



# **The Cyclically Adjusted and Standardized Budget Measures: An Update**

August 2007

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## Notes

Numbers in the text and tables 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](http://www.cbo.gov).

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## Preface

**T**his 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. Christine Bogusz edited the report, and Christian Howlett prepared it for publication. Lenny Skutnik printed the copies, and Simone Thomas prepared the electronic version for CBO's Web site ([www.cbo.gov](http://www.cbo.gov)).



Peter R. Orszag  
Director

August 2007





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# The Cyclically Adjusted and Standardized Budget Measures: An Update

## Summary

In August 2007, the Congressional Budget Office (CBO) released updated baseline projections of federal revenues, outlays, and budget balances for the next 10 years.<sup>1</sup>

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 projected rates of inflation. According to CBO's current projections, if the policies reflected in its August 2007 report continued, the total budget deficit would decrease from \$248 billion in 2006 to \$158 billion in 2007 and \$155 billion in 2008. 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 1.9 percent in 2006, 1.2 percent in 2007, and 1.1 percent in 2008.

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 deficit or surplus (which attempts to filter out the effects of the business cycle) and the standardized-budget deficit or surplus (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 1.8 percent of potential GDP in 2006 to 0.9 percent in 2007 and 0.8 percent in 2008.<sup>2</sup> The standardized-budget deficit is forecast to decline by a slightly smaller percentage of potential GDP this year, falling from 1.8 percent in 2006 to 1.0 percent in 2007. For 2008, the standardized-budget deficit is projected to rise slightly as a percentage of potential GDP (see Table 1). CBO's projections of the cyclically adjusted and standardized budgets extend only through 2008 because the economic outlook on which they are based does not attempt to predict cyclical movements beyond that point. Consequently, projections of the cyclically adjusted budget deficit or surplus beyond 2008 would be very similar to CBO's baseline projections of the total budget deficit or surplus.

Economic output will be somewhat further from its potential level in 2007 and 2008 than in 2006, CBO projects. Business-cycle effects will thus add somewhat more to the federal budget deficit in those years. In 2006, those estimated cyclical effects accounted for only 5 percent of the total budget deficit, down from 14 percent in 2004 and 10 percent in 2005. (By comparison, in 2002 and 2003, they accounted for much larger proportions of the total deficit—46 percent and 26 percent, respectively—because of the greater amount of slack in the economy in the aftermath of the 2001 recession.) According to CBO's baseline projections for the economy and the budget, cyclical effects will add roughly 19 percent and 29 percent to the total budget deficit in 2007 and 2008, respectively. The additional adjustments that

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1. See Congressional Budget Office, *The Budget and Economic Outlook: An Update* (August 2007), Summary Table 1.

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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 deficit or surplus.

**Table 1.****Measures of the Federal Budget Deficit, 2003 to 2008**

	Actual				Projected	
	2003	2004	2005	2006	2007	2008
	<b>In Billions of Dollars</b>					
Total Budget Deficit	-378	-413	-318	-248	-158	-155
Minus: Cyclical Contribution	<u>-99</u>	<u>-60</u>	<u>-33</u>	<u>-13</u>	<u>-30</u>	<u>-45</u>
Equals: Cyclically Adjusted Deficit	-278	-353	-285	-235	-128	-110
Plus: Other Adjustments <sup>a</sup>	<u>6</u>	<u>71</u>	<u>47</u>	<u>-6</u>	<u>-12</u>	<u>-55</u>
Equals: Standardized-Budget Deficit	-272	-282	-237	-241	-140	-165
	<b>As a Percentage of Potential Gross Domestic Product</b>					
Total Budget Deficit	-3.4	-3.5	-2.6	-1.9	-1.1	-1.1
Minus: Cyclical Contribution	<u>-0.9</u>	<u>-0.5</u>	<u>-0.3</u>	<u>-0.1</u>	<u>-0.2</u>	<u>-0.3</u>
Equals: Cyclically Adjusted Deficit	-2.5	-3.0	-2.3	-1.8	-0.9	-0.8
Plus: Other Adjustments <sup>a</sup>	<u>0.1</u>	<u>0.6</u>	<u>0.4</u>	<u>*</u>	<u>-0.1</u>	<u>-0.4</u>
Equals: Standardized-Budget Deficit	-2.5	-2.4	-1.9	-1.8	-1.0	-1.1

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

Notes: Deficits are shown as negative numbers.

\* = between -0.05 percent and zero.

- 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, federal outlays for deposit insurance, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).

underlie the standardized-budget deficit (for shifts in the timing of tax receipts and outlays and for other factors) are also projected to be larger in 2007 and 2008, compared with 2006. CBO estimates that those adjustments, which represent 2 percent of the total deficit for 2006, will rise to 7 percent in 2007 and 36 percent in 2008, raising the standardized deficit in those years.

### Why Adjust Measures of the Total Budget Deficit or Surplus?

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, deficits or surpluses). 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 deficit or surplus 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 deficit or surplus and the cyclically adjusted deficit or surplus—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.)<sup>3</sup>

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.



Policy actions such as tax or spending legislation create changes in the total budget deficit or surplus that are distinct from the automatic cyclical movements. Those legislative changes result in movements in the cyclically adjusted deficit or surplus in the same way that they affect the unadjusted total budget deficit or surplus. 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 deficit or surplus, 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 deficit or surplus is the more speculative of the two measures presented in this report.

## The Cyclically Adjusted Deficit or Surplus

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 deficit or surplus.

CBO's estimates of the cyclical component of revenues and outlays depend on the gap between actual GDP and potential GDP.<sup>4</sup> Thus, different estimates of potential GDP will produce different estimates of the size of the cyclically adjusted deficit or surplus.<sup>5</sup>

CBO estimates that under the laws in place as of August 2007, the cyclically adjusted deficit will decrease from 1.8 percent of potential GDP in 2006 to 0.9 percent in 2007 and 0.8 percent in 2008 (see Figure 1). As a percentage of potential GDP, the cyclically adjusted deficits projected for 2007 and 2008 would be the smallest since 2002, when that deficit amounted to 0.8 percent.

The effect of the business cycle on the budget deficit or surplus is measured by the cyclical contribution—the difference between the total budget deficit or surplus and the cyclically adjusted deficit or surplus. In 2000, the cyclical contribution amounted to a surplus of 0.9 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 GDP—which meant that the economy, in operating below its potential, was adding to the total budget deficit. A string of negative but diminishing contributions persisted up to 2006, falling from 0.9 percent to 0.1 percent of potential GDP between 2003 and 2006. Cyclical contributions will remain negative in 2007 and 2008, CBO projects, but they will be slightly larger than in 2006, increasing the deficit by roughly 0.2 percent of potential GDP in 2007 and by 0.3 percent in 2008.

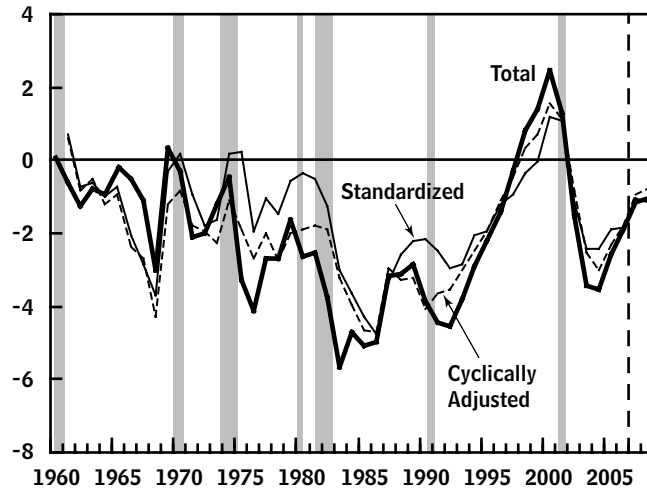
In its annual report on the budget and the economy, CBO presents estimates (or “rules of thumb”) that specify how the budget would respond if certain economic

4. For CBO's method of estimating potential GDP, see Congressional Budget Office, *CBO's Method for Estimating Potential Output: An Update* (August 2001). See CBO's Web site ([www.cbo.gov](http://www.cbo.gov)) for the agency's current estimate of potential output.

5. 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), and *A Summary of Alternative Methods for Estimating Potential GDP* (March 2004).

**Figure 1.****Standardized, Cyclically Adjusted, and Total Budget Deficits or Surpluses**

(Percentage of potential gross domestic product)



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

Note: 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.

assumptions were changed.<sup>6</sup> The estimates of the cyclical contribution presented in this report differ from those that would be obtained by using the rules of thumb. The rule-of-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.<sup>7</sup> For instance, in the first 37 years after World War II, there were 8 recessions; in the 25 years since 1982, in contrast, 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.

6. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2008 to 2017* (January 2007), Appendix B.

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 1.4 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 contribution to the deficit in the 1990–1991 and 2001 recessions were significantly smaller.

**The Standardized-Budget Deficit or Surplus**

CBO routinely calculates another adjusted budget measure, the standardized-budget deficit or surplus. 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.<sup>8</sup> 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 interest payments, temporary legislative changes in the timing of revenues and outlays, receipts from the government's sale of assets and auctions of licenses for use of the electromagnetic spectrum, and federal outlays for deposit insurance.

A substantial discrepancy between tax payments and liabilities emerged, for example, in 2003, when estimated and withheld tax payments were reduced for only about half of the year, even though the Jobs and Growth Tax Relief Reconciliation Act 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

7. Greater macroeconomic stability appears to stem from various interrelated causes—changes in the conduct of monetary policy; structural changes in the economy (such as increased competition, the use of information technology, financial market innovations, and reduced economic regulation); and, perhaps, a reduction in shocks to the world economy. For a discussion of those arguments, see Congressional Budget Office, *The Economic Effects of Recent Increases in Energy Prices*, Chapter 3 (July 2006); and *Economic Volatility*, statement of Peter R. Orszag, Director, before the Committee on Ways and Means, House of Representatives (January 31, 2007).

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

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 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).

On average, the net result of the various adjustments described above decreases the level of the standardized-budget deficit relative to the actual budget deficit. However, it is the *change* in the standardized-budget deficit from one year to the next, rather than the level in any year, that is important for assessing the effect of the budget on real income in the short term.

CBO projects that in 2007, under current laws and policies, the ratio of the standardized-budget deficit to potential GDP will fall by roughly 0.8 percentage points, slightly less than the decline in the ratio for the cyclically adjusted deficit. In 2008, the ratio of the standardized-budget deficit to potential GDP is projected to rise somewhat, while the ratio of the cyclically adjusted deficit to potential GDP is projected to decline somewhat. 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

**T**he standardized-budget deficit amounted to 1.8 percent of potential gross domestic product, or potential GDP, in 2006, which is about the same as in 2005, and roughly half a percentage point smaller than in 2003 and 2004 (see Tables A-1 and A-2). An increase in the ratio of standardized revenues to potential GDP, from 16.9 percent in 2005 to 17.6 percent in 2006, was offset by a rise in standardized outlays, from 18.8 percent to 19.4 percent. The rise in standardized revenues was about the same as the rise in cyclically adjusted revenues, but the rise in standardized outlays was larger than the increase in cyclically adjusted outlays.

The larger rise in standardized outlays compared with cyclically adjusted outlays was mainly attributable to two factors. First, some standardized outlays were shifted from 2005 into 2006 to reverse an acceleration of actual payments from 2006 into 2005 for Supplemental Security Income, veterans' benefits, and Medicare payments for managed care. The other factor was a decline in the inflation component of interest payments between 2005 and 2006.

Under the assumptions incorporated in the Congressional Budget Office's (CBO's) baseline projections for August 2007, which reflect past but not future legislation, the ratio of the standardized-budget deficit to potential GDP is forecast to decrease in 2007 by 0.8 per-

centage points and to rise slightly in 2008. For 2007, CBO projects that the decline in the standardized deficit will be attributable to both a rise in standardized revenues and a fall in standardized outlays. The increase in standardized revenues stems from the rise in cyclically adjusted revenues. The decline in standardized outlays, in turn, reflects a decrease in cyclically adjusted outlays. The combined effects of other adjustments to the standardized budget are relatively small. In 2008, an upward shift in standardized outlays is mostly offset by an increase in standardized revenues, keeping the standardized deficit from rising significantly.

The decrease of 0.7 percentage points of potential GDP in the standardized-budget deficit that CBO anticipates from 2006 to 2008 is smaller than the projected decline of 1.0 percentage point in the cyclically adjusted deficit. That difference reflects the various adjustments that are specific to the standardized budget. Those adjustments are near zero in 2006, about 0.1 percent of potential GDP in 2007, and roughly 0.4 percent of potential GDP in 2008. That change (concentrated in 2008) basically results from a smaller adjustment for the inflation component of interest payments.

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, 2003 to 2008**

	Actual				Projected	
	2003	2004	2005	2006	2007	2008
<b>Revenues</b>						
Budget	1,783	1,880	2,154	2,407	2,577	2,771
Minus: Cyclical contribution	-80	-48	-33	-16	-34	-45
Equals: Cyclically adjusted	1,863	1,928	2,187	2,424	2,611	2,816
Plus: Other adjustments	-65	-42	-92	-114	-119	-123
Equals: Standardized	1,798	1,886	2,095	2,310	2,492	2,693
<b>Mandatory Spending Less Offsetting Receipts</b>						
Budget	1,182	1,237	1,320	1,413	1,457	1,553
Minus: Cyclical contribution	19	12	*	-4	-5	*
Equals: Cyclically adjusted	1,162	1,225	1,320	1,416	1,462	1,553
Plus: Other adjustments	6	7	-2	17	24	23
Equals: Standardized	1,169	1,232	1,318	1,433	1,486	1,576
<b>Discretionary Spending</b>						
Budget	825	895	968	1,016	1,042	1,120
Plus: Timing adjustment	0	0	-4	*	4	0
Equals: Standardized	825	895	964	1,016	1,046	1,120
<b>Interest Payments</b>						
Budget	153	160	184	227	235	253
Plus: Inflation adjustment	-77	-120	-133	-125	-136	-91
Equals: Standardized	76	41	51	102	100	162
<b>Total Deficit</b>						
Budget	-378	-413	-318	-248	-158	-155
Minus: Cyclical contribution	-99	-60	-33	-13	-30	-45
Equals: Cyclically adjusted	-278	-353	-285	-235	-128	-110
Plus: Other adjustments <sup>a</sup>	6	71	47	-6	-12	-55
Equals: Standardized	-272	-282	-237	-241	-140	-165

Sources: Congressional Budget Office; 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, 2003 to 2008**

	Actual				Projected	
	2003	2004	2005	2006	2007	2008
<b>Revenues</b>						
Budget	16.1	16.1	17.4	18.4	18.6	19.0
Minus: Cyclical contribution	-0.7	-0.4	-0.3	-0.1	-0.2	-0.3
Equals: Cyclically adjusted	16.8	16.5	17.7	18.5	18.9	19.4
Plus: Other adjustments	-0.6	-0.4	-0.7	-0.9	-0.9	-0.8
Equals: Standardized	16.2	16.1	16.9	17.6	18.0	18.5
<b>Mandatory Spending Less Offsetting Receipts</b>						
Budget	10.7	10.6	10.7	10.8	10.5	10.7
Minus: Cyclical contribution	0.2	0.1	*	*	*	*
Equals: Cyclically adjusted	10.5	10.5	10.7	10.8	10.6	10.7
Plus: Other adjustments	0.1	0.1	*	0.1	0.2	0.2
Equals: Standardized	10.5	10.5	10.6	10.9	10.7	10.8
<b>Discretionary Spending</b>						
Budget	7.4	7.7	7.8	7.7	7.5	7.7
Plus: Timing adjustment	0	0	*	*	*	0
Equals: Standardized	7.4	7.7	7.8	7.7	7.6	7.7
<b>Interest Payments</b>						
Budget	1.4	1.4	1.5	1.7	1.7	1.7
Plus: Inflation adjustment	-0.7	-1.0	-1.1	-0.9	-1.0	-0.6
Equals: Standardized	0.7	0.3	0.4	0.8	0.7	1.1
<b>Total Deficit</b>						
Budget	-3.4	-3.5	-2.6	-1.9	-1.1	-1.1
Minus: Cyclical contribution	-0.9	-0.5	-0.3	-0.1	-0.2	-0.3
Equals: Cyclically adjusted	-2.5	-3.0	-2.3	-1.8	-0.9	-0.8
Plus: Other adjustments <sup>a</sup>	0.1	0.6	0.4	*	-0.1	-0.4
Equals: Standardized	-2.5	-2.4	-1.9	-1.8	-1.0	-1.1

Sources: Congressional Budget Office; 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 Deficit or Surplus and Related Series in Billions of Dollars, 1962 to 2008**

	Budget	-	Cyclical	=	Cyclically Adjusted	+	Other	=	Standardized-Budget	Standardized Budget	
	Deficit (-) or Surplus			Contribution	Deficit (-) or Surplus			Adjustments <sup>a</sup>	Deficit (-) or Surplus	Revenues	Outlays
1962	-7		-2	=	-5		1	=	-4	99	104
1963	-5		-2	=	-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	=	-15	115	130
1967	-9		12	=	-21		-1	=	-22	131	153
1968	-25		11	=	-36		5	=	-31	140	171
1969	3		14	=	-11		8	=	-3	170	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	=	-16		18	=	3	251	249
1975	-53		-23	=	-31		34	=	3	301	298
1976	-74		-26	=	-48		14	=	-35	310	344
1977	-54		-14	=	-40		19	=	-21	358	378
1978	-59		1	=	-61		28	=	-32	390	422
1979	-41		9	=	-50		36	=	-13	446	459
1980	-74		-21	=	-53		43	=	-10	523	533
1981	-79		-24	=	-55		39	=	-16	606	623
1982	-128		-63	=	-65		23	=	-43	656	698
1983	-208		-89	=	-119		7	=	-111	654	765
1984	-185		-31	=	-155		12	=	-142	673	815
1985	-212		-17	=	-196		17	=	-179	723	902
1986	-221		-11	=	-210		-1	=	-211	748	959
1987	-150		-12	=	-137		-19	=	-156	815	971
1988	-155		8	=	-163		36	=	-128	868	996
1989	-153		21	=	-173		56	=	-118	937	1,054

Continued



**Table A-3.****Continued**

	Budget	-	Cyclical	=	Cyclically Adjusted	+	Other	=	Standardized-Budget	Standardized Budget	
	Deficit (-) or Surplus		Contribution		Deficit (-) or Surplus		Adjustments <sup>a</sup>		Deficit (-) or Surplus	Revenues	Outlays
1990	-221		10		-231		109		-122	991	1,113
1991	-269		-48		-221		71		-150	1,068	1,219
1992	-290		-63		-228		40		-187	1,125	1,312
1993	-255		-52		-203		11		-192	1,166	1,358
1994	-203		-30		-174		30		-144	1,246	1,390
1995	-164		-19		-145		*		-145	1,332	1,477
1996	-107		-22		-86		-8		-94	1,419	1,513
1997	-22		13		-35		-42		-77	1,496	1,573
1998	69		38		32		-66		-34	1,597	1,632
1999	126		63		63		-58		4	1,665	1,661
2000	236		89		148		-37		111	1,825	1,714
2001	128		12		117		-6		110	1,904	1,794
2002	-158		-73		-85		-36		-121	1,826	1,947
2003	-378		-99		-278		6		-272	1,798	2,070
2004	-413		-60		-353		71		-282	1,886	2,168
2005	-318		-33		-285		47		-237	2,095	2,333
2006	-248		-13		-235		-6		-241	2,310	2,551
2007 <sup>b</sup>	-158		-30		-128		-12		-140	2,492	2,632
2008 <sup>b</sup>	-155		-45		-110		-55		-165	2,693	2,858

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, federal outlays for deposit insurance, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).

b. Projected.

**Table A-4.****Standardized-Budget Deficit or Surplus and Related Series as a Percentage of Potential Gross Domestic Product, 1962 to 2008**

	Budget Deficit (-) or Surplus	-	Cyclical Contribution	=	Cyclically Adjusted Deficit (-) or Surplus	+	Other Adjustments <sup>a</sup>	=	Standardized-Budget Deficit (-) or Surplus	Standardized Budget	
										Revenues	Outlays
1962	-1.2		-0.4		-0.8		0.1		-0.7	17.3	18.0
1963	-0.8		-0.3		-0.5		-0.1		-0.6	17.5	18.1
1964	-0.9		0.3		-1.2		0.2		-1.0	17.1	18.0
1965	-0.2		0.7		-0.9		0.2		-0.7	16.3	17.0
1966	-0.5		1.8		-2.4		0.3		-2.0	16.0	18.0
1967	-1.1		1.6		-2.7		-0.2		-2.8	16.9	19.7
1968	-3.0		1.3		-4.3		0.6		-3.7	16.6	20.3
1969	0.4		1.5		-1.2		0.9		-0.3	18.6	18.9
1970	-0.3		0.5		-0.8		1.0		0.2	18.5	18.4
1971	-2.1		-0.3		-1.8		0.9		-0.9	17.1	18.1
1972	-2.0		*		-2.0		0.2		-1.8	16.9	18.6
1973	-1.2		1.1		-2.2		0.6		-1.6	16.8	18.4
1974	-0.4		0.7		-1.1		1.3		0.2	17.7	17.6
1975	-3.3		-1.4		-1.9		2.1		0.2	18.6	18.4
1976	-4.1		-1.4		-2.7		0.8		-1.9	17.3	19.2
1977	-2.7		-0.7		-2.0		1.0		-1.0	17.8	18.9
1978	-2.7		0.1		-2.7		1.3		-1.4	17.6	19.0
1979	-1.6		0.4		-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	-5.6		-2.4		-3.2		0.2		-3.0	17.8	20.8
1984	-4.7		-0.8		-3.9		0.3		-3.6	17.1	20.8
1985	-5.1		-0.4		-4.7		0.4		-4.3	17.3	21.5
1986	-5.0		-0.3		-4.7		*		-4.8	16.9	21.6
1987	-3.2		-0.3		-2.9		-0.4		-3.3	17.4	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 Deficit (-) or Surplus	- Cyclical Contribution	= Cyclically Adjusted Deficit (-) or Surplus	+ Other Adjustments <sup>a</sup>	= Standardized-Budget Deficit (-) or Surplus	Standardized Budget	
						Revenues	Outlays
1990	-3.9	0.2	-4.0	1.9	-2.1	17.4	19.5
1991	-4.4	-0.8	-3.6	1.2	-2.5	17.6	20.0
1992	-4.5	-1.0	-3.6	0.6	-2.9	17.6	20.5
1993	-3.8	-0.8	-3.0	0.2	-2.9	17.4	20.2
1994	-2.9	-0.4	-2.5	0.4	-2.0	17.7	19.8
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	-0.4	-0.5	-0.9	18.4	19.3
1998	0.8	0.4	0.4	-0.8	-0.4	18.7	19.1
1999	1.4	0.7	0.7	-0.7	*	18.6	18.6
2000	2.5	0.9	1.6	-0.4	1.2	19.3	18.1
2001	1.3	0.1	1.2	-0.1	1.1	19.0	17.9
2002	-1.5	-0.7	-0.8	-0.3	-1.1	17.3	18.4
2003	-3.4	-0.9	-2.5	0.1	-2.5	16.2	18.7
2004	-3.5	-0.5	-3.0	0.6	-2.4	16.1	18.5
2005	-2.6	-0.3	-2.3	0.4	-1.9	16.9	18.8
2006	-1.9	-0.1	-1.8	*	-1.8	17.6	19.4
2007 <sup>b</sup>	-1.1	-0.2	-0.9	-0.1	-1.0	18.0	19.0
2008 <sup>b</sup>	-1.1	-0.3	-0.8	-0.4	-1.1	18.5	19.6

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

Note: \* = 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, federal outlays for deposit insurance, and contributions from allied nations for Operation Desert Storm (which were received in 1991 and 1992).

b. Projected.

