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CBO

REPORT

The Cyclically Adjusted and Standardized Budget Measures

October 2008



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Notes

Numbers in the text and tables may not add up to totals because of rounding.

Unless otherwise indicated, all of the years referred to are federal fiscal years.

Spreadsheets showing historical values for the variables of the cyclically adjusted and standardized budgets are available at www.cbo.gov.



Preface

This report offers alternative measures of the budget that incorporate adjustments for cyclical and other factors. It is one of a series of reports that the Congressional Budget Office (CBO) issues each year to fulfill the requirement of section 202(e) of the Congressional Budget Act of 1974 that CBO submit to the Committees on the Budget periodic reports about fiscal policy and provide baseline projections of the federal budget. The report is based on information presented in *The Budget and Economic Outlook: An Update*, published last month.

Frank Russek wrote the report, with assistance from Adam Weber, under the supervision of John Peterson and Robert Dennis. John Skeen edited the report, and Maureen Costantino prepared it for publication. Lenny Skutnik printed the copies, and Simone Thomas prepared the electronic version for CBO's Web site (www.cbo.gov).



Peter R. Orszag
Director

October 2008



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The Cyclically Adjusted and Standardized Budget Measures

Summary

In September 2008, the Congressional Budget Office (CBO) released its most recent baseline projections of federal revenues, outlays, and budget balances for the next 10 years. Those projections are subject to procedures under which CBO assumes the continuation of current laws and policies affecting taxes and mandatory programs and extrapolates the growth of discretionary spending by using projected rates of inflation. According to CBO's projections, under current tax and spending policies, the budget deficit would increase from \$161 billion in 2007 to \$407 billion in 2008 and \$438 billion in 2009. Measured relative to the size of the economy—that is, as a percentage of gross domestic product, or GDP—the deficit would be 2.9 percent of GDP in 2008 and 3.0 percent in 2009.

The size of the budget deficit is influenced by temporary factors, such as the effects of the business cycle or one-time shifts in the timing of federal tax receipts and spending, and by the longer-lasting impact of such factors as tax and spending legislation, changes in the long-term (trend) growth rate of the economy, and movements in the distribution and proportion of income subject to taxation. To help separate out those factors, this report presents estimates of two adjusted budget measures: the cyclically adjusted deficit or surplus (which attempts to filter out the effects of the business cycle) and the standardized-budget deficit or surplus (which removes the effects of other factors in addition to those of the business cycle).

Under CBO's baseline assumptions, the cyclically adjusted budget deficit will rise sharply in 2008, to 2.3 percent of potential GDP (from 0.9 percent in 2007) but decrease somewhat in 2009, to 1.7 percent (see Figure 1

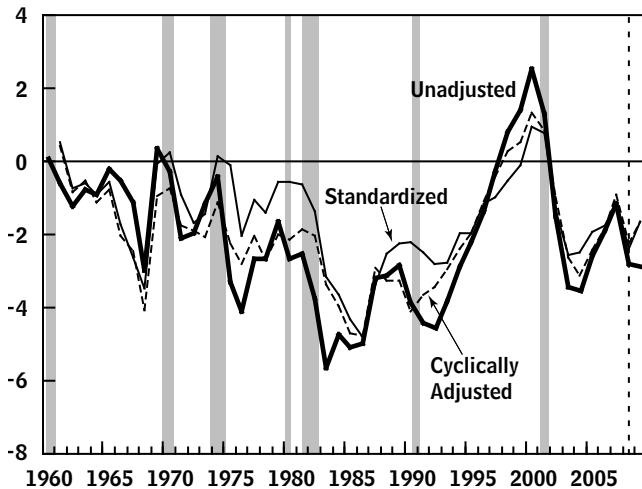
and Table 1).¹ The standardized-budget deficit will show roughly the same movement, climbing from 1.1 percent of potential GDP in 2007 to 2.4 percent in 2008 and then falling to 1.6 percent in 2009. CBO's projections of the cyclically adjusted and standardized budgets extend only through 2009 because the economic outlook on which they are based does not attempt to predict cyclical movements beyond that point. Consequently, projections of the cyclically adjusted budget deficit or surplus beyond 2009 would be very similar to CBO's baseline projections of the (unadjusted) budget deficit or surplus.

CBO anticipates that economic output will be further below its potential level in 2008 and 2009 than it was in 2007, which is to say that effects of the business cycle will further worsen the federal budget deficit in those years. In 2007, those estimated cyclical effects amounted to 0.2 percent of potential GDP, up slightly from 0.1 percent in 2006. According to CBO's baseline projections, in 2008 the cyclical contributions to the budget deficit will amount to roughly 0.6 percent of potential GDP and in 2009, 1.2 percent. The additional adjustments that underlie the standardized-budget deficit (for shifts in the timing of tax receipts and outlays and for other factors) are projected to total 0.2 percent of potential GDP in 2008 and a negligible amount in 2009, compared with 0.2 percent in 2007. Those additional adjustments essentially offset the adjustment to the standardized budget for the effects of the business cycle in 2007, but not in 2008 or 2009.

1. That calculation and subsequent ones in this report rely on potential, rather than actual, GDP because it excludes effects of the business cycle. Potential GDP is the level of output that corresponds to a high level of resource—labor and capital—use.

Figure 1.**Three Measures of Budget Deficits and Surpluses**

(Percentage of potential gross domestic product)



Sources: Congressional Budget Office; Office of Management and Budget.

Notes: The cyclically adjusted deficit or surplus attempts to filter out the effects of the business cycle. The standardized-budget measure removes the effects of other factors in addition to those of the business cycle.

Potential gross domestic product is the level of output that corresponds to a high level of resource—labor and capital—use.

The shaded vertical bars indicate periods of recession. (A recession extends from the peak of a business cycle to its trough.) The dashed vertical line separates actual from projected data.

Why Adjust Measures of the Budget Deficit or Surplus?

Despite some limitations, both conceptual and empirical, budget measures that filter out cyclical and other temporary factors are useful in several ways. For example, some analysts use those measures to discern underlying trends in government saving or dissaving (that is, surpluses or deficits). Others use them to determine, in a rough way, whether the influence of the budget on aggregate demand and on the growth of real (inflation-adjusted) income in the short run is positive or negative. More generally, those measures provide estimates of the extent to which changes in the budget are caused by movements of the business cycle and thus are likely to prove temporary.

During cyclical slowdowns and recessions, the growth of revenues automatically declines and the growth of outlays (for programs such as those providing unemployment insurance and food stamps) automatically increases. The opposite occurs during upturns in the business cycle. The cyclically adjusted deficit or surplus is calculated to show the underlying federal budget balance when those automatic movements are removed. The cyclical contribution—the difference between the unadjusted budget deficit or surplus and the cyclically adjusted deficit or surplus—is sometimes used as a measure of the so-called automatic stabilizers, which mitigate the decline of real income in recessions and dampen its growth in booms.

Policy actions in the form of tax or spending legislation create changes in the budget deficit or surplus that are distinct from the automatic cyclical movements. Those legislative changes also result in movements in the cyclically adjusted deficit or surplus. However, under the procedures used to develop CBO's baseline, which take into account only current law, possible future legislation has no effect on either budget measure.

Other factors that affect taxes and spending but that are not directly connected with changes in policy may also alter cyclically adjusted measures of revenues or spending. For example, increases or decreases in receipts from capital gains taxes, which may be caused by movements in the stock market, raise or lower cyclically adjusted revenues just as they raise or lower total budget revenues. Because changes in those receipts are not closely tied to the business cycle, they are not treated as a cyclical factor and therefore are not removed from the cyclically adjusted budget measure. Similarly, the measure does not remove the effects of certain explicit budgetary decisions that produce temporary changes—sometimes of only a few days' duration—in the timing of tax receipts or government spending. Such actions may be viewed more as accounting decisions than as changes in policy.

CBO calculates a different measure, the standardized-budget deficit or surplus, that attempts to remove those factors as well as the effects of the business cycle. For example, the standardized-budget measure removes capital gains tax revenues and the effects of legislation that only temporarily change the timing of revenues or outlays. As a result, the standardized-budget deficit or surplus is the more subjective of the two measures presented in this report.

The Cyclically Adjusted Deficit or Surplus

Calculations of cyclically adjusted budget measures attempt to remove the effects of the business cycle on revenues and outlays (that is, the cyclical part of the budget). For example, calculations of cyclically adjusted revenues exclude estimates of the revenue losses or gains that automatically occur during a recession or boom. Likewise, calculations of cyclically adjusted outlays exclude estimates of the increases or reductions in spending that are associated with a rise or fall in unemployment. The difference between those two calculations is the cyclically adjusted deficit or surplus.

CBO's estimates of the cyclical component of revenues and outlays depend on the gap between actual GDP and potential GDP. Thus, different estimates of potential GDP will produce different estimates of the size of the cyclically adjusted deficit or surplus.

CBO estimates that under the laws in place as of September 2008, the cyclically adjusted deficit will climb from 0.9 percent of potential GDP in 2007 to 2.3 percent in 2008 and then drop to 1.7 percent in 2009. Although the increase from 2007 to 2008 is large by historical standards, it is smaller than the increases of 1.8 percentage points from 2001 to 2002 and 1.6 percentage points from 2002 to 2003, movements that also reflected the effects of major tax laws that were designed in part to stimulate short-term growth.

The impact of the business cycle on the budget deficit or surplus is measured by the cyclical contribution—the difference between the unadjusted budget deficit or surplus and the cyclically adjusted deficit or surplus.² In 2000, the cyclical contribution amounted to a surplus of 1.2 percent of potential GDP, which indicated that the strength of the economy was temporarily augmenting the

budget surplus by a significant amount. By 2002, the cyclical contribution had turned negative, amounting to 0.8 percent of potential GDP by 2003—which meant that the economy, in operating below its potential, was adding to the budget deficit. A string of negative but diminishing cyclical contributions ensued for three years, shrinking to 0.1 percent of potential GDP in 2006. Cyclical contributions will remain negative, CBO projects, and grow in size through 2009, when the effect of the economy on the budget will be adding approximately as much to the deficit as it added to the surplus in 2000.

Economic research suggests that fundamental changes in the economy in the early 1980s have led to fewer and milder cyclical movements since that time. For instance, in the first 37 years after World War II, there were eight recessions; in contrast, in the 25 years from 1982 through 2007, there were just two recessions—both of them milder than the average of the previous eight.

A more stable economy since the early 1980s has tended to reduce budget swings that stem from business cycles. For example, the cyclical component went from reducing the budget deficit by 0.9 percent of potential GDP in 1973 to raising the deficit by 1.1 percent of potential GDP in 1975. The back-to-back 1980 and 1981–1982 recessions widened the budget deficit even more. By contrast, the swings in the cyclical contribution to the deficit in the 1990–1991 and 2001 recessions were significantly smaller.

The Standardized-Budget Deficit or Surplus

CBO routinely calculates another adjusted budget measure, the standardized-budget deficit or surplus. That measure excludes the effects of both cyclical fluctuations and factors that are short-lived and unlikely to significantly affect real income in the short term. Such factors include unusually large discrepancies between tax payments and liabilities, swings in collections of capital gains taxes, changes in the inflation component of the government's interest payments, temporary legislative changes that affect the timing of revenues and outlays, receipts from the government's sale of assets and from auctions of licenses for use of the electromagnetic spectrum, and federal outlays for deposit insurance.

2. In its annual report on the budget and the economy (usually issued in January), CBO presents estimates (or “rules of thumb”) that specify how the budget would respond if certain economic assumptions were changed. The estimates of the cyclical contribution presented in this report differ from those that would be obtained by using the rules of thumb. The rule-of-thumb estimates attempt to capture the budgetary effects of sustained changes in the rate of growth of GDP and other economic variables, whereas the estimates presented in this report are meant to filter out temporary cyclical fluctuations.

For example, a substantial discrepancy—by CBO’s estimates, \$20 billion—between tax liabilities and payments emerged in 2003, when tax liabilities were lowered for the entire year (because of the enactment of the Jobs and Growth Tax Relief Reconciliation Act of 2003) but estimated and withheld tax payments were reduced for only about half of the year. The discrepancy meant that taxpayers generally expected to receive larger refunds (or make smaller final settlements) in the spring of 2004 than they would have if their withheld and estimated tax payments in 2003 had been reduced to fully match the drop in their tax liabilities. Consequently, consumers might have boosted their 2003 spending in anticipation—resulting in a greater effect on overall demand in that year than the effect implied solely by the reduction in 2003 tax payments. Accordingly, in calculating the standardized budget, CBO treated those overpayments of taxes in 2003 (and similar discrepancies between tax payments and liabilities that occurred in the past) as if they affected only the timing of tax payments and had no significant implications for consumer spending (and in turn overall demand). That adjustment removed the overpayments from standardized revenue totals for 2003 and reduced refunds (thus increasing standardized revenues) for 2004 by the same amount.

CBO removes capital gains tax receipts from the standardized budget for two reasons. First, removing those tax receipts avoids the misleading effects that may arise, for example, when a cut in the tax rate on capital gains temporarily encourages investors to realize taxable gains to such an extent that revenues are increased. If the standardized budget included capital gains tax receipts, that rise in revenues would cause the measure to indicate—incorrectly—that a lowered tax rate would reduce the growth of real income in the short term. Second, although capital gains tax receipts move up and down over the business cycle, they are not tied closely enough to the cycle to be fully represented in the cyclical adjustments to revenues.

CBO also removes changes in the inflation component of interest in calculating the standardized budget. That component reflects the effect of inflation on the value of outstanding federal debt and does not add to or subtract from real income.

Legislation sometimes temporarily shifts the timing of receipts or outlays (usually from the end of one fiscal year to the beginning of the next). CBO excludes those small

timing shifts from the standardized budget because they are unlikely to significantly affect aggregate demand and the growth of real income. CBO also excludes receipts from the government’s sale of assets and auctions of licenses to use the electromagnetic spectrum. Those transactions are voluntary exchanges of existing assets that have little or no effect on private net worth or on the growth of real income. In addition, CBO removes outlays and receipts for deposit insurance because their effects on real income occurred in earlier years (when financial institutions incurred losses that led to failure).

On average, the net result of the various adjustments described above is a decrease in the standardized-budget deficit relative to the actual budget deficit. However, it is the *change* in the standardized-budget deficit from one year to the next, rather than the level in any year, that is important for assessing the budget’s effects on real income in the short term.

CBO projects that under current laws and policies, the standardized-budget deficit will rise from 1.1 percent of potential GDP in 2007 to 2.4 percent in 2008, which is nearly the same as the rise in the cyclically adjusted deficit projected for that year. In 2009, the standardized-budget deficit is projected to fall to 1.6 percent of potential GDP—slightly more than the fall in the cyclically adjusted figure. As a percentage of potential output, CBO’s estimates of the standardized-budget deficit for 2008 and 2009 are both less than its estimates of the unadjusted deficit—by 0.4 percent and 1.2 percent of potential GDP, respectively, (about \$60 billion and \$187 billion)—mostly because the weakness of the economy is expected to add to the deficit, especially in 2009.

Details of CBO’s Projections of the Standardized-Budget Deficit

The standardized-budget deficit in 2007 was the smallest such shortfall in this decade, amounting to 1.1 percent of potential GDP, down from 1.8 percent in 2006 (see Tables 2 and 3). Roughly half of the decline in 2007 was due to an increase in the ratio of standardized revenues to potential GDP, from 17.7 percent in 2006 to 18.1 percent in 2007; the rest reflected a drop in standardized outlays. The rise in standardized revenues was about the same as the rise in cyclically adjusted revenues, but the fall in standardized outlays (0.3 percent) was smaller than the decline in cyclically adjusted outlays (0.5 percent).

Under the assumptions embodied in CBO's baseline projections for September 2008 (which do not incorporate the effects of future legislation), the ratio of the standardized-budget deficit to potential GDP is forecast to increase substantially in 2008 and then decline in 2009. The large increase that CBO projects for 2008 is attributable mostly to a fall in standardized revenues amounting to 0.8 percent of potential GDP, which stems largely from the Economic Stimulus Act. (In the unadjusted budget, revenues are projected to decline by a somewhat larger amount measured as a percentage of potential GDP.) Also a factor, however, is a projected boost in standardized outlays of 0.5 percent of potential GDP, which essentially reflects an increase in cyclically adjusted outlays; the combined effects of adjustments other than those for the business cycle are small.

An upward shift in standardized revenues of 0.9 percent of potential GDP accounts for most of the decrease projected in the standardized deficit for 2009. That rise in standardized revenues is similar to the increase in cycli-

cally adjusted revenues; it results from the temporary nature of the 2008 tax reductions in the Economic Stimulus Act and the even larger rise in cyclically adjusted revenues attributable to CBO's assumption in its baseline that the temporary increase in the exemption amounts for the alternative minimum tax will not be extended.

The overall increase of 0.5 percentage points of potential GDP in the standardized-budget deficit that CBO anticipates from 2007 to 2009 period is smaller than the increase in the cyclically adjusted deficit because the additional adjustments to arrive at the standardized deficit decline between those years. On the revenue side, the largest of those adjustments is for capital gains. On the outlay side, the largest is for the inflation component of interest payments. Thus, the overall increase in the unadjusted budget deficit from 2007 to 2009 that CBO projects is mostly the result of cyclical factors.

Historical estimates of the standardized-budget measures and related series are presented in Tables 4 and 5.

Table 1.**Measures of the Federal Budget Deficit**

	Actual				Projected	
	2004	2005	2006	2007	2008	2009
In Billions of Dollars						
Budget Deficit (Unadjusted)	-413	-318	-248	-161	-407	-438
Minus: Cyclical Contribution	<u>-51</u>	<u>-20</u>	<u>-8</u>	<u>-32</u>	<u>-82</u>	<u>-185</u>
Equals: Cyclically Adjusted Budget Deficit	-362	-298	-240	-128	-325	-254
Plus: Other Adjustments ^a	<u>73</u>	<u>62</u>	<u>10</u>	<u>-24</u>	<u>-22</u>	<u>3</u>
Equals: Standardized-Budget Deficit	-289	-236	-230	-153	-347	-251
As a Percentage of Potential Gross Domestic Product^b						
Budget Deficit (Unadjusted)	-3.6	-2.6	-1.9	-1.2	-2.8	-2.9
Minus: Cyclical Contribution	<u>-0.4</u>	<u>-0.2</u>	<u>-0.1</u>	<u>-0.2</u>	<u>-0.6</u>	<u>-1.2</u>
Equals: Cyclically Adjusted Budget Deficit	-3.1	-2.4	-1.8	-0.9	-2.3	-1.7
Plus: Other Adjustments ^a	<u>0.6</u>	<u>0.5</u>	<u>0.1</u>	<u>-0.2</u>	<u>-0.2</u>	<u>*</u>
Equals: Standardized-Budget Deficit	-2.5	-1.9	-1.8	-1.1	-2.4	-1.6

Sources: Congressional Budget Office; Office of Management and Budget.

Note: * = between zero and 0.05 percent.

- a. "Other adjustments" include those made to account for unusually large discrepancies between tax payments and liabilities, swings in collections of taxes on capital gains, changes in the inflation component of the government's net interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government's sale of assets and from auctions of licenses for the use of the electromagnetic spectrum, and federal outlays for deposit insurance.
- b. Potential gross domestic product is the level of output that corresponds to a high level of resource—labor and capital—use.

Table 2.**Details of the Standardized-Budget Deficit in Billions of Dollars**

	Actual				Projected	
	2004	2005	2006	2007	2008	2009
Revenues						
Budget (Unadjusted)	1,880	2,154	2,407	2,568	2,548	2,720
Minus: Cyclical contribution	-39	-20	-12	-36	-72	-161
Equals: Cyclically adjusted	1,919	2,174	2,420	2,604	2,620	2,880
Plus: Other adjustments	-42	-91	-111	-119	-122	-112
Equals: Standardized	1,877	2,083	2,308	2,485	2,498	2,769
Mandatory Spending						
Budget (Unadjusted)	1,238	1,320	1,413	1,451	1,586	1,729
Minus: Cyclical contribution	12	1	-4	-4	10	24
Equals: Cyclically adjusted	1,225	1,320	1,417	1,455	1,576	1,705
Plus: Other adjustments	7	-2	16	23	25	22
Equals: Standardized	1,232	1,318	1,433	1,478	1,601	1,727
Discretionary Spending						
Budget (Unadjusted)	895	968	1,016	1,041	1,125	1,202
Plus: Timing adjustment	0	-4	*	4	0	0
Equals: Standardized	895	964	1,016	1,045	1,125	1,202
Interest Payments						
Budget (Unadjusted)	160	184	227	237	244	227
Plus: Inflation adjustment	-122	-147	-138	-123	-125	-136
Equals: Standardized	38	37	89	115	119	90
Deficit						
Budget (Unadjusted)	-413	-318	-248	-161	-407	-438
Minus: Cyclical contribution	-51	-20	-8	-32	-82	-185
Equals: Cyclically adjusted	-362	-298	-240	-128	-325	-254
Plus: Other adjustments ^a	73	62	10	-24	-22	3
Equals: Standardized	-289	-236	-230	-153	-347	-251

Sources: Congressional Budget Office; Office of Management and Budget.

Notes: The cyclical contribution to revenues is negative when actual gross domestic product (GDP) is less than potential GDP (the level of output that corresponds to a high level of resource—labor and capital—use). The cyclical contribution to mandatory spending is positive when the unemployment rate is higher than the natural rate of unemployment (the rate arising from all sources except fluctuations in aggregate demand). The cyclical contribution to the budget deficit equals the cyclical contribution to revenues minus the cyclical contribution to mandatory spending. (No cyclical adjustment is estimated for discretionary spending or interest payments.)

* = between -\$500 million and zero.

a. "Other adjustments" to the total deficit comprise "other adjustments" to revenues minus the sum of "other adjustments" to mandatory spending, the "timing adjustment" to discretionary spending, and the "inflation adjustment" to interest payments.

Table 3.**Details of the Standardized-Budget Deficit as a Percentage of Potential Gross Domestic Product**

	Actual				Projected	
	2004	2005	2006	2007	2008	2009
Revenues						
Budget (Unadjusted)	16.2	17.5	18.5	18.7	17.6	17.9
Minus: Cyclical contribution	-0.3	-0.2	-0.1	-0.3	-0.5	-1.1
Equals: Cyclically adjusted	16.5	17.7	18.6	18.9	18.1	18.9
Plus: Other adjustments	-0.4	-0.7	-0.9	-0.9	-0.8	-0.7
Equals: Standardized	16.2	17.0	17.7	18.1	17.3	18.2
Mandatory Spending						
Budget (Unadjusted)	10.7	10.7	10.8	10.5	11.0	11.4
Minus: Cyclical contribution	0.1	*	*	*	0.1	0.2
Equals: Cyclically adjusted	10.6	10.7	10.9	10.6	10.9	11.2
Plus: Other adjustments	0.1	*	0.1	0.2	0.2	0.1
Equals: Standardized	10.6	10.7	11.0	10.7	11.1	11.3
Discretionary Spending						
Budget (Unadjusted)	7.7	7.9	7.8	7.6	7.8	7.9
Plus: Timing adjustment	0	*	*	*	0	0
Equals: Standardized	7.7	7.8	7.8	7.6	7.8	7.9
Interest Payments						
Budget (Unadjusted)	1.4	1.5	1.7	1.7	1.7	1.5
Plus: Inflation adjustment	-1.1	-1.2	-1.1	-0.9	-0.9	-0.9
Equals: Standardized	0.3	0.3	0.7	0.8	0.8	0.6
Deficit						
Budget (Unadjusted)	-3.6	-2.6	-1.9	-1.2	-2.8	-2.9
Minus: Cyclical contribution	-0.4	-0.2	-0.1	-0.2	-0.6	-1.2
Equals: Cyclically adjusted	-3.1	-2.4	-1.8	-0.9	-2.3	-1.7
Plus: Other adjustments ^a	0.6	0.5	0.1	-0.2	-0.2	*
Equals: Standardized	-2.5	-1.9	-1.8	-1.1	-2.4	-1.6

Sources: Congressional Budget Office; Office of Management and Budget.

Notes: The cyclical contribution to revenues is negative when actual gross domestic product (GDP) is less than potential GDP (the level of output that corresponds to a high level of resource—labor and capital—use). The cyclical contribution to mandatory spending is positive when the unemployment rate is higher than the natural rate of unemployment (the rate arising from all sources except fluctuations in aggregate demand). The cyclical contribution to the budget deficit equals the cyclical contribution to revenues minus the cyclical contribution to mandatory spending. (No cyclical adjustment is estimated for discretionary spending or interest payments.)

* = between -0.05 percent and 0.05 percent.

- a. "Other adjustments" to the deficit comprise "other adjustments" to revenues minus the sum of "other adjustments" to mandatory spending, the "timing adjustment" to discretionary spending, and the "inflation adjustment" to interest payments.

Table 4.**The Standardized-Budget Surplus or Deficit and Related Series in Billions of Dollars, 1962 to 2009**

	Budget (Unadjusted) Surplus or Deficit (-)	- Cyclical Contribution	=	Cyclically Adjusted Surplus or Deficit (-)	+	Other Adjustments ^a	=	Standardized- Budget Surplus or Deficit (-)	Standardized-Budget	
									Revenues	Outlays
1962	-7	-2	=	-5	+	1	=	-4	99	104
1963	-5	-2	=	-3	+	*	=	-4	106	110
1964	-6	1	=	-7	+	1	=	-6	109	115
1965	-1	4	=	-5	+	1	=	-4	111	115
1966	-4	11	=	-15	+	2	=	-12	117	130
1967	-9	11	=	-19	+	-1	=	-20	132	153
1968	-25	9	=	-34	+	5	=	-29	141	171
1969	3	12	=	-9	+	8	=	-1	173	173
1970	-3	4	=	-7	+	10	=	2	187	184
1971	-23	-4	=	-19	+	9	=	-10	187	197
1972	-23	-1	=	-22	+	2	=	-20	199	220
1973	-15	12	=	-27	+	8	=	-18	216	234
1974	-6	10	=	-16	+	18	=	2	251	249
1975	-53	-17	=	-36	+	35	=	-2	296	297
1976	-74	-23	=	-50	+	14	=	-37	308	344
1977	-54	-13	=	-41	+	20	=	-21	357	378
1978	-59	1	=	-60	+	29	=	-31	390	422
1979	-41	9	=	-49	+	35	=	-14	446	460
1980	-74	-15	=	-59	+	43	=	-16	516	532
1981	-79	-21	=	-58	+	38	=	-19	604	623
1982	-128	-59	=	-69	+	23	=	-46	652	698
1983	-208	-84	=	-124	+	7	=	-116	649	765
1984	-185	-29	=	-156	+	12	=	-144	672	815
1985	-212	-15	=	-197	+	17	=	-180	722	902
1986	-221	-10	=	-212	+	-1	=	-213	746	958
1987	-150	-12	=	-137	+	-20	=	-157	815	972
1988	-155	7	=	-162	+	37	=	-125	869	995
1989	-153	22	=	-174	+	55	=	-120	936	1,055
1990	-221	14	=	-235	+	109	=	-126	987	1,113
1991	-269	-48	=	-221	+	70	=	-151	1,068	1,219
1992	-290	-71	=	-219	+	41	=	-179	1,133	1,312
1993	-255	-58	=	-197	+	11	=	-186	1,172	1,358
1994	-203	-35	=	-168	+	30	=	-138	1,252	1,390
1995	-164	-19	=	-145	+	*	=	-144	1,332	1,477
1996	-107	-22	=	-85	+	-6	=	-91	1,420	1,510
1997	-22	14	=	-35	+	-44	=	-80	1,496	1,575
1998	69	47	=	22	+	-67	=	-44	1,588	1,632
1999	126	78	=	47	+	-57	=	-10	1,650	1,660

Continued

Table 4.

Continued

The Standardized-Budget Surplus or Deficit and Related Series in Billions of Dollars, 1962 to 2009

	Budget (Unadjusted) Surplus or Deficit (-)	-	Cyclical Contribution	=	Cyclically Adjusted Surplus or Deficit (-)	+	Other Adjustments ^a	=	Standardized- Budget Surplus or Deficit (-)	Standardized-Budget	
										Revenues	Outlays
2000	236		111		125		-38		88	1,803	1,715
2001	128		45		83		-7		76	1,871	1,795
2002	-158		-54		-104		-35		-139	1,807	1,946
2003	-378		-88		-289		6		-283	1,787	2,070
2004	-413		-51		-362		73		-289	1,877	2,166
2005	-318		-20		-298		62		-236	2,083	2,319
2006	-248		-8		-240		10		-230	2,308	2,538
2007	-161		-32		-128		-24		-153	2,485	2,638
2008 ^b	-407		-82		-325		-22		-347	2,498	2,845
2009 ^b	-438		-185		-254		3		-251	2,769	3,020

Sources: Congressional Budget Office; Office of Management and Budget.

Notes: * = between -\$500 million and \$500 million.

a. "Other adjustments" include those made to account for unusually large discrepancies between tax payments and liabilities, swings in collections of taxes on capital gains, changes in the inflation component of the government's net interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government's sale of assets and from auctions of licenses for the use of the electromagnetic spectrum, federal outlays for deposit insurance, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).

b. Projected.

Table 5.**The Standardized-Budget Surplus or Deficit and Related Series as a Percentage of Potential Gross Domestic Product, 1962 to 2009**

	Budget (Unadjusted) Surplus or Deficit (-)	- Cyclical Contribution	=	Cyclically Adjusted Surplus or Deficit (-)	+ Other Adjustments ^a	=	Standardized- Budget Surplus or Deficit (-)	Standardized-Budget	
								Revenues	Outlays
1962	-1.2	-0.4		-0.9	0.1		-0.8	17.3	18.0
1963	-0.8	-0.3		-0.5	-0.1		-0.6	17.5	18.1
1964	-0.9	0.2		-1.1	0.2		-0.9	17.1	18.0
1965	-0.2	0.6		-0.8	0.2		-0.6	16.4	17.0
1966	-0.5	1.5		-2.0	0.3		-1.7	16.3	18.0
1967	-1.1	1.4		-2.5	-0.2		-2.6	17.0	19.6
1968	-3.0	1.1		-4.1	0.6		-3.5	16.8	20.2
1969	0.4	1.3		-0.9	0.9		-0.1	18.8	18.8
1970	-0.3	0.4		-0.7	1.0		0.2	18.5	18.3
1971	-2.1	-0.3		-1.8	0.8		-0.9	17.1	18.0
1972	-2.0	-0.1		-1.9	0.2		-1.7	16.9	18.6
1973	-1.2	0.9		-2.1	0.6		-1.5	16.9	18.4
1974	-0.4	0.7		-1.1	1.3		0.1	17.8	17.6
1975	-3.3	-1.1		-2.2	2.1		-0.1	18.3	18.4
1976	-4.1	-1.3		-2.8	0.8		-2.0	17.2	19.2
1977	-2.7	-0.6		-2.0	1.0		-1.1	17.8	18.9
1978	-2.7	*		-2.7	1.3		-1.4	17.6	19.1
1979	-1.6	0.4		-2.0	1.4		-0.6	18.0	18.6
1980	-2.7	-0.5		-2.1	1.6		-0.6	18.6	19.2
1981	-2.5	-0.7		-1.8	1.2		-0.6	19.4	20.0
1982	-3.7	-1.7		-2.0	0.7		-1.4	19.1	20.4
1983	-5.7	-2.3		-3.4	0.2		-3.2	17.6	20.8
1984	-4.7	-0.7		-4.0	0.3		-3.7	17.1	20.8
1985	-5.1	-0.4		-4.7	0.4		-4.3	17.2	21.5
1986	-5.0	-0.2		-4.8	*		-4.8	16.8	21.6
1987	-3.2	-0.3		-2.9	-0.4		-3.3	17.4	20.7
1988	-3.1	0.1		-3.3	0.7		-2.5	17.4	19.9
1989	-2.9	0.4		-3.3	1.0		-2.2	17.5	19.7
1990	-3.9	0.2		-4.1	1.9		-2.2	17.3	19.5
1991	-4.4	-0.8		-3.6	1.1		-2.5	17.6	20.0
1992	-4.5	-1.1		-3.4	0.6		-2.8	17.7	20.5
1993	-3.8	-0.9		-2.9	0.2		-2.8	17.5	20.3
1994	-2.9	-0.5		-2.4	0.4		-2.0	17.8	19.8
1995	-2.2	-0.3		-2.0	*		-2.0	18.0	20.0
1996	-1.4	-0.3		-1.1	-0.1		-1.2	18.3	19.5
1997	-0.3	0.2		-0.4	-0.5		-1.0	18.4	19.4
1998	0.8	0.6		0.3	-0.8		-0.5	18.7	19.2
1999	1.4	0.9		0.5	-0.6		-0.1	18.5	18.6

Continued

Table 5.

Continued

The Standardized-Budget Surplus or Deficit and Related Series as a Percentage of Potential Gross Domestic Product, 1962 to 2009

	Budget (Unadjusted) Surplus or Deficit (-)	-	Cyclical Contribution	=	Cyclically Surplus or Deficit (-)	+	Other Adjustments ^a	=	Standardized- Surplus or Deficit (-)	Standardized-Budget	
										Revenues	Outlays
2000	2.5		1.2		1.3		-0.4		0.9	19.1	18.2
2001	1.3		0.5		0.8		-0.1		0.8	18.7	17.9
2002	-1.5		-0.5		-1.0		-0.3		-1.3	17.2	18.5
2003	-3.4		-0.8		-2.6		0.1		-2.6	16.2	18.8
2004	-3.6		-0.4		-3.1		0.6		-2.5	16.2	18.7
2005	-2.6		-0.2		-2.4		0.5		-1.9	17.0	18.9
2006	-1.9		-0.1		-1.8		0.1		-1.8	17.7	19.5
2007	-1.2		-0.2		-0.9		-0.2		-1.1	18.1	19.2
2008 ^b	-2.8		-0.6		-2.3		-0.2		-2.4	17.3	19.7
2009 ^b	-2.9		-1.2		-1.7		*		-1.6	18.2	19.8

Sources: Congressional Budget Office; Office of Management and Budget.

Notes: Potential gross domestic product is the level of output that corresponds to a high level of resource-labor and capital-use.

* = between -0.05 percent and 0.05 percent.

a. "Other adjustments" include those made to account for unusually large discrepancies between tax payments and liabilities, swings in collections of taxes on capital gains, changes in the inflation component of the government's net interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government's sale of assets and from auctions of licenses for the use of the electromagnetic spectrum, federal outlays for deposit insurance, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).

b. Projected.

