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RECENT DEVELOPMENTS

Prepared for the Federal Open Market Committee

By the staff of the Board of Governors of the Federal Reserve System

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Table 1
President Reagan's Budget Proposals
(fiscal years, billions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Outlays	655.2	695.3	732.0	770.2
Additional defense program ^{1/}	(+2.0)	(+6.2)	(+20.7)	(+27.0)
Outlay savings ^{2/} ^{3/}	(-4.8)	(-47.4)	(-29.8)	(-44.2)
Revenues	600.3	650.3	709.1	770.7
Personal income tax cut	(-6.4)	(-44.2)	(-81.4)	(-118.1)
Depreciation reform	(2.5)	(-9.7)	(-18.6)	(-30.0)
User charges and other changes	(+3.9)	(+3.1)	(+3.0)	(+3.2)
Surplus(+) or deficit(-)	-54.9	-45.0 ^{4/}	-22.8	+0.5

^{1/} Above January budget; January budget already included \$6.6 billion of increased defense outlays above current services.

^{2/} Net of small amounts of nondefense outlay increases (\$1.2 billion in FY1982); includes some savings in defense.

^{3/} Includes some outlay savings already proposed in the January budget (\$8.2 billion in FY1982).

^{4/} For fiscal 1982, the net proposed reduction in outlays from current services is \$34.6 billion and the net reduction in revenues is \$51.3 billion, resulting in a net increase in the deficit of \$16.7 billion from current services (without taking into account second round effects).

Source: Fiscal Year 1982 Budget Revisions, Office of Management and Budget, March 1981.