

The KnowRiskSM Series

This quarterly KnowRisk Commentary gives you a different view of our government debt. It is a greatly simplified description of the US budget called **Federal Budget 101**. This article was recently picked up as a letter to the editor by the Baton Rouge newspaper *The Advocate*. We have received many positive comments from as far away as Australia on how clearly this simple example makes the point.

We hope you enjoy this article and find it informative and helpful. Send it to your Congressman.

Federal Budget 101

The U.S. Congress sets a federal budget every year in the trillions of dollars. Few people know how much money that is so we created a breakdown of the federal spending in simple terms.

Let's put the federal budget into perspective. The 2011 Federal Budget analyzed in simple terms:

- U.S. income: \$2,170,000,000,000
- Federal budget: \$3,820,000,000,000
- New debt: \$ 1,650,000,000,000
- National debt: \$14,271,000,000,000
- Recent budget cut: \$ 38,500,000,000 (about 1 percent of the budget)

It helps to think about these numbers in terms that we can relate to. Let's remove eight zeros from these numbers and pretend this is the household budget for the fictitious Jones family.

- Total annual income for the Jones family: \$21,700
- Amount of money the Jones family spent: \$38,200
- Amount of new debt added to the credit card: \$16,500
- Outstanding balance on the credit card: \$142,710
- Amount cut from the budget: \$385

So in effect last month Congress, or in this example the Jones family, sat down at the kitchen table and agreed to cut \$385 from its annual budget. What family would cut \$385 of spending in order to solve \$16,500 in deficit spending?

It is a start, although hardly a solution.

Now after years of this, the Jones family has \$142,710 of debt on its credit card (which is the equivalent of the national debt).

You would think the Jones family would recognize and address this situation, but it does not. Neither does Congress.

The root of the debt problem is that the voters typically do not send people to Congress to save money. They are sent there to bring home the bacon to their own home state.

To effect budget change, we need to change the job description and give Congress new marching orders.

It is awfully hard (but not impossible) to reverse course and tell the government to stop borrowing money from our children and spending it now.

In effect, what we have is a reverse mortgage on the country. The problem is that the voters have become addicted to the money. Moreover, the American voters are still in the denial stage, and do not want to face the possibility of going into rehab.

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