

# National Economic Trends

Federal Reserve Bank of St. Louis

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Over the past decade, there were many efforts by policymakers to change the trend and composition of government expenditures. The accompanying table summarizes trends in government expenditures over the past 10 years. The period is divided into two subperiods in order to remove the distorting effect of the business cycle on expenditures. The first subperiod is from the business cycle peak in 1973 to the peak in 1980, and the second subperiod covers developments since then.

As the table shows, the growth of total government expenditures (adjusted to avoid double counting of federal grants-in-aid) changed little between the subperiods. Expenditures by state and local governments slowed significantly whereas federal expenditure growth changed little.

The composition of federal expenditures shifted markedly over the past three years; defense expenditures accelerated while those for nondefense slowed. The slowing of nondefense expenditures, in turn, was attributable to a deceleration of growth in expenditures other than transfer payments.

Total government expenditures grew faster than the nation's GNP. As a result, total government expenditures were 35.4 percent of GNP in the second quarter of 1983, compared with 30.4 percent about 10 years earlier. All of the rise in this proportion was attributable to the federal government and was focused largely in the growth of transfer payments.

—Keith M. Carlson

## TRENDS IN GOVERNMENT EXPENDITURES

Compounded annual rates of change

	I/1980 to II/1983	IV/1973 to I/1980	Percent of GNP		
			II/1983	I/1980	IV/1973
Total government <sup>1/</sup>	11.1%	11.4%	35.4%	32.0%	30.4%
Federal	12.1	12.4	25.0	21.9	19.7
Defense	15.2	9.0	6.1	4.9	5.3
Nondefense	11.2	13.6	18.9	17.0	14.4
Transfer payments	13.4	14.4	10.6	9.0	7.2
Other	8.6	12.7	8.3	8.1	7.1
State and local	6.8	10.1	13.1	13.4	13.7
GNP	7.7	10.5	--	--	--

<sup>1/</sup> Adjusted for federal grants-in-aid to state and local governments.

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