968	17.6	1995	18.5
1969	19.7	1996	18.9
1970	19.0	1997	19.3
1971	17.3	1998	19.9
1972	17.5	1999	20.0
1973	17.6	2000	20.8
1974	18.3	2001	19.9
1975	17.9	2002	17.9
1976	17.2	2003est.	16.3
1977	18.0	2004est.	16.0

Note: Absent the tax cuts enacted since 2001, revenues would equal an estimated 17.8 percent of the economy in 2003.

Source: Data from 1951-2002 are from the Office of Management and Budget's *Historical Tables*. Estimates for 2003 and 2004 are from the *Mid-Session Review.*