



RSC Policy Brief: A Short History of Federal Deficits *and* Surpluses

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Background: Recent Past and *Potential* Future of Federal Deficits: The federal government has run a budget deficit in 47 out of the last 52 years. The FY 2009, 2010, and 2011 deficits came in at \$1.4 trillion, \$1.3 trillion, and \$1.3 trillion respectively. As of September 30, 2012, the five largest deficits in U.S. history will have occurred in the last five years. In the past four years, the national debt has grown as follows.

- **2008:** Debt passes \$10 trillion mark.
- **2009:** Debt passes \$11 trillion and \$12 trillion marks.
- **2010:** Debt passes \$13 trillion mark.
- **2011:** Debt passes \$14 trillion and \$15 trillion marks.

Unfortunately, the debt is expected to continue to grow rapidly into the future. The President's most recent budget proposed that the national debt increase to \$26.3 trillion by 2021. **Under the policies proposed by the President's FY 2012 budget, the federal budget would never balance again.**

The above describes the recent history, and potential future, of the federal budget. But from 1789 to 1960—a period covering more than 77% of U.S. history since the federal government under the Constitution was established—it was very common for the U.S. to run budget surpluses.

The purpose of this policy brief is to provide a very short description of this earlier American tradition of fiscal responsibility. The below analysis is based on [OMB's historical tables](#), as included in the President's FY 2012 budget.

1789-1849: In 1790, the Washington Administration inherited a debt of about \$80 million from the cost of the American Revolution (including assumption of state debts). While many post-revolutionary governments default on their debt burdens, Alexander Hamilton established American credit by funding the debt on a sustainable basis.

Even as the Federalists kept the national debt at a manageable level, the Republicans, led by Thomas Jefferson, argued that the debt was too high and sought to repay it. President Jefferson would go on to reduce the debt in each year of his presidency. He did that while doubling the size of the United States through the Louisiana Purchase, winning the

First Barbary War, *and* eliminating all direct federal taxes (the federal government still collected tariffs).

Jefferson's goal was to completely eliminate the national debt. The War of 1812 and the Panic of 1819 delayed that goal for a few decades. **But in 1834, Andrew Jackson succeeded in paying off the national debt in its entirety.**

The national debt came back into existence during the economic downturn of the late 1830s. According to OMB, the federal government spent \$1.09 billion, and collected \$1.16 billion in revenues during the entirety of this 61-year period. This means that the federal government ran a cumulative surplus during this 61-one year period of \$70 million.

1850-1900: As with the above, year-by-year data is not provided by OMB. But for the entire 51-year period, the federal government spent \$15.4 billion, and collected \$14.5 billion in taxes. The resulting cumulative deficit over this 51-year period was \$991 million.

1901-1930: The federal government ran 19 surpluses in 30 years. This includes 11 straight surpluses in the post-World War I years of 1920 to 1930. The other 8 surpluses before World War I were in: 1901, 1902, 1903, 1906, 1907, 1911, 1912, and 1916. In two other years—1913 and 1914—the federal deficit was less than half a million dollars.

1931-1946: The federal government ran deficits every year due to the Great Depression, the New Deal, and World War II.

1947-1960: The federal government ran surpluses in 7 out of 14 years: 1947, 1948, 1949, 1951, 1956, 1957, and 1960.

1961-2012: In a break from all of American history up to this point, the federal government starts to run deficits on a routine basis, regardless of wartime or peace, and regardless of the state of the economy. The only five surpluses in this period occurred in 1969, 1998, 1999, 2000, and 2001.

Conclusion: The federal government ran a net, cumulative surplus during the first sixty-one years (1789-1849) of its existence under the Constitution. It ran a \$991 million cumulative deficit during the next fifty-one years after that (1850-1900). In the sixty years from 1901 to 1960—covering World War I, the Great Depression, World War II, and the Korean War—the federal government ran 26 surpluses in 60 years.

In the past five decades, the federal budget has been balanced less than 10% of the time. Under the policies proposed by the President's most recent budget proposal, the federal budget would never balance again.

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