



The Cyclically Adjusted and Standardized Budget Measures: An Update

October 2006

Notes

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

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

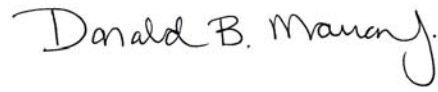
Spreadsheets showing historical values for the variables of the cyclically adjusted and standardized budgets are available at www.cbo.gov.



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 in August of this year.

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



Donald B. Marron
Acting Director

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Contents

Summary	<i>1</i>
Why Adjust Measures of the Total Budget Surplus or Deficit?	<i>2</i>
The Cyclically Adjusted Surplus or Deficit	<i>3</i>
The Standardized-Budget Surplus or Deficit	<i>4</i>
Appendix: Details of CBO's Projections of the Standardized-Budget Deficit	<i>7</i>

Tables

1.	Measures of the Federal Budget Deficit, 2002 to 2007	<i>2</i>
A-1.	Details of the Standardized-Budget Deficit in Billions of Dollars, 2002 to 2007	<i>8</i>
A-2.	Details of the Standardized-Budget Deficit as a Percentage of Potential Gross Domestic Product, 2002 to 2007	<i>9</i>
A-3.	Standardized-Budget Surplus or Deficit and Related Series in Billions of Dollars, 1962 to 2007	<i>10</i>
A-4.	Standardized-Budget Surplus or Deficit and Related Series as a Percentage of Potential Gross Domestic Product, 1962 to 2007	<i>12</i>

Figure

1.	Standardized, Cyclically Adjusted, and Total Budget Surpluses or Deficits, 1960 to 2007	<i>4</i>
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The Cyclically Adjusted and Standardized Budget Measures: An Update

Summary

In August 2006, the Congressional Budget Office (CBO) released updated baseline projections of federal revenues, outlays, and budget balances for the next 10 years.¹

Those projections are governed by statutory rules that require CBO to assume the continuation of current laws and policies affecting taxes and mandatory programs and to extrapolate the growth of discretionary spending by using specified rates of inflation. According to CBO's current projections, if the policies reflected in its August 2006 report were to continue, the total budget deficit would decrease from \$318 billion in 2005 to \$260 billion in 2006 and then rise to \$286 billion in 2007. Measured relative to the size of the economy—that is, as a percentage of gross domestic product, or GDP—the total budget deficit would be roughly 2.6 percent in 2005, 2.0 percent in 2006, and 2.1 percent in 2007.

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 the longer-lasting impact of such factors as tax and spending legislation, changes in the 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 surplus or deficit (which attempts to filter out the effects of the business cycle) and the standardized-budget surplus or deficit (which removes other factors in addition to business cycle effects).

In CBO's estimation, the cyclically adjusted budget deficit—the total baseline budget deficit minus the effects of

the business cycle—will decline from 2.4 percent of potential GDP in 2005 to 2.0 percent in 2006 and 2007.² The standardized-budget deficit this year is forecast to decline by somewhat less, from 2.0 percent of potential GDP in 2005 to 1.8 percent in 2006, but to increase in 2007 to 2.2 percent (see Table 1). CBO's projections of the cyclically adjusted and standardized budgets extend only through 2007 because the economic projection on which they are based does not attempt to predict cyclical movements beyond that point. Consequently, projections of the cyclically adjusted budget surplus or deficit beyond 2007 would be very similar to CBO's baseline projections of the total budget surplus or deficit.

Economic output will remain only slightly below potential in 2006 and 2007, CBO projects. Business cycle effects will thus add little to the federal budget deficit in those years. In 2005, those estimated cyclical effects accounted for 6 percent of the total budget deficit, down from 13 percent in 2004. (By comparison, in 2002 and 2003, they accounted for much larger proportions of the total deficit—45 percent and 25 percent, respectively—because of the greater amount of slack in the economy in the aftermath of the 2001 recession.) According to CBO's updated baseline projections for the economy and the budget, cyclical effects will roughly add only between 1 percent and 2 percent to the total budget deficit in both 2006 and 2007. The additional adjustments that underlie the standardized-budget deficit (for shifts in the timing of tax receipts and outlays and for other factors) are also projected to shrink (and change signs) over the next two years. CBO estimates that those adjustments, which rep-

1. See Congressional Budget Office, *The Budget and Economic Outlook: An Update* (August 2006), Summary Table 1.

2. Potential GDP is the level of output that corresponds to a high level of resource—labor and capital—use. See the later discussion on its use in measuring the cyclically adjusted surplus or deficit.

Table 1.**Measures of the Federal Budget Deficit, 2002 to 2007**

	Actual				Projected	
	2002	2003	2004	2005	2006	2007
In Billions of Dollars						
Total Budget Deficit	-158	-378	-413	-318	-260	-286
Minus: Cyclical Contribution	<u>-71</u>	<u>-96</u>	<u>-52</u>	<u>-18</u>	<u>-3</u>	<u>-6</u>
Equals: Cyclically Adjusted Deficit	-87	-281	-361	-300	-257	-280
Plus: Other Adjustments ^a	<u>-37</u>	<u>*</u>	<u>58</u>	<u>49</u>	<u>16</u>	<u>-18</u>
Equals: Standardized-Budget Deficit	-124	-281	-303	-250	-240	-298
As a Percentage of Potential Gross Domestic Product						
Total Budget Deficit	-1.5	-3.4	-3.5	-2.6	-2.0	-2.1
Minus: Cyclical Contribution	<u>-0.7</u>	<u>-0.9</u>	<u>-0.4</u>	<u>-0.1</u>	<u>**</u>	<u>**</u>
Equals: Cyclically Adjusted Deficit	-0.8	-2.5	-3.1	-2.4	-2.0	-2.0
Plus: Other Adjustments ^a	<u>-0.3</u>	<u>**</u>	<u>0.5</u>	<u>0.4</u>	<u>0.1</u>	<u>-0.1</u>
Equals: Standardized-Budget Deficit	-1.2	-2.5	-2.6	-2.0	-1.8	-2.2

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

Notes: Deficits are shown as negative numbers.

* = between -\$500 million and \$500 million; ** = 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, and federal outlays for deposit insurance.

resent 15 percent of the total deficit for 2005, 6 percent for 2006, and a negative 6 percent for 2007, will slightly reduce the standardized deficit in 2006 and slightly increase it in 2007.

Why Adjust Measures of the Total Budget Surplus or Deficit?

Despite some limitations, both conceptual and empirical, budget measures that filter out cyclical and other temporary factors are useful in a number of ways. For example, some analysts use those measures to discern underlying trends in government saving (that is, surpluses or deficits). Others use them to determine in a rough way whether the influence of the budget on the growth of real (inflation-adjusted) aggregate demand 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.

Drops in revenues and increases in outlays occur automatically during a cyclical downturn and then reverse themselves during a cyclical upturn. The cyclically adjusted surplus or deficit is calculated to show the underlying outcome of the federal budget balance when those automatic movements are removed. (The cyclical contribution—the difference between the total budget surplus or deficit and the cyclically adjusted surplus or deficit—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.)³

Policy actions such as tax or spending legislation create changes in the total budget surplus or deficit that are distinct from the automatic cyclical movements. Those legislative changes result in movements in the cyclically adjusted surplus or deficit in the same way that they

3. Those stabilizers are the automatic decline or increase in tax liabilities and the increase or decrease in transfers to individuals (such as unemployment insurance benefits) that occur during economic downturns or upturns.

affect the unadjusted total budget surplus or deficit. Under the rules governing CBO's baseline, however, 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. Changes in capital gains tax receipts are not treated as cyclical factors and therefore are not removed from the cyclically adjusted budget measure because those receipts are not closely tied to the business cycle. 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 surplus or deficit, that attempts to remove those factors as well as the effects of the business cycle. For example, that measure removes capital gains tax revenues and the effects of budgetary decisions that only temporarily change the timing of revenues or outlays. As a result, the standardized-budget surplus or deficit is the more speculative of the two measures presented here.

Federal taxes and spending can affect the economy in many ways beyond the short term and thus may alter the prospects for economic growth in the long run—particularly by changing the allocation of resources—through their effect on decisions to work, save, and invest. (Frequently—as was the case with the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001, or EGTRRA, and the Jobs and Growth Tax Relief Reconciliation Act of 2003, or JGTRRA—changes in legislation intend both short- and long-term effects.) Summary budget measures such as the cyclically adjusted and standardized-budget surplus or deficit are generally of limited use in identifying the economic effects of changes in incentives. Instead, CBO's estimates of those impacts are incorporated in its economic forecasts.⁴

The Cyclically Adjusted Surplus or Deficit

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 attend a rise or fall in unemployment. The difference between those two measures is the cyclically adjusted surplus or deficit.

CBO's estimates of the cyclical component of revenues and outlays depend on the gap between actual GDP and potential GDP.⁵ Thus, different estimates of potential GDP will produce different estimates of the size of the cyclically adjusted surplus or deficit.⁶

CBO estimates that under the laws in place as of August 2006, the cyclically adjusted deficit will decrease from 2.4 percent of potential GDP in 2005 to 2.0 percent in 2006 and 2007 (see Figure 1). As a percentage of potential GDP, the cyclically adjusted deficits projected for 2006 and 2007 would be the smallest since 2002.

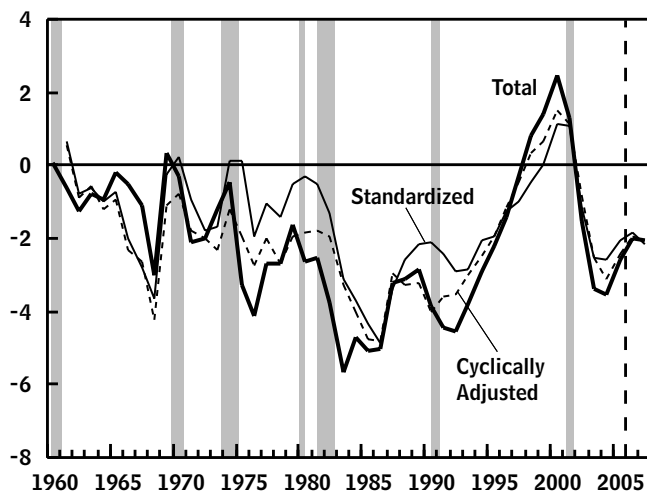
The effect of the business cycle on the budget surplus or deficit is measured by the cyclical contribution—the difference between the total budget surplus or deficit and the cyclically adjusted surplus or deficit. In 2000, the cyclical contribution amounted to a surplus of 1.0 percent of potential GDP, which indicated that the economy was temporarily augmenting the total budget surplus by a significant amount. By 2002, the cyclical contribution had turned negative, reaching 0.7 percent of potential

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4. For a description of the long-term macroeconomic effects of EGTRRA, JGTRRA, and the Job Creation and Worker Assistance Act of 2002, see Congressional Budget Office, *The Budget and Economic Outlook: An Update* (August 2003), Box 2-3.
 5. For CBO's method of estimating potential GDP, see Congressional Budget Office, *CBO's Method for Estimating Potential Output: An Update* (August 2001). See the Web site (www.cbo.gov) for CBO's current estimate of potential output.
 6. For a discussion of the relationship between the cyclically adjusted budget and potential GDP, see Congressional Budget Office, *The Budget Adjusted for Effects of the Business Cycle* (July 1999). See also Congressional Budget Office, *A Summary of Alternative Methods for Estimating Potential GDP* (March 2004).

Figure 1.

Standardized, Cyclically Adjusted, and Total Budget Surpluses or Deficits, 1960 to 2007

(Percentage of potential gross domestic product)



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

Notes: 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.

GDP—which meant that the economy, in operating below its potential, was adding to the total budget deficit. A string of negative contributions followed in 2003, 2004, and 2005. Economic effects pushed up the deficit by amounts equal to 0.9 percent, 0.4 percent, and 0.1 percent of potential GDP, respectively. Cyclical contributions will remain negative in 2006 and 2007, CBO projects, but they will be smaller, increasing the deficit in each year by an amount less than 0.1 percent of potential GDP.

In its annual report on the budget and the economy, CBO presents estimates (or “rules of thumb”) that specify how the budget would respond if certain economic assumptions were changed.⁷ The estimates of the cyclical contribution presented here differ from those that would be obtained by using the rules of thumb. The rule-of-

7. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2007 to 2016* (January 2006), Appendix C.

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.

Economic research suggests that fundamental changes in the economy occurred in the early 1980s that may have resulted in fewer and milder cyclical movements in the economy.⁸ For instance, in the first 37 years after World War II, there were 8 recessions; whereas in the 24 years since 1982, there have been just 2 recessions—each of them milder than average.

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 1.1 percent of potential GDP in 1973 to raising the deficit by 1.3 percent of potential GDP in 1975. The back-to-back recessions of 1980 and 1981-1982 widened the budget deficit even more. By contrast, the swings in the cyclical contributions to the deficit in the 1990-1991 and 2001 recessions were much smaller.

The Standardized-Budget Surplus or Deficit

CBO routinely calculates another adjusted budget measure, the standardized-budget surplus or deficit. That measure excludes the effects of cyclical fluctuations and of factors that are short-lived and unlikely to significantly affect real income in the short term.⁹ Those 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 net interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government’s sale of assets and auctions of

8. Although there seems to be general agreement that the growth of output has become more stable and that expansion phases of business cycles have lengthened, economists disagree about the causes of that increased stability. Those disagreements concern the importance of factors such as monetary policy, financial markets and institutions, inflation, supply shocks, and inventory investment.

9. See Congressional Budget Office, *The Standardized Budget: Revised Historical Estimates* (June 2000).

licenses for use of the electromagnetic spectrum, and federal outlays for deposit insurance.

A substantial discrepancy between tax payments and liabilities emerged most recently in 2003, when estimated and withheld tax payments were reduced for only about half of the year, even though JGTRRA lowered tax liabilities for all of the year. The discrepancy, which CBO estimates at \$20 billion, meant that taxpayers generally expected to receive larger refunds (or to make smaller final settlements) in the spring of 2004 and might have adjusted their 2003 spending plans as a result. Accordingly, in calculating the standardized budget, CBO treated those overpayments 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 not perceived after-tax income. That adjustment removed the overpayments from standardized revenue totals for 2003 and reduced refunds (thus increasing standardized revenues) in 2004 by the same amount.

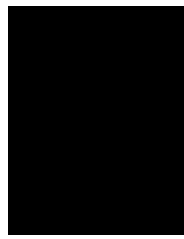
CBO removes capital gains tax receipts from the standardized budget for two reasons. First, removing those tax receipts avoids the misleading effects that may arise, for example, when a cut in the tax rate on capital gains temporarily encourages investors to realize taxable gains by enough to increase revenues. If capital gains taxes were included, that rise in revenues would cause the standardized-budget measure to indicate—incorrectly—that a lowered tax rate could increase the tax burden and thus 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 business cycle to be fully captured by the cyclical adjustments to revenues.

CBO also removes changes in the inflation component of net interest from its calculation of 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 alter people's perception of their real income. In addition, CBO excludes receipts from the government's sale of assets and from 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. CBO also removes outlays for deposit insurance because their effects on real income occurred in earlier years (when various thrift institutions failed).

CBO projects that in 2006, under current laws and policies, the ratio of the standardized-budget deficit to potential GDP will fall by 0.2 percentage points but that of the cyclically adjusted deficit will fall by 0.4 percentage points. In 2007, the ratio of the cyclically adjusted deficit to potential GDP will remain unchanged, and that of the standardized-budget deficit will rise by 0.4 percent. The difference between the movements in the two measures reflects the adjustments to the standardized-budget deficit for factors other than the business cycle.



Appendix: Details of CBO's Projections of the Standardized-Budget Deficit

The standardized-budget deficit, following large increases in 2002 and 2003 and little change in 2004, registered a significant decline in 2005 that brought it down from 2.6 percent of potential gross domestic product, or potential GDP, in 2004 to 2.0 percent in 2005 (see Tables A-1 and A-2). The ratio of standardized revenues to potential GDP rose substantially in 2005, climbing by 0.8 percentage points, but standardized outlays rose by only 0.2 percentage points. The rise in standardized revenues was less than the rise in cyclically adjusted revenues because of increases in capital gains tax receipts in 2005 and in tax refunds in 2004 (resulting from the Jobs and Growth Tax Relief Reconciliation Act of 2003)—both of which were excluded from standardized revenues. There was relatively little difference between the changes in standardized and cyclically adjusted budget outlays in 2005.

Under the assumptions incorporated in the Congressional Budget Office's (CBO's) updated baseline projections for August 2006, which reflect past but not future legislation, the ratio of the standardized-budget deficit to potential GDP is forecast to decrease in 2006 by 0.2 percentage points, before it expands again in 2007 to 2.2

percent of potential GDP. For 2006, CBO projects that a large increase in the ratio of standardized revenues to potential GDP (equal to 0.8 percentage points) will be largely offset by increases in standardized outlays for mandatory spending and interest payments. For 2007, a small decline in standardized revenues (relative to potential GDP) and a larger increase in interest payments will raise the standardized deficit, despite small decreases in standardized mandatory and discretionary outlays.

The decrease in the standardized-budget deficit that CBO anticipates for 2006 is smaller than the decrease it projects in the cyclically adjusted budget deficit because of various adjustments that are specific to the standardized budget (some of them do not appear in Table A-2 because of rounding). For 2007, CBO anticipates a similar amount of change in the special adjustments to the standardized deficit but also a change in the direction of those adjustments. As a result, the standardized-budget deficit rises more than does the cyclically adjusted deficit.

Historical estimates of the standardized-budget measures and related series are presented in Tables A-3 and A-4.

Table A-1.**Details of the Standardized-Budget Deficit in Billions of Dollars, 2002 to 2007**

	Actual				Projected	
	2,002	2,003	2,004	2,005	2,006	2,007
Revenues						
Budget	1,853	1,783	1,880	2,154	2,403	2,515
Minus: Cyclical contribution	-55	-80	-43	-20	-8	-8
Equals: Cyclically adjusted	1,908	1,863	1,924	2,174	2,412	2,523
Plus: Other adjustments	-82	-65	-44	-86	-91	-86
Equals: Standardized	1,827	1,798	1,880	2,088	2,321	2,437
Mandatory Spending Less Offsetting Receipts						
Budget	1,106	1,182	1,237	1,320	1,418	1,486
Minus: Cyclical contribution	16	16	9	-2	-6	-2
Equals: Cyclically adjusted	1,090	1,166	1,229	1,322	1,423	1,489
Plus: Other adjustments	9	6	7	-2	19	20
Equals: Standardized	1,099	1,172	1,236	1,320	1,442	1,508
Discretionary Spending						
Budget	734	825	895	968	1,025	1,065
Plus: Timing adjustment	0	0	0	-4	*	4
Equals: Standardized	734	825	895	964	1,024	1,069
Interest Payments						
Budget	171	153	160	184	220	249
Plus: Inflation adjustment	-54	-72	-109	-129	-126	-92
Equals: Standardized	117	81	51	55	94	158
Total Deficit						
Budget	-158	-378	-413	-318	-260	-286
Minus: Cyclical contribution	-71	-96	-52	-18	-3	-6
Equals: Cyclically adjusted	-87	-281	-361	-300	-257	-280
Plus: Other adjustments ^a	-37	*	58	49	16	-18
Equals: Standardized	-124	-281	-303	-250	-240	-298

Sources: Congressional Budget Office; Department of the Treasury; 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 cyclical contribution to mandatory spending is positive when the unemployment rate is higher than the natural rate of unemployment. 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.)

Deficits are shown as negative numbers. * = between -\$500 million and \$500 million.

- 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 A-2.**Details of the Standardized-Budget Deficit as a Percentage of Potential Gross Domestic Product, 2002 to 2007**

	Actual				Projected	
	2002	2003	2004	2005	2006	2007
Revenues						
Budget	17.5	16.1	16.1	17.4	18.3	18.2
Minus: Cyclical contribution	-0.5	-0.7	-0.4	-0.2	-0.1	-0.1
Equals: Cyclically adjusted	18.0	16.8	16.5	17.6	18.4	18.2
Plus: Other adjustments	-0.8	-0.6	-0.4	-0.7	-0.7	-0.6
Equals: Standardized	17.3	16.2	16.1	16.9	17.7	17.6
Mandatory Spending Less Offsetting Receipts						
Budget	10.5	10.6	10.6	10.7	10.8	10.7
Minus: Cyclical contribution	0.2	0.1	0.1	*	*	*
Equals: Cyclically adjusted	10.3	10.5	10.5	10.7	10.8	10.7
Plus: Other adjustments	0.1	0.1	0.1	*	0.1	0.1
Equals: Standardized	10.4	10.6	10.6	10.7	11.0	10.9
Discretionary Spending						
Budget	6.9	7.4	7.7	7.8	7.8	7.7
Plus: Timing adjustment	0.0	0.0	0.0	*	*	*
Equals: Standardized	6.9	7.4	7.7	7.8	7.8	7.7
Interest Payments						
Budget	1.6	1.4	1.4	1.5	1.7	1.8
Plus: Inflation adjustment	-0.5	-0.6	-0.9	-1.0	-1.0	-0.7
Equals: Standardized	1.1	0.7	0.4	0.4	0.7	1.1
Total Deficit						
Budget	-1.5	-3.4	-3.5	-2.6	-2.0	-2.1
Minus: Cyclical contribution	-0.7	-0.9	-0.4	-0.1	*	*
Equals: Cyclically adjusted	-0.8	-2.5	-3.1	-2.4	-2.0	-2.0
Plus: Other adjustments ^a	-0.3	*	0.5	0.4	0.1	-0.1
Equals: Standardized	-1.2	-2.5	-2.6	-2.0	-1.8	-2.2

Sources: Congressional Budget Office; Department of the Treasury; 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 cyclical contribution to mandatory spending is positive when the unemployment rate is higher than the natural rate of unemployment. 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.)

Deficits are shown as negative numbers. * = between -0.05 percent and 0.05 percent.

- 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 A-3.**Standardized-Budget Surplus or Deficit and Related Series in Billions of Dollars, 1962 to 2007**

	Budget Surplus or Deficit (-)	- Cyclical Contribution	Cyclically Adjusted		+ Other Adjustments ^a	= Standardized- Budget Surplus or Deficit (-)	Standardized-Budget	
			= Surplus or Deficit (-)				Revenues	Outlays
1962	-7	-2	-5		1	-4	99	104
1963	-5	-1	-3		*	-4	106	110
1964	-6	2	-8		1	-6	109	115
1965	-1	5	-6		1	-5	110	115
1966	-4	13	-17		2	-14	115	130
1967	-9	12	-20		-1	-22	131	153
1968	-25	10	-36		5	-31	140	171
1969	3	13	-10		8	-2	171	173
1970	-3	5	-8		10	2	186	184
1971	-23	-4	-19		9	-10	187	197
1972	-23	*	-23		2	-21	199	220
1973	-15	14	-29		8	-21	213	234
1974	-6	10	-17		18	2	250	249
1975	-53	-22	-32		34	3	300	298
1976	-74	-25	-49		14	-35	309	344
1977	-54	-14	-40		19	-21	358	378
1978	-59	1	-60		28	-31	391	422
1979	-41	8	-49		36	-12	447	459
1980	-74	-22	-52		43	-9	524	533
1981	-79	-24	-55		39	-16	606	623
1982	-128	-61	-67		23	-44	655	699
1983	-208	-87	-121		7	-113	652	765
1984	-185	-28	-157		12	-145	671	816
1985	-212	-13	-199		17	-182	720	902
1986	-221	-8	-213		-1	-214	745	959
1987	-150	-11	-139		-19	-158	813	971
1988	-155	8	-164		36	-128	868	996
1989	-153	20	-172		56	-116	938	1,054

Continued

Table A-3.**Continued**

	Budget	-	Cyclical	=	Cyclically Adjusted		+	Other	=	Standardized-		
	Surplus or Deficit (-)				Contribution	Surplus or Deficit (-)				Adjustments ^a	Budget	Standardized-Budget
										Surplus or Deficit (-)	Revenues	Outlays
1990	-221		8		-229		109		-120		993	1,113
1991	-269		-51		-219		71		-148		1,071	1,219
1992	-290		-65		-225		40		-185		1,127	1,312
1993	-255		-54		-201		11		-190		1,168	1,358
1994	-203		-30		-173		30		-143		1,248	1,390
1995	-164		-19		-145		*		-145		1,332	1,477
1996	-107		-20		-88		-8		-96		1,418	1,513
1997	-22		15		-37		-42		-79		1,495	1,574
1998	69		40		29		-66		-37		1,595	1,632
1999	126		66		60		-58		2		1,663	1,662
2000	236		91		145		-37		108		1,823	1,715
2001	128		14		114		-6		108		1,903	1,795
2002	-158		-71		-87		-37		-124		1,827	1,950
2003	-378		-96		-281		*		-281		1,798	2,079
2004	-413		-52		-361		58		-303		1,880	2,183
2005	-318		-18		-300		49		-250		2,088	2,338
2006 ^b	-260		-3		-257		16		-240		2,321	2,561
2007 ^b	-286		-6		-280		-18		-298		2,437	2,735

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

Note: * = 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, and federal outlays for deposit insurance.

b. Projected.

Table A-4.**Standardized-Budget Surplus or Deficit and Related Series as a Percentage of Potential Gross Domestic Product, 1962 to 2007**

	Budget	-	Cyclical	=	Cyclically Adjusted	+	Other	=	Standardized-	Standardized-Budget	
	Surplus or Deficit (-)			Contributions	Surplus or Deficit (-)			Adjustments ^a	Surplus or Deficit (-)	Revenues	Outlays
1962	-1.2		-0.4		-0.9		0.1		-0.8	17.3	18.0
1963	-0.8		-0.2		-0.5		-0.1		-0.6	17.5	18.2
1964	-0.9		0.3		-1.2		0.2		-1.0	17.1	18.1
1965	-0.2		0.7		-0.9		0.2		-0.7	16.3	17.0
1966	-0.5		1.8		-2.3		0.3		-2.0	16.0	18.0
1967	-1.1		1.5		-2.6		-0.2		-2.8	16.9	19.7
1968	-3.0		1.2		-4.2		0.6		-3.6	16.6	20.3
1969	0.4		1.5		-1.1		0.9		-0.2	18.6	18.9
1970	-0.3		0.5		-0.8		1.0		0.2	18.5	18.3
1971	-2.1		-0.3		-1.8		0.9		-0.9	17.1	18.0
1972	-2.0		*		-2.0		0.2		-1.8	16.9	18.6
1973	-1.2		1.1		-2.3		0.6		-1.7	16.7	18.4
1974	-0.4		0.7		-1.2		1.3		0.1	17.7	17.6
1975	-3.3		-1.3		-2.0		2.1		0.2	18.6	18.4
1976	-4.1		-1.4		-2.7		0.8		-2.0	17.3	19.2
1977	-2.7		-0.7		-2.0		1.0		-1.0	17.8	18.9
1978	-2.7		*		-2.7		1.3		-1.4	17.6	19.0
1979	-1.6		0.3		-2.0		1.5		-0.5	18.0	18.5
1980	-2.7		-0.8		-1.9		1.5		-0.3	18.8	19.2
1981	-2.5		-0.8		-1.8		1.2		-0.5	19.5	20.0
1982	-3.7		-1.8		-1.9		0.7		-1.3	19.2	20.4
1983	-5.7		-2.4		-3.3		0.2		-3.1	17.8	20.8
1984	-4.7		-0.7		-4.0		0.3		-3.7	17.1	20.8
1985	-5.1		-0.3		-4.8		0.4		-4.4	17.2	21.6
1986	-5.0		-0.2		-4.8		*		-4.8	16.8	21.7
1987	-3.2		-0.2		-3.0		-0.4		-3.4	17.3	20.7
1988	-3.1		0.2		-3.3		0.7		-2.6	17.4	19.9
1989	-2.9		0.4		-3.2		1.0		-2.2	17.5	19.7

Continued

Table A-4.**Continued**

	Budget		Cyclically Adjusted		Standardized-	Standardized-Budget	
	Surplus or Deficit (-)	- Cyclical Contributions	= Surplus or Deficit (-)	+ Other Adjustments ^a	= Surplus or Deficit (-)	Revenues	Outlays
1990	-3.9	0.1	-4.0	1.9	-2.1	17.4	19.5
1991	-4.4	-0.8	-3.6	1.2	-2.4	17.6	20.0
1992	-4.5	-1.0	-3.5	0.6	-2.9	17.6	20.5
1993	-3.8	-0.8	-3.0	0.2	-2.8	17.4	20.2
1994	-2.9	-0.4	-2.5	0.4	-2.0	17.7	19.7
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	-0.5	-0.5	-1.0	18.4	19.3
1998	0.8	0.5	0.3	-0.8	-0.4	18.7	19.2
1999	1.4	0.7	0.7	-0.7	*	18.6	18.6
2000	2.5	1.0	1.5	-0.4	1.1	19.3	18.1
2001	1.3	0.1	1.1	-0.1	1.1	18.9	17.9
2002	-1.5	-0.7	-0.8	-0.3	-1.2	17.3	18.4
2003	-3.4	-0.9	-2.5	*	-2.5	16.2	18.7
2004	-3.5	-0.4	-3.1	0.5	-2.6	16.1	18.7
2005	-2.6	-0.1	-2.4	0.4	-2.0	16.9	18.9
2006 ^b	-2.0	*	-2.0	0.1	-1.8	17.7	19.5
2007 ^b	-2.1	*	-2.0	-0.1	-2.2	17.6	19.7

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

* = 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, and federal outlays for deposit insurance.

b. Projected.