

The 3 Scariest Government Charts

October 3, 2012

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| includes: [DIA](#), [SPY](#)

Halloween is still weeks away, but America's in need of a good scare. Today. Why? Because an even bigger fiscal cliff than the one threatening our economy at the end of 2012 is looming on the horizon. Forget about another recession or depression. We're talking about the potential to wipe out our great nation as we know it.

Of course, you won't hear a single word about this tonight during the first Presidential Debate. Both sides of the aisle spend too much time bickering and campaigning, instead of educating. No doubt, tonight promises to be a continuation of that trend. That's why I've decided to step up and summarize the future of America in three simple charts for you.

If you're financially or politically illiterate – or both – it doesn't matter. We can all spot trends. And these three trends should scare the living hell out of everyone.

Before we get to them, a quick note: Whenever I talk about politics, my inbox fills up with nasty-grams. Half of them slam me for being a gun-toting Tea Party member. The other half accuses me of getting my talking points directly from the Democratic National Party.

Obviously, both can't be true. So no need to share any vitriol about my personal politics. This has nothing to do with me. This has to do with America. Period.

Spare Me the Bit About Defense and Debt

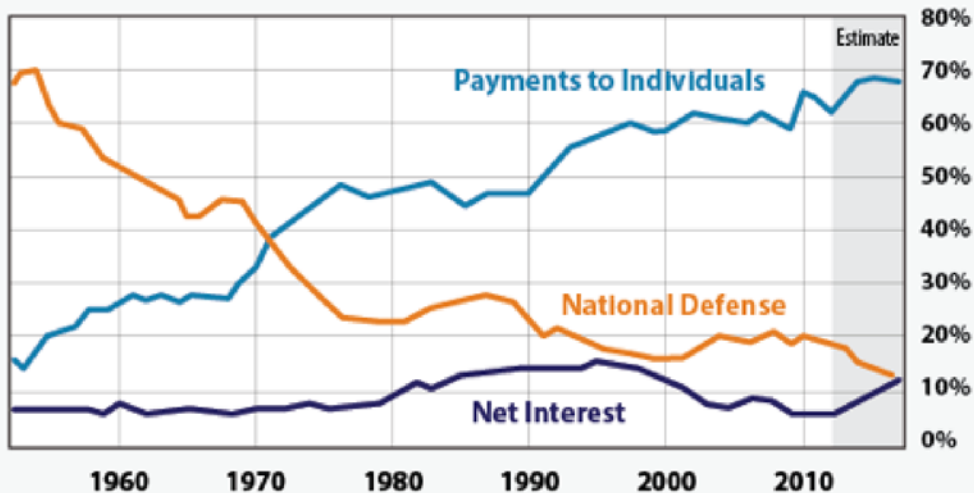
The newswires are overrun with complaints about our spending on two things: interest on our debt and defense. But you know what? These two outlays only account for about 26.5% of federal spending, combined.

Meaningful? Yes! Worth freaking out about? Nope.

Not when you consider something else that accounts for a whopping 65% of federal spending. What am I talking about? Payments to individuals via programs like Social Security, Medicare, Medicaid, public assistance, food and housing assistance, and unemployment assistance.

The Truth About Government Spending

Historical and estimated spending by category



Source: OMB, Carpe Diem Blog

www.wallstreetdaily.com

(Click to enlarge)

Almost two out of every three dollars spent by the federal government goes to individuals now, according to the Office of Management and Budget (OMB). That's up from less than one out of every six dollars in 1952.

Sorry, fellow Americans. A government "for the people" wasn't supposed to mean *monetarily* for the people. Regardless of your political persuasion, the trend can't mathematically continue. Spending "to infinity ... and beyond" doesn't work in the real world.

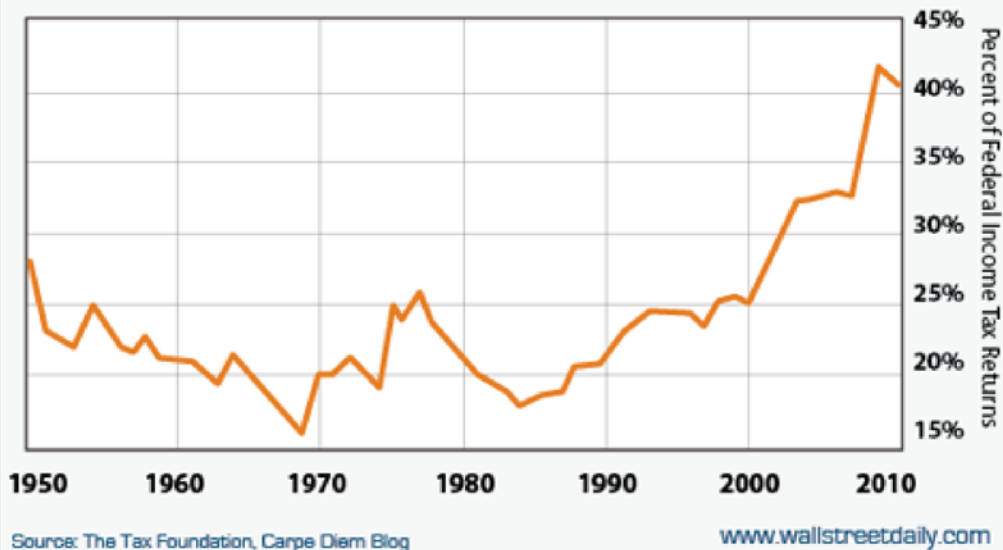
Tax and Spend Gone Awry

Worse yet, we keep asking fewer Americans to help with our spending problem. Hold back your knee-jerk political reactions and just look at the numbers, would you?

I get that we just came through a Great Recession. So, naturally, the percentage of Americans not paying taxes is going to increase, as more people need extra assistance. But even that doesn't explain this undeniable trend.

A Taxing Situation

Percent of tax returns with zero or negative liability



(Click to enlarge)

For 50 years (1950 – 2000), the percent of American's paying no taxes stayed range-bound between 20% and 25%. In the last decade, though, it's almost doubled.

According to the Tax Foundation, 41% of income tax filers in 2010 had zero or negative federal income tax liability. That's a slight decrease from the 41.7% the previous year, which is a good thing. But we're still galaxies away from the historical average.

Again, this trend can't continue indefinitely.

John Merline, of *Investor's Business Daily*, summed up this situation perfectly last year, saying, "When you put these two trends together, what you find is that the federal government has over the years essentially turned into a gigantic wealth-transfer machine – taking money from a shrinking pool of taxpayers and giving it out to a growing list of favored groups."

He adds, and this is the most important point, "This situation will make getting the federal budget under control increasingly difficult, since it will invariably involve pitting those writing checks against those cashing them."

We need to get our spending under control. Period. But politicians can't seem to stomach such a reality.

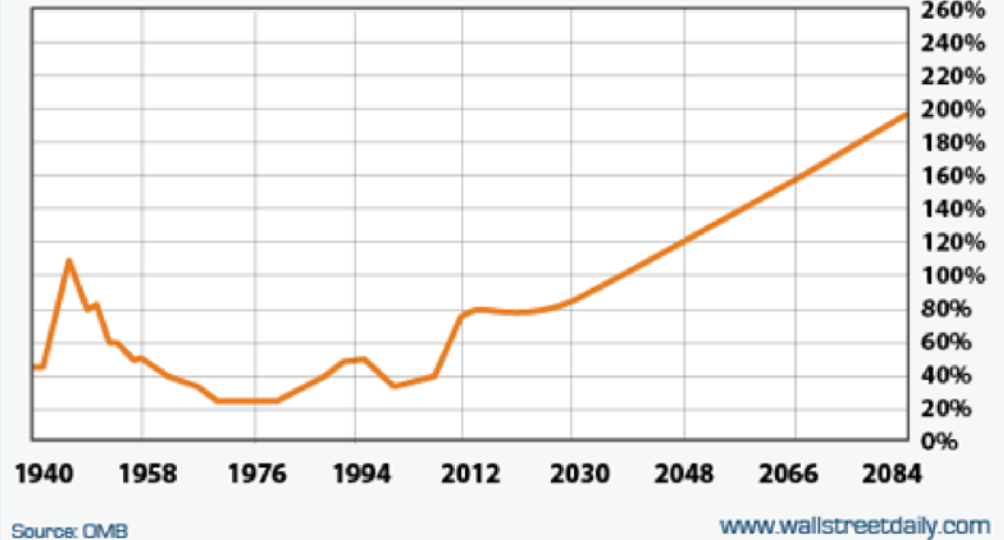
Instead, they're ignoring the fact that they're pitting Americans against each other and just kicking the proverbial can down the road. Forget about the transfer of wealth from present-day Americans, they're also transferring the wealth of *future* Americans.

How so? By borrowing and borrowing and borrowing some more. Again, spare me the knee-jerk political reactions and focus on the pretty pictures. They tell the true story.

Give Me More Debt, or Give Me Death!

Publicly held debt, 2013 budget policy extended

Percent
of GDP



(Click to enlarge)

To continue on our current trajectory of paying more and more to individuals, publicly-held debt needs to soar. Keep in mind, this is money we don't have or haven't even earned yet.

This isn't based on my calculations, either. This chart comes straight from page 58 of the OMB's Fiscal Year 2013 Budget of the U.S. Government: Analytical Perspectives.

In the government's own words, "publicly-held debt is also projected to rise persistently relative to GDP."

Persistently? Not so sure that's the best adverb, but we'll go with it.

Bottom line: If we don't curb federal spending *and* get Americans off the payroll, it's not going to matter how much we tax the Americans that actually pay taxes. It will eventually become mathematically necessary to tax *everyone* just to survive.

Here's to hoping we'll hear some *real* solutions to these *real* problems when Governor Mitt Romney and President Barack Obama go toe-to-toe tonight. I'm not holding my breath, though.