

# National Economic Trends

March 1987

Total spending by federal, state and local governments grew from 18.5 percent of GNP in 1947 to 35.1 percent in 1985. The growth of government spending has been a source of major concern to U.S. citizens, especially in recent years. The basis for this concern is tied usually to one or more of the following propositions: Growing government infringes on private property rights, bidding resources away from private use; and growing government symbolizes large government deficits, which bid up the cost of borrowing and discourage capital formation.

Recent trends in government spending are summarized in the accompanying table. Total government spending slowed in 1986 from its rate of increase over the previous two years, although its slowdown was not as pronounced as for GNP. The slowing has been at the federal level, with little change for state and local governments. All major categories of federal spending have contributed to the slowing, with net interest decelerating most dramatically. The volatility of "other federal spending" reflects the effects of spending on agricultural programs.

## Trends in Government Spending (compounded annual rates of change)

	<u>IV/1985 to IV/1986</u>	<u>IV/1983 to IV/1985</u>
Total <sup>1</sup>	5.7%	7.6%
Federal	3.9	7.2
Purchases of goods and services <sup>2</sup>	2.7	9.0
Transfer payments	4.1	4.6
Grants-in-aid	2.5	8.7
Net interest	1.5	15.1
Other	39.8	-14.8
State and local	8.5	8.6
Purchases of goods and services	8.1	8.9
Other	12.1	5.9
GNP	4.2	7.4

NOTE: Data are on national income accounts basis.

<sup>1</sup>Adjusted to avoid double counting of grants-in-aid

<sup>2</sup>Excludes Commodity Credit Corporation inventory change

—Keith M. Carlson

