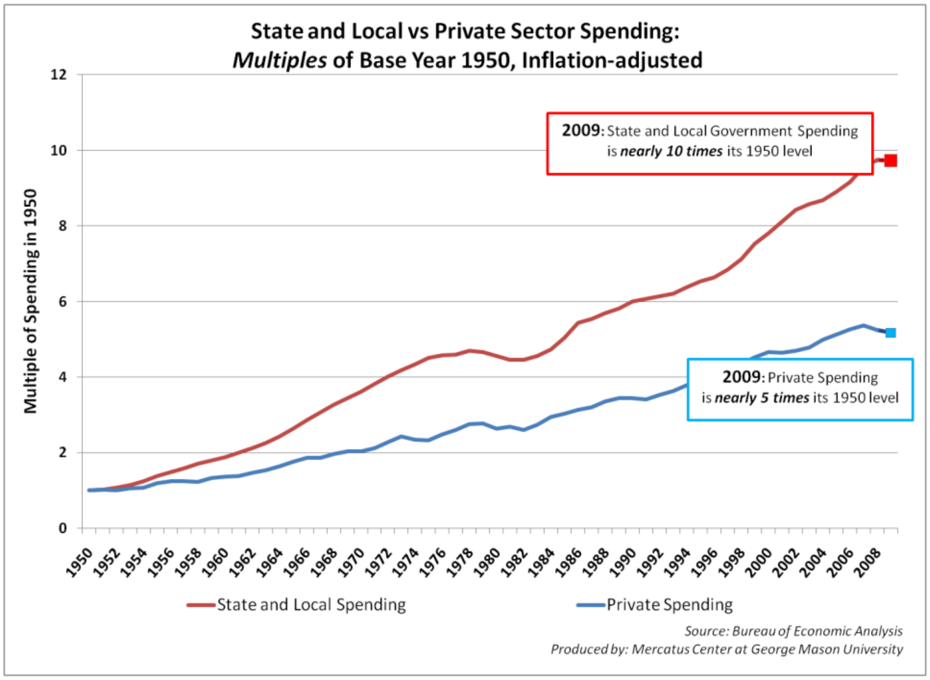

The above chart by Mercatus Center Research Fellow Matt Mitchell uses data from the Bureau of Economic Analysis to analyze the evolution of state, local, and private spending since 1950. Shown above is the spending level for each year from 1950 to 2009, represented as an index using base year 1950. Put differently, this chart compares spending by state and local governments to spending in the private sector by graphing all spending in terms of its 1950 level. The differences are startling: since 1950, private spending has increased 5-fold while state and local government spending has increased nearly 10-fold.

Real state and local spending growth has consistently out-paced growth in both real GDP and real private GDP. Because state and local governments depend on the private sector for their tax revenue, this path is not sustainable; state and local government spending cannot continually outpace the wealth-creating sector of the economy.

The gap between state and local spending growth and private sector growth has widened in the last decade. From 1950 to 2009, real state and local spending grew at an average annual growth rate of 4 percent, compared with 3 percent in the private sector (a 33 percent difference). But from 2000 to 2009, state and local spending grew at an average annual growth rate of 2.6 percent, compared with 1.4 percent in the private sector (a nearly 90 percent difference). Lastly, note that for most of the period, state and local government spending growth out-paced federal government spending growth. More recently, however, federal spending growth has accelerated, out-pacing state and local spending growth.

To learn more about states' lack of spending restraint, see Matt Mitchell's forthcoming Mercatus Working Paper: *State Spending Restraint: An Analysis of the Path Not Taken.*

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