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R E P O R T

**Measuring the Effects of the
Business Cycle on the Federal Budget**

June 2009



CONGRESSIONAL BUDGET OFFICE
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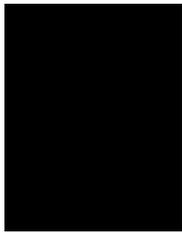
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Originally released on June 23, 2009, this report was revised on June 25, 2009. Toward the end of the fourth paragraph on page 3, the amounts indicated for various programs and laws' effect on the cyclically adjusted deficit in 2009 and 2010 have been corrected.

Notes

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

Unless otherwise indicated, all years are fiscal years.



Preface

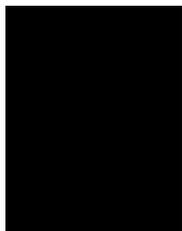
This report offers an alternative measure of the budget that incorporates adjustments for the effects of the business cycle. It is one of a series of reports that the Congressional Budget Office (CBO) issues each year to fulfill the requirement of section 202(e) of the Congressional Budget and Impoundment Control 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. This report is based on information presented in *A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook*, released in March 2009.

Frank Russek wrote the report, with assistance from Holly Battelle, under the supervision of John Peterson and Robert Dennis. Kate Kelly edited the report, and Loretta Lettner proofread it. Maureen Costantino prepared the report for publication, Lenny Skutnik produced the print version, Linda Schimmel handled the print distribution, and Simone Thomas prepared the electronic version for CBO's Web site (www.cbo.gov).



Douglas W. Elmendorf
Director

June 2009



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Measuring the Effects of the Business Cycle on the Federal Budget

Summary

In March 2009, the Congressional Budget Office (CBO) released its most recent baseline projections of federal revenues, outlays, and budget balances for the next 10 years.¹ Those projections are developed in a process by which CBO assumes the continuation of current laws and policies that affect taxes and mandatory spending 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 \$459 billion in 2008 to \$1.7 trillion in 2009 and then fall to \$1.1 trillion in 2010 and to \$693 billion in 2011. Measured relative to the size of the economy—that is, as a percentage of gross domestic product, or GDP—the deficit would be 11.9 percent of GDP in 2009 (the largest in more than half a century), 7.9 percent in 2010, and 4.6 percent in 2011.

The size of the budget deficit is influenced both by policy changes and by the automatic responses of revenues and outlays to economic developments. In addition to the effects of the business cycle (which are most pronounced during recessions), those economic factors include changes in the long-term (trend) growth rate of the economy, movements in the distribution and proportion of income subject to taxation, and variations in interest rates and in the pace of inflation. This report presents estimates of the cyclically adjusted deficit or surplus. That measure attempts to filter out the budgetary effects of the economy operating below (or above) its potential level of real output and employment.² It does not include adjustments for other economic factors that affect the budget.

1. See Congressional Budget Office, *A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook* (March 2009).

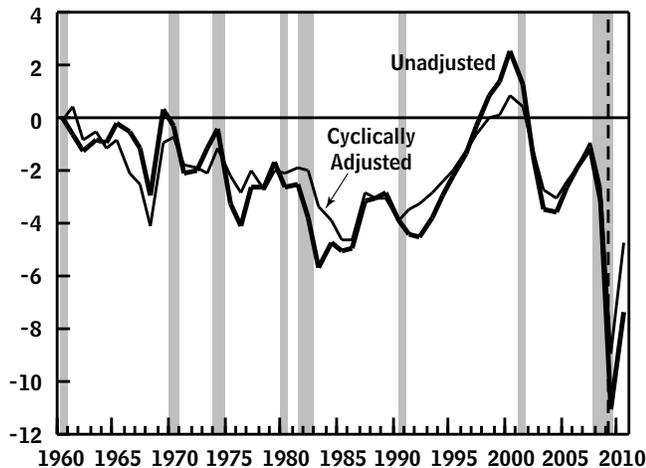
Under CBO's baseline assumptions, the cyclically adjusted budget deficit will rise sharply in 2009, to 9 percent of potential GDP (from 2.6 percent in 2008), but then decrease in 2010 and 2011 to 4.7 percent and 2.2 percent of potential GDP, respectively (see Table 1 and Figure 1).³ Those deficits are smaller than the unadjusted deficit estimates because the latter include the automatic responses of revenues and outlays to the current recession. CBO expects that economic output will be much farther below its potential level in 2009, 2010, and 2011 than it was in 2008, which is to say that effects of the business cycle will substantially increase the federal budget deficit in those years. In 2008, the estimated cyclical effects amounted to 0.5 percent of potential GDP, up somewhat from 0.2 percent in 2007. According to CBO's baseline projections, in 2009 and 2010 the cyclical contribution to the budget deficit will climb to roughly 2.1 percent and 2.6 percent

2. In the past, CBO also reported another measure, the standardized budget deficit or surplus, which includes adjustments for factors other than the business cycle that affect the cyclically adjusted budget measure but sometimes can limit that measure's usefulness. Currently, however, uncertainty about the economic effects of the federal government's extraordinary intervention in financial markets hampers the construction of appropriate adjustments to that measure to account for that intervention's effects. For example, it is unclear how spending by the Troubled Asset Relief Program (created by the Emergency Economic Stabilization Act of 2008 [Public Law 110-343]) should be treated in the standardized budget. Because of such considerations, CBO has not updated its estimates of that measure. For previous estimates and a detailed description of the standardized budget measure, see Congressional Budget Office, *The Cyclically Adjusted and Standardized Budget Measures* (October 2008).

3. That and subsequent calculations in this report are based on potential, rather than actual, GDP because potential GDP excludes fluctuations that are attributable to the business cycle. Potential GDP is the level of output that corresponds to a high level of resource—labor and capital—use.

Figure 1.**Two 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.

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.

of potential GDP and in 2011 it will decrease to 2.2 percent. (Additional historical estimates are presented in Tables 2 and 3.)

Why Estimate a Cyclically Adjusted Budget Deficit or Surplus?

A budget measure that filters out cyclical factors is useful in several ways. For example, some analysts use such a measure to discern underlying trends in government saving or dissaving (that is, surpluses or deficits). Others use it to approximate 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, the measure helps analysts estimate the extent to which changes in the budget are caused by movements of the business cycle and thus are likely to prove temporary. The usefulness of the cyclically adjusted budget measure for such purposes is hampered by large

but temporary federal measures, such as the Troubled Asset Relief Program (TARP).

Changes in the unadjusted budget deficit reflect the impact of new tax and spending legislation and the effects of the economy on taxes and spending. The latter influences can be divided into two groups: The first group consists of the economic factors that are directly related to cyclical movements in real output and employment; the second includes all other economic factors. During cyclical slowdowns and recessions, revenue growth automatically declines and growth in outlays, for example to pay unemployment insurance claims or provide benefits under the Supplemental Nutrition Assistance Program (formerly food stamps), automatically increases. The opposite occurs with upturns in the business cycle. The cyclically adjusted deficit or surplus is calculated to illuminate the federal budget balance as it would exist in the absence of those automatic cyclical movements.

Although the budget is affected by economic factors other than cyclical movements in real output and employment, the cyclically adjusted budget generally does not filter out their effects. For example, a higher rate of inflation raises the dollar value of taxable income and thus causes growth in federal tax receipts. Because interest rates also are affected by inflation, federal interest payments are higher. Spending that is indexed for inflation (for Social Security benefits, for example) also increases. Those effects of inflation on revenues and outlays are not excluded from the cyclically adjusted budget estimates, even though the rate of inflation is affected by the business cycle.

In a few cases, however, the cyclically adjusted budget attempts to adjust for the budgetary effects of economic factors that are somewhat loosely related to cyclical fluctuations. For example, movements in tax receipts from realized capital gains appear to be more closely tied to the business cycle than they were in the past; the calculation of cyclically adjusted revenues attempts to account for that difference. The same is true for compensation bonuses, which tend to be concentrated among taxpayers in relatively high tax brackets and thus affect the effective tax rate on total wages and salaries. Cyclical differences between taxable corporate profits and the profits share of national income, as measured in the national income and product accounts, also are accounted for in the calculation of cyclically adjusted revenues.

Calculating the Cyclically Adjusted Deficit or Surplus

Calculations of the cyclically adjusted budget 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.

Despite adjustments to revenues and outlays for the automatic effects of the business cycle, the adjusted deficit can exhibit cyclical characteristics—such as increases during times of recession and early recovery. One reason is that the government may choose to stimulate a weakening economy through tax cuts and spending increases, both of which raise the deficit (or reduce the surplus). Such movements in the deficit, however, are not “automatic,” and thus are not removed from the cyclically adjusted budget. Another reason is that the cyclical adjustments might only partly remove the effects of factors, such as large fluctuations in the stock market, that have become more important in recent recessions.

CBO’s estimates of the cyclical component of revenues and outlays depend on the gap between actual and potential GDP. Thus, different estimates of potential GDP will produce different estimates of the size of the cyclically adjusted deficit or surplus. More specifically, the calculations remove the budgetary effects of the economy’s falling below or rising above its potential level of output and the corresponding rate of unemployment. No adjustments are made for the revenue and outlay effects of changes in other economic factors, such as prices and interest rates that might result from the economy’s moving back to potential output.

CBO estimates that under the laws in place as of March 2009, the cyclically adjusted deficit will climb from 2.6 percent of potential GDP in 2008 to 9.0 percent in 2009 before falling to 4.7 percent in 2010 and 2.2 percent in 2011. The increase from 2008 to 2009

and the decrease in 2010 are the largest on record, reflecting primarily the effects of the TARP legislation, assistance to Fannie Mae and Freddie Mac, and the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), which together will increase the deficit by \$812 billion in 2009 and by \$445 billion in 2010. (Without those costs, the cyclically adjusted deficit would be about 3.6 percent of potential GDP in 2009 and roughly 1.9 percent in 2010.)

Automatic Stabilizers

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 (changes in revenues and outlays, driven by the business cycle, which mitigate the decline of real income in recessions and dampen its growth in booms). In 2000, the cyclical contribution amounted to a surplus of 1.6 percent of potential GDP, which indicated that the strength of the economy was temporarily augmenting the budget surplus by a significant amount.⁴ By 2002, the cyclical contribution had turned negative, amounting to 0.7 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 have remained negative but have increased since then and they will grow considerably larger through 2010, CBO projects, when—at 2.6 percent of potential GDP—the effect of the economy on the budget will be adding more to the deficit than previously recorded. The cyclical contribution will decrease somewhat in 2011, when the economy is projected to move toward its potential level of output.

4. In its annual reports on the budget and the economy, CBO presents estimates, on the basis of “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 CBO’s rules of thumb. Those budgetary estimates attempt to capture the effects of sustained changes in the rate of growth of GDP and other economic variables, whereas the estimates in this report are meant to filter out temporary cyclical fluctuations.

Table 1.**Two Measures of Budget Deficits and Surpluses**

| | Actual | | 2008 | Projected | | |
|--|--------|--------|--------|-----------|--------|--------|
| | 2006 | 2007 | | 2009 | 2010 | 2011 |
| In Billions of Dollars | | | | | | |
| Revenues | | | | | | |
| Budget (Unadjusted) | 2,407 | 2,568 | 2,524 | 2,186 | 2,334 | 2,783 |
| Minus Cyclical Contribution | -12 | -32 | -64 | -235 | -344 | -314 |
| Equals Cyclically Adjusted Budget | 2,420 | 2,600 | 2,588 | 2,421 | 2,678 | 3,098 |
| Outlays | | | | | | |
| Budget (Unadjusted) | 2,655 | 2,729 | 2,983 | 3,853 | 3,473 | 3,476 |
| Minus Cyclical Contribution | 4 | 4 | -12 | -75 | -62 | -28 |
| Equals Cyclically Adjusted Budget | 2,659 | 2,732 | 2,971 | 3,777 | 3,411 | 3,448 |
| Deficit | | | | | | |
| Budget (Unadjusted) | -248 | -161 | -459 | -1,667 | -1,139 | -693 |
| Minus Cyclical Contribution | -8 | -28 | -76 | -310 | -406 | -343 |
| Equals Cyclically Adjusted Budget | -240 | -132 | -383 | -1,357 | -733 | -350 |
| As a Percentage of Potential Gross Domestic Product^a | | | | | | |
| Revenues | | | | | | |
| Budget (Unadjusted) | 18.5 | 18.7 | 17.5 | 14.5 | 15.1 | 17.6 |
| Minus Cyclical Contribution | -0.1 | -0.2 | -0.4 | -1.6 | -2.2 | -2.0 |
| Equals Cyclically Adjusted Budget | 18.6 | 18.9 | 17.9 | 16.1 | 17.3 | 19.6 |
| Outlays | | | | | | |
| Budget (Unadjusted) | 20.4 | 19.9 | 20.7 | 25.6 | 22.4 | 22.0 |
| Minus Cyclical Contribution | * | * | -0.1 | -0.5 | -0.4 | -0.2 |
| Equals Cyclically Adjusted Budget | 20.4 | 19.9 | 20.6 | 25.1 | 22.0 | 21.8 |
| Deficit | | | | | | |
| Budget (Unadjusted) | -1.9 | -1.2 | -3.2 | -11.1 | -7.4 | -4.4 |
| Minus Cyclical Contribution | -0.1 | -0.2 | -0.5 | -2.1 | -2.6 | -2.2 |
| Equals Cyclically Adjusted Budget | -1.8 | -1.0 | -2.6 | -9.0 | -4.7 | -2.2 |
| Memorandum: | | | | | | |
| Potential Gross Domestic Product | 13,040 | 13,746 | 14,439 | 15,042 | 15,480 | 15,831 |

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

Note: * = between zero and 0.05 percent.

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

Table 2.**The Cyclically Adjusted Budget Deficit or Surplus and Related Series, in Billions of Dollars, 1962 to 2011**

| | Budget (Unadjusted) Deficit (-) or Surplus | - | Cyclical Contributions | = | Cyclically Adjusted Deficit (-) or Surplus | Cyclically Adjusted Budget | |
|------|---|---|---------------------------|---|---|----------------------------|---------|
| | | | | | | Revenues | Outlays |
| 1962 | -7 | | -2 | | -5 | 102 | 106 |
| 1963 | -5 | | -2 | | -3 | 108 | 111 |
| 1964 | -6 | | 1 | | -7 | 112 | 119 |
| 1965 | -1 | | 4 | | -5 | 114 | 119 |
| 1966 | -4 | | 11 | | -15 | 121 | 136 |
| 1967 | -9 | | 11 | | -20 | 140 | 160 |
| 1968 | -25 | | 9 | | -35 | 146 | 181 |
| 1969 | 3 | | 12 | | -9 | 178 | 187 |
| 1970 | -3 | | 4 | | -7 | 191 | 198 |
| 1971 | -23 | | -4 | | -19 | 191 | 210 |
| 1972 | -23 | | -1 | | -23 | 208 | 231 |
| 1973 | -15 | | 12 | | -27 | 220 | 248 |
| 1974 | -6 | | 10 | | -17 | 255 | 272 |
| 1975 | -53 | | -17 | | -36 | 293 | 329 |
| 1976 | -74 | | -24 | | -50 | 313 | 363 |
| 1977 | -54 | | -13 | | -41 | 365 | 405 |
| 1978 | -59 | | 1 | | -60 | 399 | 459 |
| 1979 | -41 | | 9 | | -49 | 456 | 506 |
| 1980 | -74 | | -15 | | -59 | 529 | 588 |
| 1981 | -79 | | -21 | | -58 | 616 | 674 |
| 1982 | -128 | | -59 | | -69 | 665 | 734 |
| 1983 | -208 | | -85 | | -123 | 666 | 788 |
| 1984 | -185 | | -31 | | -155 | 693 | 848 |
| 1985 | -212 | | -17 | | -195 | 748 | 943 |
| 1986 | -221 | | -13 | | -208 | 780 | 988 |
| 1987 | -150 | | -18 | | -131 | 873 | 1005 |
| 1988 | -155 | | * | | -155 | 913 | 1068 |
| 1989 | -153 | | 12 | | -165 | 983 | 1,147 |
| 1990 | -221 | | 2 | | -223 | 1,031 | 1,254 |
| 1991 | -269 | | -60 | | -209 | 1,107 | 1,316 |
| 1992 | -290 | | -79 | | -211 | 1,154 | 1,365 |
| 1993 | -255 | | -63 | | -192 | 1,204 | 1,396 |
| 1994 | -203 | | -36 | | -167 | 1,289 | 1,456 |
| 1995 | -164 | | -15 | | -148 | 1,368 | 1,517 |
| 1996 | -107 | | -13 | | -94 | 1,465 | 1,559 |
| 1997 | -22 | | 29 | | -51 | 1,551 | 1,602 |
| 1998 | 69 | | 70 | | -1 | 1,656 | 1,657 |
| 1999 | 126 | | 111 | | 15 | 1,722 | 1,707 |

Continued

Table 2.

Continued

The Cyclically Adjusted Budget Deficit or Surplus and Related Series, in Billions of Dollars, 1962 to 2011

| | Budget (Unadjusted) Deficit (-) or Surplus | - | Cyclical Contributions | = | Cyclically Adjusted Deficit (-) or Surplus | Cyclically Adjusted Budget | |
|-------------------|---|---|---------------------------|---|---|----------------------------|---------|
| | | | | | | Revenues | Outlays |
| 2000 | 236 | | 154 | | 83 | 1,879 | 1,796 |
| 2001 | 128 | | 87 | | 41 | 1,905 | 1,864 |
| 2002 | -158 | | -28 | | -130 | 1,863 | 1,993 |
| 2003 | -378 | | -81 | | -296 | 1,845 | 2,141 |
| 2004 | -413 | | -55 | | -358 | 1,923 | 2,281 |
| 2005 | -318 | | -25 | | -294 | 2,178 | 2,472 |
| 2006 | -248 | | -8 | | -240 | 2,420 | 2,659 |
| 2007 | -161 | | -28 | | -132 | 2,600 | 2,732 |
| 2008 | -459 | | -76 | | -383 | 2,588 | 2,971 |
| 2009 ^a | -1,667 | | -310 | | -1,357 | 2,421 | 3,777 |
| 2010 ^a | -1,139 | | -406 | | -733 | 2,678 | 3,411 |
| 2011 ^a | -693 | | -343 | | -350 | 3,098 | 3,448 |

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

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

a. Projected using baseline assumptions.

Table 3.

The Cyclically Adjusted Budget Deficit or Surplus and Related Series, as a Percentage of Potential Gross Domestic Product, 1962 to 2011

| | Budget (Unadjusted) Deficit (-) or Surplus | - | Cyclical Contributions | = | Cyclically Adjusted Deficit (-) or Surplus | Cyclically Adjusted Budget | |
|------|---|---|---------------------------|---|---|----------------------------|---------|
| | | | | | | Revenues | Outlays |
| 1962 | -1.2 | | -0.4 | | -0.9 | 17.7 | 18.5 |
| 1963 | -0.8 | | -0.3 | | -0.5 | 17.9 | 18.4 |
| 1964 | -0.9 | | 0.2 | | -1.1 | 17.5 | 18.6 |
| 1965 | -0.2 | | 0.6 | | -0.8 | 16.8 | 17.6 |
| 1966 | -0.5 | | 1.6 | | -2.1 | 16.8 | 18.9 |
| 1967 | -1.1 | | 1.4 | | -2.5 | 18.0 | 20.5 |
| 1968 | -3.0 | | 1.1 | | -4.1 | 17.3 | 21.4 |
| 1969 | 0.4 | | 1.3 | | -1.0 | 19.4 | 20.3 |
| 1970 | -0.3 | | 0.4 | | -0.7 | 19.0 | 19.7 |
| 1971 | -2.1 | | -0.4 | | -1.8 | 17.5 | 19.2 |
| 1972 | -2.0 | | -0.1 | | -1.9 | 17.6 | 19.6 |
| 1973 | -1.2 | | 1.0 | | -2.1 | 17.3 | 19.5 |
| 1974 | -0.4 | | 0.7 | | -1.2 | 18.1 | 19.3 |
| 1975 | -3.3 | | -1.1 | | -2.2 | 18.1 | 20.3 |
| 1976 | -4.1 | | -1.3 | | -2.8 | 17.5 | 20.3 |
| 1977 | -2.7 | | -0.7 | | -2.0 | 18.2 | 20.2 |
| 1978 | -2.7 | | * | | -2.7 | 18.0 | 20.7 |
| 1979 | -1.6 | | 0.3 | | -2.0 | 18.4 | 20.4 |
| 1980 | -2.7 | | -0.5 | | -2.1 | 19.1 | 21.2 |
| 1981 | -2.5 | | -0.7 | | -1.9 | 19.8 | 21.7 |
| 1982 | -3.7 | | -1.7 | | -2.0 | 19.5 | 21.5 |
| 1983 | -5.7 | | -2.3 | | -3.3 | 18.1 | 21.4 |
| 1984 | -4.7 | | -0.8 | | -3.9 | 17.6 | 21.6 |
| 1985 | -5.1 | | -0.4 | | -4.6 | 17.8 | 22.5 |
| 1986 | -5.0 | | -0.3 | | -4.7 | 17.5 | 22.2 |
| 1987 | -3.2 | | -0.4 | | -2.8 | 18.5 | 21.3 |
| 1988 | -3.1 | | * | | -3.1 | 18.2 | 21.3 |
| 1989 | -2.8 | | 0.2 | | -3.1 | 18.3 | 21.4 |
| 1990 | -3.8 | | * | | -3.9 | 18.0 | 21.8 |
| 1991 | -4.4 | | -1.0 | | -3.4 | 18.1 | 21.5 |
| 1992 | -4.5 | | -1.2 | | -3.3 | 18.0 | 21.3 |
| 1993 | -3.8 | | -0.9 | | -2.9 | 17.9 | 20.8 |
| 1994 | -2.9 | | -0.5 | | -2.4 | 18.3 | 20.7 |
| 1995 | -2.2 | | -0.2 | | -2.0 | 18.6 | 20.6 |
| 1996 | -1.4 | | -0.2 | | -1.2 | 19.0 | 20.2 |
| 1997 | -0.3 | | 0.4 | | -0.6 | 19.2 | 19.8 |
| 1998 | 0.8 | | 0.8 | | * | 19.6 | 19.6 |
| 1999 | 1.4 | | 1.3 | | 0.2 | 19.5 | 19.3 |

Continued

Table 3.**Continued**

The Cyclically Adjusted Budget Deficit or Surplus and Related Series, as a Percentage of Potential Gross Domestic Product, 1962 to 2011

| | Budget (Unadjusted) Deficit (-) or Surplus | - | Cyclical Contributions | = | Cyclically Adjusted Deficit (-) or Surplus | Cyclically Adjusted Budget | |
|-------------------|---|---|---------------------------|---|---|----------------------------|---------|
| | | | | | | Revenues | Outlays |
| 2000 | 2.5 | | 1.6 | | 0.9 | 20.1 | 19.3 |
| 2001 | 1.3 | | 0.9 | | 0.4 | 19.2 | 18.8 |
| 2002 | -1.5 | | -0.3 | | -1.2 | 17.8 | 19.1 |
| 2003 | -3.4 | | -0.7 | | -2.7 | 16.8 | 19.5 |
| 2004 | -3.6 | | -0.5 | | -3.1 | 16.6 | 19.6 |
| 2005 | -2.6 | | -0.2 | | -2.4 | 17.7 | 20.1 |
| 2006 | -1.9 | | -0.1 | | -1.8 | 18.6 | 20.4 |
| 2007 | -1.2 | | -0.2 | | -1.0 | 18.9 | 19.9 |
| 2008 | -3.2 | | -0.5 | | -2.6 | 17.9 | 20.6 |
| 2009 ^a | -11.1 | | -2.1 | | -9.0 | 16.1 | 25.1 |
| 2010 ^a | -7.4 | | -2.6 | | -4.7 | 17.3 | 22.0 |
| 2011 ^a | -4.4 | | -2.2 | | -2.2 | 19.6 | 21.8 |

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

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

* = between zero and 0.05 percent.

a. Projected using baseline assumptions.

