Notes on the United States Fiscal Data, 1791-2011, posted at www.econ.ucsb.edu/~bohn

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General Comments

The long-term series for U.S. revenues, outlays, deficits, and debt as shares of output (at the time: GNP) were first collected for Bohn (1991) and covered the period 1791-1988. Bohn (1991) explains the original data construction.

In preparing Bohn (2008), I updated the 1791-1988 data with data from the most recent *Budget of the United States* and from National Income Accounts. Nominal budget data remained essentially unchanged, so the updates mainly add years. However, output measures have been revised numerous times. The GDP series is constructed as follows: For fiscal 1940ff, GDP is the fiscal-year series published in the most recent U.S. Budget; for 1929-1939, GDP is from the National Income accounts, converted to fiscal years; for 1791-1928, GDP is obtained by splicing the GNP series from Bohn (1991) to the GDP in 1929. (Net exports were small enough that the distinction between GNP and GDP is immaterial.) The GDP-deflator is constructed similarly.

In preparing Bohn (2011), I constructed revised series for the interest paid on the public debt, and consequently for the Primary Deficit. The U.S. Budget provides two main series for interest payments "Gross Interest" and "Net Interest." Because a significant share of gross debt is held by various trust funds, Net Interest is commonly used as measure of interest on the Public Debt. This is not quite correct, however, because the difference between Gross and Net includes interest income from government investments and "other" financing operations that should not be deducted for

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purposes of computing interest payments on the Public Debt. The revised numbers adjust for these "other" items.[1]

Apart from this change, the data set is constructed as in Bohn (2008); if you use the data, a reference to this work would be appreciated.

<u>Specific Comment:</u>

a) Debt/GDP is measured as public debt at the end of a fiscal year divided by the GDP of the same fiscal year.

b) Fiscal years 1843 and 1976 had 6 months and 15 months, respectively. All flow data were annualized. PeriodLength displays the conversion factor.

c) Deficit/GDP equals Federal Revenues - Federal Outlays, including interest, divided by GDP.

d) DEFprimary/GDP equals Revenues - Outlays, excluding interest, divided by GDP.

e) The Interest Charge is computed as ratio of Interest Paid during the year divided by the average of public debt and the start and end of the same year.

References

Bohn, Henning, 1991. "Budget Balance through Revenue or Spending Adjustments? Some Historical Evidence for the United States." Journal of Monetary Economics 27, 333-359.

Bohn, Henning, 2008. "The Sustainability of Fiscal Policy in the United States" (in: R. Neck and J. Sturm, "Sustainability of Public Debt", MIT Press, pp.15-49.

Bohn, Henning, 2011. "The Economic Consequences of Rising U.S. Government Debt: Privileges at Risk", Finanzarchiv/Public Finance Analysis 67 (3), 282-302.

[1] These items are small for most years but included for completeness, particularly because a key claim in Bohn (2008, 2011) is that interest rate on the public debt has been less than GDP growth. This is true with or without the adjustment.