

So-Called Reagan Budget Myths

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Key Words: National debt, Reagan, budget, deficit

Description: Misleading explanation of how congress caused Reagan to increase the national debt by \$1.8 Trillion.

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Budget Myths

President Reagan entered the White House with an attitude of working honest deals with the Congress on spending. He wanted more defense spending, lower entitlement spending, lower tax rates which would boost the economy (and thus revenues) and seemed to achieve that agreement with Congress in both 1981 and 1982. However, despite getting concessions on taxes, congress never once cut spending, and the actual budgets were higher than what Reagan asked for 7 out of 8 years. This attitude of "cut spending later" helped continue the debt trends that began under Ford and Carter. By the end of Reagans terms, debt had increased by \$2 trillion.

We've all heard the myth: President Reagan asked for far more spending than congress wanted and/or congress actually spent less than what Reagan asked for...yet the truth once again tells a different story.

| Federal Budget Outlays Proposed (Reagan) and Actual (Congress) and Cumulative Percent Difference (billions of dollars) | | | | |
|---|----------------|----------------|----------------|---------------------------|
| Fiscal Year | Outlays | | | Cumulative Differences |
| | Proposed | Actual | % Difference | |
| 1982 | 695.3 | 745.8 | 7.3 | 0.0 |
| 1983 | 773.3 | 808.4 | 4.5 | 12.1 |
| 1984 | 862.5 | 851.8 | -1.2 | 10.8 |
| 1985 | 940.3 | 946.4 | 0.7 | 11.6 |
| 1986 | 973.7 | 990.3 | 1.7 | 13.5 |
| 1987 | 994.0 | 1003.9 | 1.0 | 14.6 |
| 1988 | 1024.3 | 1064.1 | 3.9 | 19.1 |
| 1989 | 1094.2 | 1144.2 | 4.6 | 24.5 |
| Totals | 7,357.6 | 7,554.9 | Avg 2.8 | Avg 3.1 |

Sources:

Budget Message of the President, FY's 81 to 89
Budget of the United States, FY 1993, Part 5, Table 1.3, page 5-18.
Proposed outlays for 1981 from 1981 FY 1982 Budget Revisions

So there you have it. On average, Congress spent 2.8% more than Reagan asked for, while the cumulative (yearly compounding rate) was a whopping 24.5% more. If the budget in 1989 had been 24.5% smaller (i.e., 280 billion dollars) there could have

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been a **surplus** of about 130 billion dollars instead of a deficit. This is equivalent to a constant compounding increase of 2.8% every year during the 8 budgets above and beyond the previous year's spending. If anyone still thinks that is not a significant amount, they should ask themselves whether a balanced budget in 1989 would have been significant.

If the cumulative column is not clear, visualize it as the acceleration of spending beyond what Reagan asked for. A 10% increase each year beyond what he asked for, for example, compounds to 1.1^7 , or 1.95, which is 95% more, as opposed to $1 + 0.1*7 = 1.7$, or 70% that some would say is the correct figure. In other words, each increase carries with it the excess spending from the previous year(s). It's also the same kind of math that causes programs with mandatory spending increases, no matter how small, to balloon after a few years. It's called geometric progression. For a nice graph of such a function, look at the growth in U.S. debt since 1974.

See a [visual representation](#) of the differences in spending.



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