

Government Spending

Chapter 10

The Economics of Government Spending

Government Spending in Perspective

Per capita – per person

Public sector – part of the economy made up of federal, state, and local gov't.

Private sector – private individuals and businesses

Two kinds of Spending

Goods & Services -

Transfer Payments -

Impact of Gov't. Spending

Resource Allocation

Redistributing Income

Competing with Private Sector

Federal Government Expenditures

Federal budget – annual plan outlining proposed revenues & expenditures for the coming year

Mandatory spending – by law this spending continues (2/3)

Discretionary spending – programs that must receive annual authorization (1/3)

State and Local Government Expenditures

Approving Spending

Balanced Budget amendment

State Government Expenditures –

Local Government Expenditures – page 269

Deficits, Surpluses, and the National Debt

From the Deficit to Debt:

- Deficit Spending –
- Deficits add to the Debt –
- Federal debt – totaled borrowed
- Balanced budget –
- How big is the Debt?
 - Trust funds
- Public vs. Private Debt –
 - Self & citizens
 - China, Japan etc.

Impact of the National Debt –

- Crowding-out effect –

Taming of the Deficit

- Gramm-Rudman-Hollings
 - (6 yr. no deficit)
- Budget Enforcement Act 1990 (pay as you go)
- Omnibus Budget Reconciliation Act of 1993
 - (5 yr. \$500 b)
- Balanced Budget Agreement of 1997 (line-item veto & caps)
- Success then Failure