

# [Spending deficit? since 1980 the deficit has grown](https://assignbuster.com/spending-deficit-since-1980-the-deficit-has-grown/)

Spending financed not by current tax receipts, but by borrowing ordrawing upon past tax reserves.

, Is it a good idea? Why does the U. S. run adeficit? Since 1980 the deficit has grown enormously. Some say its a bad thing, and predict impending doom, others say it is a safe and stable necessity tomaintain a healthy economy. When the U. S.

government came into existence and for about a 150 yearsthereafter the government managed to keep a balanced budget. The only times abudget deficit existed during these first 150 years were in times of war orother catastrophic events. The Government, for instance, generated deficitsduring the War of 1812, the recession of 1837, the Civil War, the depression ofthe 1890s, and World War I. However, as soon as the war ended the deficitwould be eliminated and the economy which was much larger than the amounted debtwould quickly absorb it. The last time the budget ran a surplus was in 1969during Nixon’s presidency. Budget deficits have grown larger and more frequentin the last half-century. In the 1980s they soared to record levels.

TheGovernment cut income tax rates, greatly increased defense spending, and didn’tcut domestic spending enough to make up the difference. Also, the deep recessionof the early 1980s reduced revenues, raising the deficit and forcing theGovernment to spend much more on paying interest for the national debt at a timewhen interest rates were high. As a result, the national debt grew in size after1980. It grew from $709 billion to $3. 6 trillion in 1990, only one decade later. Increase of National Debt Since 1980 MonthAmount ——————————————–12/31/1980$930, 210, 000, 000. 00 \*12/31/1981$1, 028, 729, 000, 000.

00 \*12/31/1982$1, 197, 073, 000, 000. 00 \*12/31/1983$1, 410, 702, 000, 000. 00 \*12/31/1984$1, 662, 966, 000, 000. 00 \*12/31/1985$1, 945, 941, 616, 459. 8812/31/1986$2, 214, 834, 532, 586. 4312/31/1987$2, 431, 715, 264, 976. 8612/30/1988$2, 684, 391, 916, 571.

4112/29/1989$2, 952, 994, 244, 624. 7112/31/1990$3, 364, 820, 230, 276. 8612/31/1991$3, 801, 698, 272, 862. 0212/31/1992$4, 177, 009, 244, 468. 7712/31/1993$4, 535, 687, 054, 406.

1412/30/1994$4, 800, 149, 946, 143. 7510/31/1995$4, 985, 262, 110, 021. 0611/30/1995$4, 989, 329, 926, 644. 3112/29/1995$4, 988, 664, 979, 014. 5401/31/1996$4, 987, 436, 358, 165. 2002/29/1996$5, 017, 040, 703, 255.

0203/29/1996$5, 117, 786, 366, 014. 5604/30/1996$5, 102, 048, 827, 234. 2205/31/1996$5, 128, 508, 504, 892. 8006/28/1996$5, 161, 075, 688, 140. 9307/31/1996$5, 188, 888, 625, 925.

8708/30/1996$5, 208, 303, 439, 417. 9309/30/1996$5, 224, 810, 939, 135. 7310/01/1996$5, 234, 730, 786, 626. 5010/02/1996$5, 235, 509, 457, 452. 5610/03/1996$5, 222, 192, 137, 251. 6210/04/1996$5, 222, 049, 625, 819. 53\* Rounded to MillionsFederal spending has grown over the years, especially starting in the1930s in actual dollars and in proportion to the economy (Gross Domestic Product, or GDP).

Beginning with the “ New Deal” in the 1930s, the Federal Government cameto play a much larger role in American life. President Franklin D. Rooseveltsought to use the full powers of his office to end the Great Depression. He andCongress greatly expanded Federal programs. Federal spending, which totaled lessthan $4 billion in 1931, went up to nearly $7 billion in 1934 and to over $8billion in 1936. Then, U. S.

entry into World War II sent annual Federal spendingsoaring to over $91 billion by 1944. Thus began the ever increasing debt of theUnited States. What if the debt is not increasing as fast as we think it is? The dollaramount of the debt may increase but often times so does the amount of money orGDP to pay for the debt. This brings up the idea that the deficit could be runwithout cost. How could a deficit increase productivity without any cost? The idea ofhaving a balanced budget is challenged by the ideas of Keynesian Economics.

Keynesian economics is an economic model that predicts in times of low demandand high unemployment a deficit will not cost anything. Instead a deficitwould allow more people to work, increasing productivity. A deficit does thisbecause it is invested into the economy by government. For example if thegovernment spends deficit money on new highways, trucking will benefit and morejobs will be produced.

When an economic system is in recession all of itsresources are not being used. For example if the government did not buildhighways we could not ship goods and there would be less demand for them. Thesupply remains low even though we have the ability to produce more because wecannot ship them. This non-productivity comes at a cost to the whole economicsystem. If deficit spending eliminates non-productivity then its direct monetarycost will be offset if not surpassed by increased productivity. For example inthe 1980’s when the huge deficits were adding up the actual additions to thepublic capital or increased productivity were often as big, or bigger than thedeficit. This means as long as the government spends the money it gains from adeficit on assets