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Would U.S. Economic Policy Pass Muster with the World Bank and IMF?

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Abstract

This paper looks at current U.S. macroeconomic policy from the point of view of the World Bank and the IMF. While the United States is neither a developing country nor in need of international financial assistance, it is nevertheless interesting to apply conventionally accepted international economic management standards to see whether the current policy mix would meet with the approval of professional economists from these institutions. Though most current indicators for the US look good, there is a distinct potential for problems in the future given the projected trajectories of federal spending and revenues. The paper summarizes the basis for these observations and gives recommendations for change.

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I. Introduction

This paper asks the following question: If a team of economists from the World Bank and the IMF were to land in Washington today, what would they say about the viability and advisability of the macroeconomic management as currently performed in the Spring of 2003? Would there be any aspects of policy they would change?

After many years spent first as a staff member at the World Bank and later as a consultant specializing in macroeconomic policy in various developing countries in Africa, Asia and Latin America, I am quite accustomed to the idea of evaluating the macroeconomic policy stance of governments in terms of their ability to successfully achieve the twin goals of stability and growth. In fact, this evaluation goes on more or less uninterruptedly for all of those countries which borrow from the World Bank and IMF, and begins to mutate from mere evaluation to a more prescriptive mode once a government wants a bailout or other form of help in crisis management.

While the US is in no sense in need of a bailout at the present time, it is nevertheless useful to look at the overall picture in the US from the point of view of a development economist since it can give some insight into how the prospects for the US economy would be evaluated by a more or less non-politically motivated mainstream economist from outside the country. In fact, one of the more useful aspects of economic dialogue between the international organizations and country governments is its ability to spotlight potential problem areas which may arise in the future if current trends continue. It is in this sense that a look at US policy proves interesting: While there is no chance of a US crisis in the immediate future, there is is a real possibility that poor economic management could result in major problems in the medium to long run if they are not addressed in time.

After many years of handing out advice to many different countries at many different income levels and with widely differing economic structures, it is fairly clear what the basic outlines of the multilateral organizations' standard package of advice include. This standard recipe has come to be called the "Washington Consensus", reflecting the widespread acceptance of its tenets in policymaking circles as well as across large parts of the economics profession. It should be noted that there are several critiques of the content of this package, some of them by quite respected economists, but even these don't argue with all elements of the generalized prescription.

The next section of this paper gives a brief characterization of the Washington Consensus. This is followed by a section in which I play the part of first an IMF economist, and then a World Bank economist writing a report evaluating the government's policy stance in terms of fiscal, monetary, trade, and exchange rate policy.

II. What Is the Washington Consensus?

A useful survey of what is contained in the "Washington Consensus" can be found in Rodrik (1996). There are ten main points:

1. Fiscal discipline

2. Redirection of public expenditure priorities toward health, education and infrastructure

3. Tax reform, including the broadening of the tax base and cutting marginal rates

4. Unified and competitive exchange rates

5. Secure property rights

6. Deregulation

7. Trade liberalization

8. Privatization

9. Elimination of barriers to direct foreign investment

10. Financial liberalization.

Rodrik argues that only the first five of these points are truly necessary for successful economic management, but it is nevertheless true that the IMF and World Bank (as well as other bilateral and multilateral institutions) regard the entire list as important. Indeed, the US Government's own Agency for International Development is a major player in promoting these policies in countries where it is active around the world.

III. What Would the IMF's Staff Say?

First, it must be noted that the IMF's primary concern is the maintenance of stability in exchange rate and monetary matters, and to avoid crises in the balance of payments. These matters are a combination of items 1, 4, 7, 9 and 10 from the list above. The key to stability is seen to be fiscal discipline and the monetary stability that this can help maintain together with

free flows of capital and goods across borders which the IMF believes will promote stability in the balance of payments. One key element to evaluation of monetary/financial stability is a look at the extent to which inflationary factors may be at work. Here, the focus is typically on money emission, and the factors which influence it. One of the most important of these is the extent to which the government partakes of domestic credit since it is often the case that fundamental inflationary pressures result from monetization of fiscal deficits run up by profligate governments.

While stability is somewhat self explanatory (a stable exchange rate is one that doesn't change much, and stability in monetary matters can best be summarized as zero or very low inflation) crises in the balance of payments are less easily characterized. While one would be tempted to say that avoidance of deficits in the balance of payments represents the goal in this area, this would not be true either in a theoretical or a practical sense. The key characteristic of a "good" balance of payments is whether or not it is sustainable, rather than whether or not it is in negative territory. This notion will be made explicit below.

Another longstanding concern of the IMF lies in the area of trade restrictions. While not necessarily directly related to stability or sustainability, the IMF has shared with all international organizations a strong bias toward freer trade as a policy to support growth and stability in international payments. Though the primary organization for implementing this type of policy is the WTO (formerly the GATT) it is certainly fair to say that the IMF (and the World Bank) staff make clear their biases toward free trade in their evaluations of the performance of client countries.

Monetary Stability and Fiscal Discipline

The United States is clearly doing a good job in the area of controlling inflation. There is no doubt whatever that inflation has been successfully brought down to a very low level and that this success has been maintained over several years. Figure 1 shows the record on consumer price inflation over the past ten years where the exemplary record of the monetary authorities is quite clear.

Good enough, the Fund would say. However, given the seemingly congenital inability of Fund economists to ever be completely happy with a government's ongoing battle against inflation, this would not be the end of the story. No IMF evaluation would be complete without a look at potential incipient inflationary pressures. Here, there are two main items to look at:

- Money Supply Growth - Figure 2 shows growth in M1 over the past 15 years. It is clear that this growth was largely contained over most of the decade of the 1990's, but that a clear turning point is reached around the year 2000. While the reasons for this are clearly related to the business cycle, the absence of any reason to think that the income velocity of money would undergo a long term permanent change downward would give Fund economists pause, and would cause them to flag this area as one of concern. Nevertheless, given the exemplary record on inflation itself, this factor would not result in a serious problem with government/IMF

relations.

- Use of Domestic Credit by the Government - Given the importance of monetization of fiscal deficits as a motor for inflationary pressures in the standard Fund view of the world, any staff evaluation of incipient inflationary pressures would include a section on the extent to which the government was balancing its own books, and the extent to which they had recourse to the domestic banking system to finance any shortfalls. Figure 3 shows the recent history of the federal government, where it can be seen that there was steady progress through the 1990's but that this progress abruptly reversed in 2000. Clearly, the federal government has embarked upon a new trend which would not meet with the approval of the staff economists at the IMF.

What would this mean for the ability of the government to pass muster with the Fund? Basically, the IMF would not raise too many issues, given the good performance over the past decade, so long as the government could show that the deterioration of the past two years was temporary and that the government had in place or was in the process of implementing policies that would return it to a path which would yield a balanced fiscal performance within the medium term (usually regarded as lasting anywhere from 3 to 7 years).

Can the US government do this? Unfortunately, the answer here is no. As Figures 4 and 5 show, the current government fiscal trajectory puts the US on a path of large and increasing federal deficits "as far as the eye can see" into the future. The paths shown in Figure 5 take the non-partisan Congressional Budget Office projections as the baseline and then use the CBO estimates of the budgetary implications of extrapolating laws currently on the books or being considered by Congress into the future. (The figure presented is reproduced from Auerbach et. al.2002; another version which conveys the identical information is available from the Concord Coalition, while the numbers underlying both are taken from CBO 2003) The IMF staff would take it as a given that such a trajectory could only run into problems in the future, as the government either started to expand money growth the finance the increasing debt payments, or drastically raised taxes and/or cut spending to bring the budget back into some semblance of balance.

The arithmetic of avoiding such a problem is fairly straightforward: In order to return to balance in the medium term (5 years) one estimate (See Concord Coalition 2002) requires discretionary spending to decline at a rate of between 8 and 9 percent annually. While it is extremely difficult for any serious observer of the US political scene to believe that such cuts would actually be made five years in a row, the IMF would not hesitate to require it as a condition of putting their "seal of approval" on the US government economic management plan. Indeed, cuts of this magnitude are routinely imposed on client countries as a condition for IMF acceptance of their policy package and Fund willingness to provide lending to support it.

The main culprits for the unpleasant fiscal trajectory of the US govenrment are obvious. In the past two years major tax cuts have reduced projected future revenues at the same time that large entitlement programs (Social Security and Medicare) continue to be underfunded given the demographics the country is facing. That is, there is a huge cohort approaching retirement age,

and under the current structure of entitlement programs it will be paid large sums of money which will eventually render these programs insolvent.

A recent study taking the non-partisan CBO projections as the baseline, projected the percent of the government budget that will have to be devoted to Social Security, Medicare and Medicaid (See CBO 2002 and Auerbach, et. al. 2002) will rise from the current 9% of GDP to 21% by 2075. This proportion, which is greater than all current federal spending combined, is clearly unsustainable, and indicates that the current system needs to be fixed long before 2075. Whether or not the necessary adjustments can be achieved through spending cuts or tax increases in a politically acceptable way is not clear. What is clear is that pressure to inflate in order to reduce the value of these obligations will grow and that this may well prove the least unpleasant alternative in the US as it has in other countries with unsustainable pension and health benefit entitlements. (See, e.g. numerous studies on the problems of Eastern European countries with pension reform. Note also that inflation would trigger cost of living adjustments in Social Security payments which would prevent reduction in the value of these obligations. To avoid this, there would need to be a reduction or limitation in the COLA.)

In other fiscal matters it should be noted that the US has done well in providing a broad tax base and low marginal tax rates. In fact, on these points the US is perhaps among the most "advanced" among all industrial countries with the tax burden very widely spread across the population and marginal rates among the lowest of all countries at or near its level of per capita income.

In other financial matters, it is clear that the US has one of the most deregulated and financially liberalized economies in the world. The recent Enron debacle and similar scandals would, however, give most independent economists pause with respect to "liberalization", since it is virtually a truism that liberalization must go hand in hand with transparency and accountability if capital markets are to function well. While the jury is still out on these episodes, the IMF and World Bank would, without doubt, promote strict compliance with the law and would want to see that accounting, corporate governance and federal supervision standards were tightened up in order to ensure that such events would not be repeated.

The Exchange Rate and the Balance of Payments

Any given balance of payments is, in theory, perfectly acceptable so long as it is sustainable. That is to say, a deficit is just fine so long as the financing to continue it is not in jeopardy. This is analogous to one's personal finances - I can spend more money than I earn for as long as I like so long as I know that there is someone who will remain willing to give or lend me enough to make good the shortfall every year. While this happy situation may actually exist for millionaires' offspring the situation is a bit more complicated for countries. What looks like a sustainable balance of payments deficit in one year can look like a crisis the next year given a change of heart by international creditors. Such a change of heart might not have anything to do with objective circumstances affecting a country's economy but rather could be entirely the

result of changing creditor perceptions of the world in general. Many would characterize the panics and ensuing crises in Asia in the late 90's as the result of such problems.

Exchange rate stability and its determinants are fundamentally a different animal in the US than in typical IMF client countries for the simple reason that the US Dollar is de facto the world's reserve currency. That is to say, the US is in the rather enviable position of being able to buy imports in exchange for its own currency, and then have foreign countries simply put that currency in the bank as reserves rather than spend it on actual physical production from the US. This means that the US has a lot more slack than do other countries in terms of our ability to run trade deficits with relative impunity. In fact, on point 9 of the Washington Consensus above, it is obvious that, far from discouraging foreign investment, the US is in a posture of welcoming it with open arms as it is essential to continued financing of our deficits without suffering higher interest rates.

The US doesn't have to worry about whether its creditors will continue to be willing to finance our excess spending because in a very real sense we can simply finance it ourselves by printing up more dollars. So long as these dollars are added to reserves held by other countries overseas, they will not contribute to the unsustainability of our balance of payments.

How long can this go on? It is clear that it can go on for a long time (indeed it already has gone on for at least 50 years) but it is also clear that it cannot go on forever. At some point, foreigners will no longer be willing to hold our dollars if we keep running large and increasing deficits which add to the world's supply of dollars. What we are looking at here is a variant of what was called "Triffin's Dilemma" in the 1960's, so-called after the economist who first wrote about the long run sustainability of the then-reigning gold standard wherein the dollar was backed, at least in theory, by the ability to convert it into gold.

What Triffin pointed out was that sooner or later there would be too many dollars circulating for the promise of conversion to gold to remain credible. Simply put, people would see that there wasn't enough gold in Fort Knox for all of them to successfully cash in their dollars if they all tried to do so at the same time. Eventually, this is exactly what happened when the US finally suspended gold convertibility in the early 1970's and ushered in the modern era of a de facto dollar standard.

So, you may ask, what sustains the dollar standard if it isn't possible to convert the dollars to gold anymore? The answer to this question may not satisfy gold bugs, but is nevertheless quite clear. You may not be able to convert your dollars to gold, but you can convert them into anything else simply by presenting the money to whoever is selling this item or commodity in the US. Put in economic terms, all of those dollars outside the country represent claims on our output - that is, claims on our Gross Domestic Product - either now or in the future.

This is fine so long as the amount of dollars out there stays within the limits of what can reasonably be produced by the US economy, as well as within the limits of what are realistically

needed as reserves by foreign countries. Here, there are two possible issues:

- If the US economy stagnates, while trade deficits continue to grow there will eventually come a day of reckoning when the number of dollars outstanding is perceived to be too large relative to US GDP.

- If foreign economies stagnate, so their reserve needs do not grow, continued US trade deficits will eventually cause a day of reckoning since they will not want to continue to simply put dollars into their banks as reserves.

What is a day of reckoning? It is when foreigners cash in their dollar assets in favor of yen or euros thus driving up US interest rates with consequent adverse effects on our economic performance. Alternatively, the US can simply inflate away the value of its outstanding debt, so that foreigners are in effect taxed on their holdings in dollars so as to reduce US obligations to manageable proportions.

While all of this may seem rather theoretical and hypothetical, there IS a core issue at stake: That is, what is the trajectory of the US Balance of Payments? Is it continuing to grow while the US stagnates? The answer can be found in Figure 4 which shows the US Balance of Payments since 1990. Looking at this would not make an economist evaluating the US economic management smile. There is no evidence of a trend toward balance, even after the economy stopped expanding at the business cycle peak in 2000.

A caveat is in order here. None of this means that the US is in any imminent danger. There is no real chance of an economic "day of reckoning" in the short term. However, the longer current trends continue, the more chance there is of an unpleasantly hard landing from the current flights of fiscal excess. The Fund would recommend dealing with the issue now, since waiting will simply allow it to grow larger and more intractable in political terms.

Trade Barriers

As noted above, there is a marked tendency to promote the lowering of trade barriers in virtually all of the major international economic institutions. On this score, the US has historically led the charge as one of the founding members and biggest promoters of the GATT and then the WTO. Since the inception of the GATT process after World War II average tariff levels in the US have been reduced drastically as they have in other member countries.

More recently, the GATT has been replaced by the WTO which adds enforcement mechanisms that were absent from the original institution though the overall goal of lowering and standardizing trade barriers remains unchanged. Thus, more than mutual forbearance in imposing trade restrictions is involved here - there are real teeth to the WTO so that countries that transgress have a fairly good idea what to expect: countries that are damaged by trade barriers will be permitted to impose barriers of their own in order to recoup the losses suffered.

In this category the US has at least two major problems:

1. In 2002 the US Government imposed tariffs of from 8-30 percent on steel imports. Exemptions for Canada, Mexico and most developing countries meant that the tariffs fell primarily on European producers. These tariffs are not in compliance with WTO rules and European countries will be permitted retaliatory measures in compensation.

2. The 2002 Farm Bill locked in massive subsidies to domestic producers that appear to directly conflict with the stated aims of the next ("Doha") round of negotiations under the WTO. Depending on the trajectory of farm prices over the next years, this bill could result in the US being out of compliance with even existing commitments under the WTO.

Both of these would be items of concern for any IMF team, and they would press hard for the goverment to reverse course. Whether or not this actually happened would depend on the nature of the negotiations involved.

IV. What Would the World Bank's Staff Say?

In contrast to the IMF, which is primarily concerned with stability, the World Bank has two main objectives:

- Increasing growth in Gross Domestic Product

- Poverty alleviation

It is conventionally accepted wisdom that stability a la IMF is a prerequisite for achieving these goals but they do not, in the Bank's view, follow automatically. To put it in the most general terms, while the IMF worries primarily about the macroeconomic balances - e.g. fiscal balance, balance of payments, etc. - the World Bank is much more likely to involve itself in the *composition* of the items included in the balance. For example, while the IMF would worry about the balance between spending and revenue of the central government and the extent to which a mismatch between them might generate a gap that requires financing, the Bank would be concerned not only with the amount of spending but what the money actually gets spent on. While it is certainly true that the IMF also discusses the composition of these balances, it is the World Bank's mission to actually make loans to increase the share of expenditures going to investments that will promote development and growth.

Here the operational significance of these observations is that a given fiscal deficit is more tolerable if the money is spent on building infrastructure or human capital than if it is spent on unproductive ends such as palaces or military equipment. Indeed, this is precisely the function the World Bank is supposed to fulfill - that of ensuring that money spent by the government is directed toward ends that will help promote the process of economic development.

The same reasoning can be applied to a deficit in the balance of payments. Such a deficit, if used to support capital formation or to purchase inputs for traded goods production, is far more acceptable than is an equivalent deficit used to finance consumption. The reasoning is straight out of Economics 101: Spending that generates a revenue stream in the future merits financing since the debt incurred can be paid off out of the revenue generated.

On the revenue side there is a definite bias in economic theory and in practice for preferring the widest possible tax base. That is, insofar as the burden of funding the government can be spread more widely then rates can be lower and the overall mix of economic activity will be distorted less. Here it is clear that the US does quite well - the tax base is quite broad and voluntary compliance rates are high (though they have slipped somewhat in recent years.)

In the early days of the World Bank's existence poverty alleviation would not necessarily have been listed as a separate goal distinct from GDP growth. However, it has become abundantly clear through the years that it is entirely possible to have one without the other and that the conviction that "a rising tide lifts all boats" is fine for the Navy but doesn't work when it comes to trickle down economics.

This realization came to the Bank a relatively long time ago - As early as the late 1960's and 1970's poverty alleviation became an explicit goal of development lending since it was clear that the earlier penchant for large infrastructure projects often did nothing to improve the situation of the poorest. This problem was sharpened with the advent of structural adjustment lending in the 1980's when the retrenchment required by SA loan conditions resulted in widespread adverse consequences for many, particularly the urban poor. Accordingly, it is now taken as a given that any macro level conditionality requiring large scale adjustments must be analyzed for poverty implications prior to approval.

So, how is the US faring on these questions? At the outset it must be recognized that as one of the richest countries in the world the US has already achieved what the World Bank seeks to promote for low income countries: a high level of GDP per capita and high levels of material welfare for the population. Nevertheless, it is interesting to see how the US fares on the standard questions of how government money gets spent and how it is addressing the poorest segments of the population. First we will look at the composition of spending and taxation, and then more particularly at poverty alleviation.

The Composition of Spending in the U.S.

Figure 6 shows the composition of spending in 2002 by the Federal government. As can be seen, the largest chunks go to the military, payments on the debt, social security, and medicare and medicaid. The first three of these are obviously non-productive expenditures while the last can plausibly be viewed as building human capital via improved health. The other main category for building human capital, education, is small at $46 billion though it must be recognized that most education expenditures in the US are funded at lower levels of government. Infrastructure spending, such as that funded through the Department of Transportation is also a relatively low percentage of the total, though this too is often done at other levels of government.

Overall, it is clear that the level of spending on health and education in the U.S. is large in absolute terms even if it is dwarfed by other expenditure categories such as the military, social security and interest on the national debt. While a case can certainly be made that the level of spending in education is below that which would be expected in a country of our income level (For example, the U.S. is virtually alone among advanced industrial countries in putting the burden of university costs on individuals rather than funding it via the state) there is no obvious shortfall that would require drastic corrective action.

However, any projection of the future composition of federal spending must take into account the effects of demographic change together with entitlement programs that currently exist. Here, there is reason for concern. As noted above, Social Security and Medicare as currently structured will, if unchanged, grow to a size greater (as a percentage of GDP) than the entire federal government today. This is glaringly unsustainable, and would be a prime candidate for imposition of conditionality if World Bank assistance were at stake.

Poverty Alleviation

The US is in the enviable position of having the capacity to ensure that none of its citizens are forced to live in conditions of absolute poverty. While this is not achieved in reality, it is clear that most of those who are considered poor in the US are, in absolute terms, better off than many who are not considered poor in low income countries in the sense that they have at least minimally adequate clothing, housing and food. Nevertheless, the extent of poverty in the US is not minor, and it would be a mistake to minimize its extent, particularly among some minority groups.

Table 1 shows US Census Bureau figures on the extent of poverty, where it can be seen that in recent years between 11 and 12% of the population falls below the defined threshold. While there have been fluctuations in this figure over time due to the business cycle, the downward trend over the past forty years is quite obvious. However, the figures for blacks are roughly double those for whites, currently fluctuating between about 20 and 25%.

The World Bank view would be that the long run historical decline in these figures was to be commended but given the obvious ability of the country to make further progress, the Bank would be interested in seeing initiatives devoted toward this end. In line with recent Bank "conventional wisdom" as expressed in the numerous "Poverty Reduction Strategy Papers" written for many member countries, a major focus of such initiatives would be on promoting educational advances and access to adequate health care for the poor. This would be particularly important in minority areas where poverty rates reach levels far in excess of the population average.

In particular, the differential access of the population to health care would be a serious issue in the World Bank view of the situation. Well over 40 million Americans - almost 15% of the population - have no health insurance and therefore relatively limited access to all but emergency medical care. This would probably be one of the most important areas of concern in any evaluation of the poverty situation in the US.

V. Summary - Would the US Pass Muster?

Overall, the United States is in a relatively good position when looked at in light of the standards of multilateral institutions but there are warning signs that the situation could deteriorate in the future. Specifically, though the US has stable prices and a relatively stable exchange rate, the projected balance between government expenditures and revenues is unsustainable, and contributes to the large and increasing deficit in the balance of payments. While this deficit is sustainable for as long as foreigners remain willing to invest in the US, there is no guarantee that this willingness can be taken for granted indefinitely if pressures to inflate the government debt away mount and/or currency and balance of payments problems cause uncertainty about US stocks and bonds.
Given the largely liberalized and deregulated nature of US markets, imbalances such as these will manifest themselves as outflows of foreign investment (indeed of domestic investment as well) particularly if perceptions of the relative values of the dollar vis a vis the euro become adverse to the US.

In terms of poverty alleviation, the World Bank would applaud the long term decline in poverty rates over the past five decades, but would be concerned with persistent problems with minority groups. In particular, black Americans suffer disproportionately higher poverty rates than do others. Other problems include lack of access to health care by a large segment of the population and differential access to educational opportunities.

So, the international institutions would be likely to offer several strong opinions on economic management in the US:

1. Restructure federal spending and taxation to put the trajectory of federal deficits on a

sustainable long run footing.

2. Reform of the major entitlement programs: Social Security, Medicare and Medicaid.

3. Continue to promote the long term trend of improving poverty rates, particularly by improving access to health care and education.

4. Reverse course on recent protectionist measures such as the imposition of steel tariffs and the recent Farm Bill.

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Table 1. Poverty Status in the United States by Race: 1959 to 2001		
	Percent Below Poverty Level	
Year	*All Races*	*Black*
2001	11.7	22.7
2000	11.3	22.5
1999	11.8	23.6
1998	12.7	26.1
1997	13.3	26.5
1996	13.7	28.4
1995	13.8	29.3
1994	14.5	30.6
1993	15.1	33.1
1992	14.8	33.4
1991	14.2	32.7
1990	13.5	31.9
1989	12.8	30.7
1988	13.0	31.3
1987	13.4	32.4
1986	13.6	31.1
1985	14.0	31.3
1984	14.4	33.8
1983	15.2	35.7
1982	15.0	35.6
1981	14.0	34.2
1980	13.0	32.5
1979	11.7	31.0
1978	11.4	30.6
1977	11.6	31.3
1976	11.8	31.1
1975	12.3	31.3
1974	11.2	30.3
1973	11.1	31.4
1972	11.9	33.3
1971	12.5	32.5
1970	12.6	33.5
1969	12.1	32.2
1968	12.8	34.7
1967	14.2	39.3
1966	14.7	41.8
1965	17.3	
1964	19.0	
1963	19.5	
1962	21.0	
1961	21.9	
1960	22.2	
1959	22.4	55.1

Source: U.S. Census Bureau, Poverty Tables, 2002.

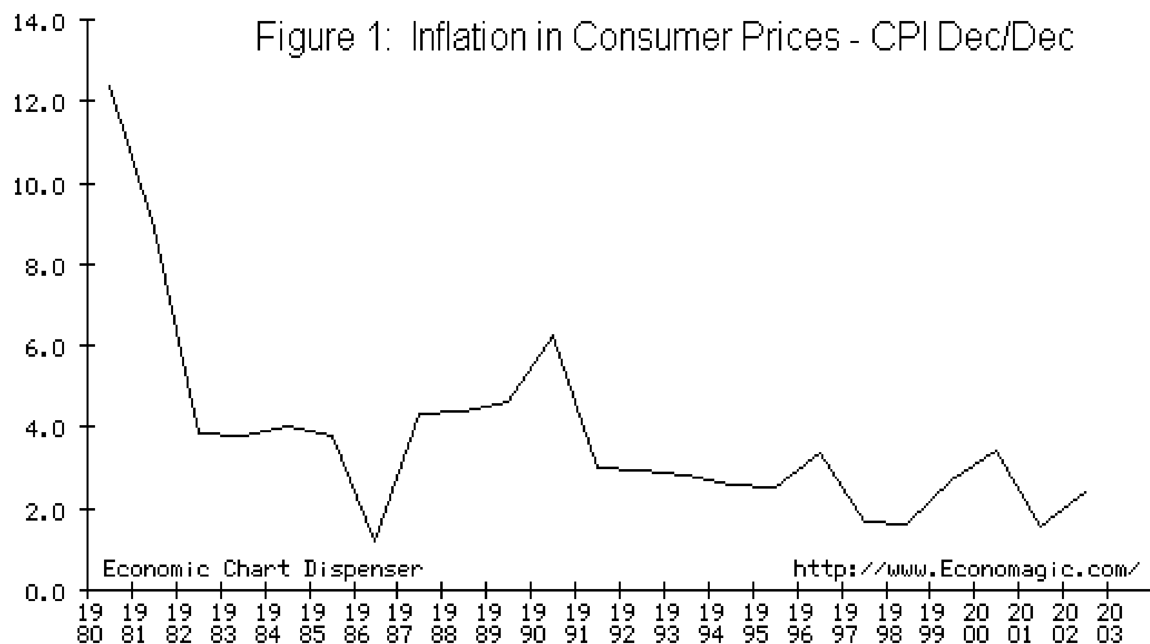


Figure 1: Inflation in Consumer Prices - CPI Dec/Dec
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
Economic Chart Dispenser
http://www.Economagic.com/
19 80
19 81
19 82
19 83
19 84
19 85
19 86
19 87
19 88
19 89
19 90
19 91
19 92
19 93
19 94
19 95
19 96
19 97
19 98
19 99
20 00
20 01
20 02
20 03

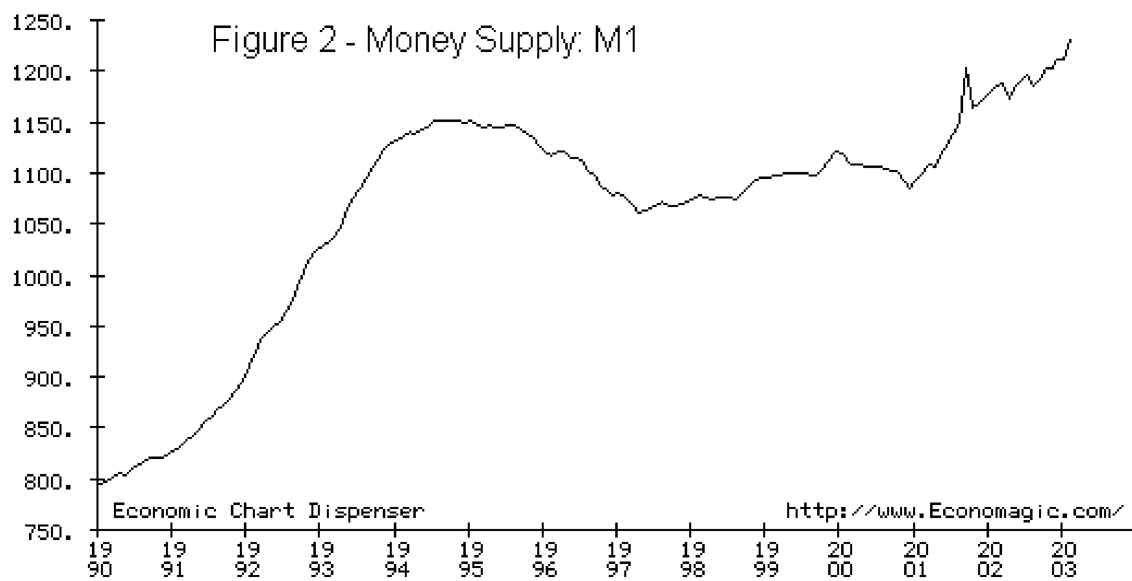


Figure 2 - Money Supply: M1
1250.
1200.
1150.
1100.
1050.
1000.
950.
900.
850.
800.
750.
Economic Chart Dispenser
http://www.Economagic.com/
19 90
19 91
19 92
19 93
19 94
19 95
19 96
19 97
19 98
19 99
20 00
20 01
20 02
20 03

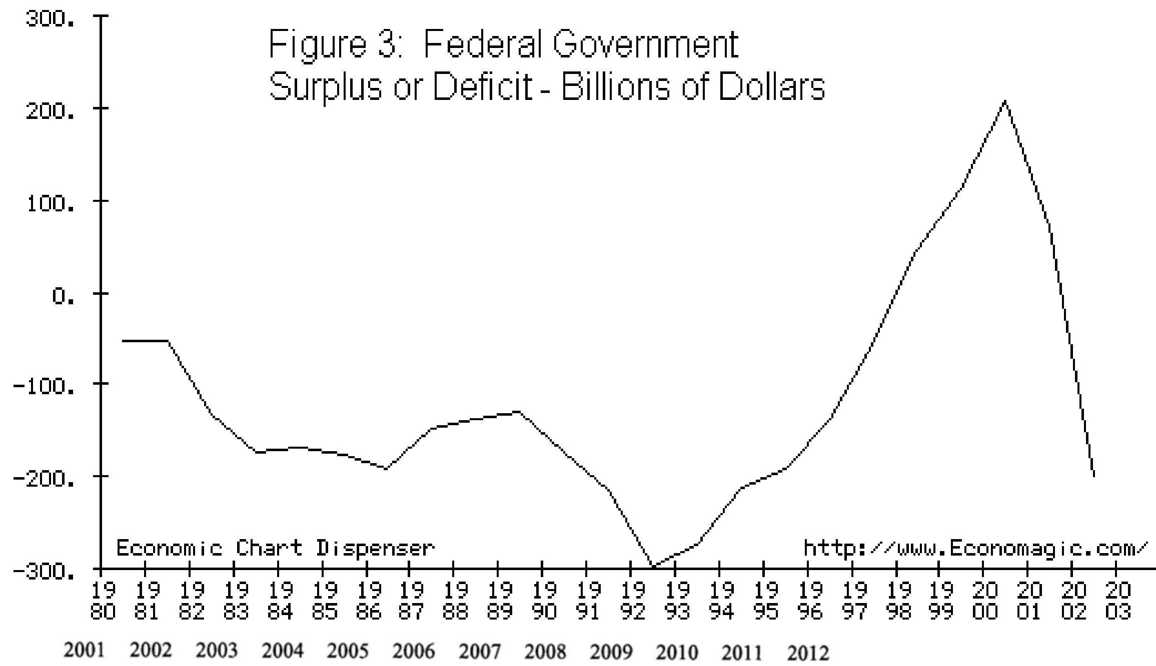


Figure 3: Federal Government
Surplus or Deficit - Billions of Dollars
300.
200.
100.
0.
-100.
-200.
-300.
Economic Chart Dispenser
http://www.Economagic.com/
19 80 19 81 19 82 19 83 19 84 19 85 19 86 19 87 19 88 19 89 19 90 19 91 19 92 19 93 19 94 19 95 19 96 19 97 19 98 19 99 20 00 20 01 20 02 20 03
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

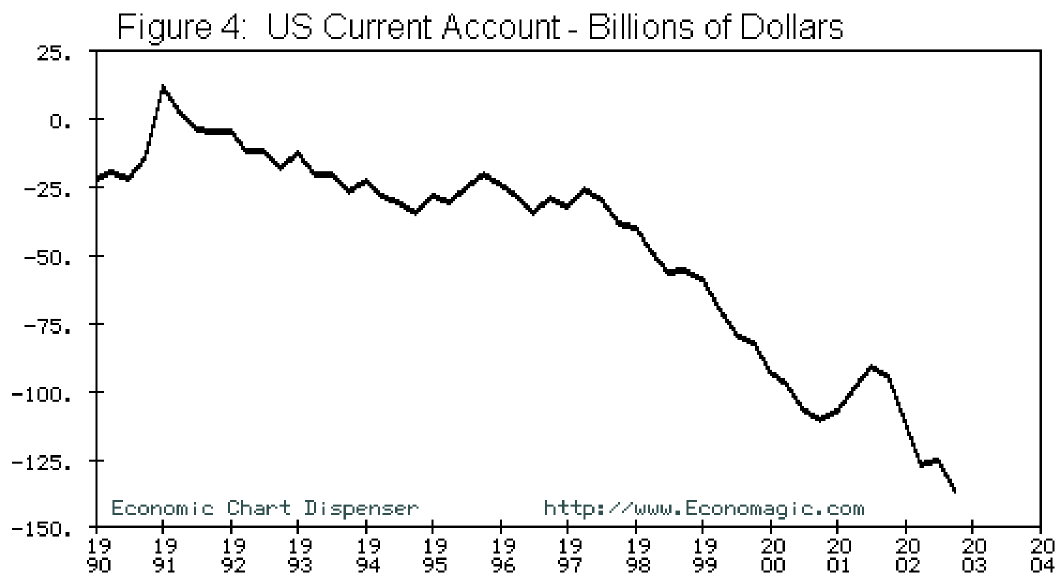
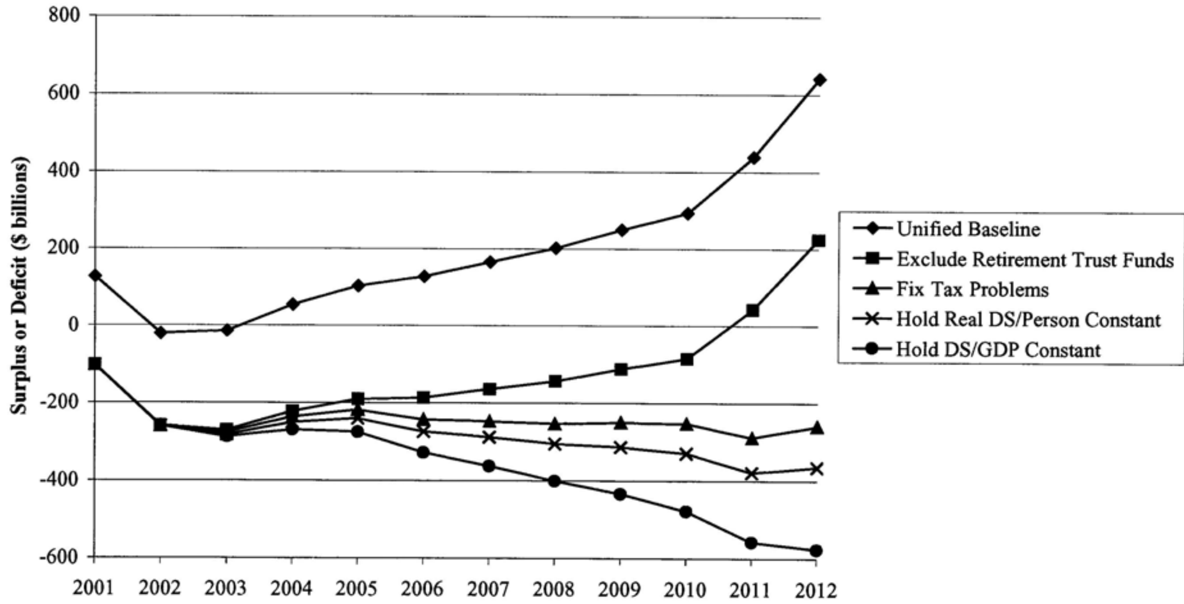


Figure 4: US Current Account - Billions of Dollars
25.
0.
-25.
-50.
-75.
-100.
-125.
-150.
Economic Chart Dispenser
http://www.Economagic.com
19 90 19 91 19 92 19 93 19 94 19 95 19 96 19 97 19 98 19 99 20 00 20 01 20 02 20 03 20 04

Figure 5
Baseline and Adjusted Budget Outcomes, 2001-2012



Source: Reproduced from Auerbach, *et al.*, 2002.

Figure 6
Federal Budget Outlays 2002
Source: The Economic Report of the President 2003