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The Federal Budget: A Household Perspective By Jordan Cash

This week, the Platte Institute will be taking a look at money brought in and spent by the federal government and how it affects its debt and deficits, from the perspective of the average American household. Admittedly, this is not a unique approach and has been presented by several different groups.[\[1\]](#) Yet this type of illustration personalizes the fact that the current path of government overspending and mountainous debt is not sustainable and will be disastrous if drastic measures are not taken to put our fiscal house back in order.

The way we can easily relate the massive federal expenditures and revenues to the average American household, is simply to remove a few zeroes. With numbers in the trillions and billions thrown around every day we can become desensitized to exactly how tremendous these numbers are. As a starting point, here are the actual numbers of what the federal government received in revenue and paid out in expenses for the year 2010:[\[2\]](#)

Revenue: \$2,162,700,000,000

Expenditures: \$3,456,200,000,000

This means that the federal government overspent by about \$1,293,500,000,000.

Now let us take a look at the national debt as of January 19, 2012:

National Debt: \$15,250,793,000,000[\[3\]](#)

Interest on the debt for Fiscal Year 2011: \$454,393,280,417.03[\[4\]](#)

Give or take a few million dollars.

These numbers are incomprehensibly large, and it is difficult to get a grasp of the amount of money the government owes and spends.

By taking off eight zeroes we can examine the federal revenue, expenditures, and debt like a household budget and help people wrap their minds around our debt problem.

With this method, the household would have an annual income of \$21,627 while spending \$34,562 a year. On top of this, the household must pay interest on its outstanding "credit card" debt of \$152,507, which amounts to \$4,543 a year.

In short, this family, who makes a little over \$21,600 a year, overspent by \$12,935 even when they already have a massive debt of \$148,587 and have to pay the interest on said debt, which makes up almost a fifth of their income. To give further perspective, if one wanted to apply this household test to the budget cuts made in August 2011 as part of the debt deal, then this family would have cut a whopping \$385.^[5]

Looking at the federal debt from this perspective, it should become clear that the United States is on the edge of a fiscal cliff. Unless drastic steps are taken, this situation will only grow worse over time. Indeed, the national debt is now more than the nation's gross domestic product.^[6] The United States government has a spending problem, and just like a family that overspends, the only way to achieve fiscal sanity and allow for prosperity, is to live within their means. The federal government must begin to live within its means soon, before the debt creates another unavoidable crisis that would destroy the American economy.

If one wishes to gain more perspective on how to wrap their heads around our massive debt, there are two websites that could be useful. One, by State Budget Solutions, imagines the federal debt as pennies, noting that from our nation's founding to 1910 the debt was only \$3 billion-three pennies-and in the last year the federal government added \$15 trillion to the debt-1,500 pennies. Another imagines the debt and unfunded liabilities as stacked \$100 bills, the end result is taller than the Empire State Building and the Twin Towers. Those two demonstrations may be found [here](#) and [here](#).

^[1] Perry Chiamonte, "Tea Party Group Casts National Debt as a Household Budget." September 27, 2011. Accessed October 21, 2011: <http://www.foxnews.com/politics/2011/09/27/tea-party-group-casts-national-debt-as-household-budget/>.

^[2] "Summary of Receipts, Outlays, and Surpluses or Deficits(-) in Current Dollars, Constant (FY 2005) Dollars, and as Percentages of GDP: 1940-2016 [in Billions of Dollars]" Tax Policy Center, March 25, 2011. Accessed October 21, 2011: <http://www.taxpolicycenter.org/taxfacts/displayafact.cfm?Docid=200>.

^[3] US Debt Clock. Accessed January 19, 2011: <http://www.usdebtclock.org/>.

^[4] United States Department of the Treasury, "Interest Expense on the Debt Outstanding." Accessed January 19, 2012: http://www.treasurydirect.gov/govt/reports/ir/ir_expense.htm.

^[5] Chiamonte, September 27, 2011.

[6] "U.S. Debt Reaches 100 Percent of Country's GDP," August 4, 2011. Accessed October 21, 2011: <http://www.foxnews.com/politics/2011/08/04/us-debt-reaches-100-percent-countrys-gdp/>.



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