

Summary of Income vs. Outlays: I'm taking a look to see what can be adjusted to **stop overspending**

This summary prepared by Gordon Wayne Watts, Editor-in-Chief, *The Register* (Thursday, 13 June 2019)

2018 Outlays (Spending) by Category

<u>2018 Outlays by Category</u>	<u>Source 1:</u> Official GAO report https://www.GAO.gov/assets/700/698089.pdf	<u>Source 2:</u> House Budget Committee https://budget.house.gov/sites/democrats.budget.house.gov/files/wysiwyg_uploaded/Screen%20Shot%202019-01-18%20at%209.24.39%20AM.png	<u>Comments</u>
Dept of Health & Human Svcs (HHS)	25%	14% (Medicare: Net of offsetting receipts) 11% (Medicaid, CHIP, ACA subsidies) <hr/> 25% subtotal	These 2 sources agree.
Social Security Administration (SSA)	23%	24%	Very close (1% difference is probably a rounding issue)
Dept of Defense (discretionary)	15%	15%	These 2 sources agree.
Net Interest on Treasury Securities held by the Public	8%	8%	These 2 sources agree.
Income security programs for Dept of Veteran Affairs (aka: "V.A. benefits")	8%	7%	Very close (1% difference is probably a rounding issue)
"All other"	21%	16% "Non-defense discretionary" 6% "Other mandatory" <hr/> 22% subtotal	Very close (1% difference is probably a rounding issue)
TOTAL	100% \$ 4.5 Trillion (\$4,500,000,000,000.00)	100% (No dollar amount given, but assumed to be the same as the GAO report)	These 2 sources agree.

2018 Income (Revenues) by Source

<u>2018 Revenue by Source</u>	<u>Source 1:</u> Official GAO report https://www.GAO.gov/assets/700/698089.pdf	<u>Source 2:</u> House Budget Committee https://budget.house.gov/sites/democrats.budget.house.gov/files/wysiwyg_uploaded/Screen%20Shot%202019-01-18%20at%209.24.39%20AM.png	<u>Comments</u>
Individual Income Taxes & Payroll Tax Withholdings	83%	49% Individual income taxes 35% Payroll tax withholdings <hr/> 84% subtotal	Very close (1% difference is probably a rounding issue)
Corporate Income Taxes	6%	7%	Very close (1% difference is probably a rounding issue)
"Other" Revenue	11%	9%	Very close (2% difference is probably <u>several</u> "cumulative" roundings.)
TOTAL	100% \$ 3.4 Trillion (\$3,400,000,000,000.00)	100% (No dollar amount given, but assumed to be the same as the GAO report)	These 2 sources agree.

**** PROBLEM **** – “**Overspending**” isn't just an abstract “number”: If the overspending doesn't stop, then the U.S. Dollar WILL crash (and it can happen in any number of unpredictable ways: An outright market crash, a bubble, a recession, or continued hyperinflation—or all of the above, and it would get worse should we have a war, “foreign conflicts,” a natural disaster, etc.)

**** Proposed Solutions **** – Therefore, in order to avert disaster and avoid a crash of the dollar (like MANY nations here, recently, have encountered—remember?), we can do one of three (3) things:

- ((#1)) Nothing—and accept a crash of the dollar (and the civil & economic unrest associated with it) ;
 - ((#2)) Raise taxes ; or ,
 - ((#3)) Cut spending (or, of course, a combination of the above), so let's get to work!
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- **Number 1 (do nothing)** is out of the question. *Moving on...*
 - **Number 2 (raise taxes)** is bandied about by “Liberals,” but they fail to realise that raising taxes is bad. Here are two (2) ways it could happen:
 - **[[A]] First, we might raise business taxes**, but this would cause employers to lower wages (thus hurting the middle-class).
 - **[[B]] Secondly, we might raise personal taxes**, but this would take from the middle-class (who is already barely getting by).
 - **[[C]] Summary:** Raising taxes is PRECISELY what was the cause of King Solomon's son being thrown out of office (by 10 of the 12 tribes of ISRAEL), the brief civil war that followed, and also a chief reason the GOP lost the House of Representatives during the 2018 midterm elections: Collegiate tuition, a type of tax because it's funding going to an arm of the government—state govt college, as here—was, and is, oppressively high (and getting worse) – see e.g., the earlier “Letter to the President” dated Wednesday, 24 April 2019 to document this, or, as proof of this, please look in your Bible: **1 Kings 12:1-20** and **2 Chronicles 10:1-19**, for Solomon's son, and even **1 Samuel 22:1-2** for a similar screw-up, ok? *Yeah, go ahead and raise taxes: Anger a few more voters, already...*
 - **Number 3 (cut spending) is the only option left.** (Indeed, if we don't cut spending, we'll have to keep printing up dollars, so-much-so that they'll be fairly worthless at the end of the day: *Spending is inflationary, hello?*) – **So, let's camp out here for a bit & see if we can make some spending cuts:**

First, we need to ask: How much “cut” is needed? Well, we need to bring spending down to (or below) taxation (actually “below” since we have a huge national debt). So, \$4.5 Trillion minus \$3.4 Trillion is 1.1 Trillion Dollars. That is, we'll need to cut the \$4.5 Trillion by about twenty-four (24%) percent to even “hold even,” and more if we're to pay down our nat'l debt and avoid defaulting on the dollar. Let's just say **\$2 Trillion** (or 44%) as a goal...

Proposed Solution: We *could* cut 25% if we cut **all** of the **Dept of Health & Human Svcs (HHS)** spending (14% (Medicare: Net of offsetting receipts) and 11% (**Medicaid, CHIP, ACA subsidies**), 25% subtotal, here. Moreover, we might possibly cut another 23% or 24% if we cut **all** of the **Social Security Administration (SSA)** payouts. But, really, while there is surely a little bit of fraud, graft, & excesses in these programs, good luck on even cutting ONE RED CENT, bud! It is politically (and practically) difficult (if not impossible). ← **BAD SOLUTION. Moving on...**

Proposed Solution: We *could* cut some of the **Department of Defense** (see above: 15% of it is discretionary, and another 16% is non-discretionary, meaning it may be possible to cut non-discretionary spending. So, is this a tenable solution? **Possibly:** Even the Conservative *Tampa Tribune* (which was bought out by the *St. Pete Times*) supported some small cuts:

“We believe those threatened cuts of \$600 billion over 10 years are too deep. They would weaken the military, including MacDill Air Force Base. [] But some cuts are necessary, given the size of the budget deficit. And even with the so-called sequester cuts, military spending would remain far above pre-2001 levels. [] Including the costs of current foreign engagements and adjusting for inflation, the U.S. military is spending far more than at any time since World War II, and almost as

much as then. Military spending has grown 48 percent in the past 10 years. [] The United States is spending about five times what China spends on its military and almost 10 times what Russia spends each year. [] Let's remember Pearl Harbor, and also remember that times and threats do change.”

Source: “Forgetting Pearl Harbor,” by Staff at *The Tampa Tribune & TBO.com*, December 07, 2012:

- * **Original Link:** <http://www2.tbo.com/news/opinion/2012/dec/07/naopino1-forgetting-pearl-harbor-ar-579832>
- * *The Register* mirror-1 Archive: <https://GordonWatts.com/Twittergate.html>
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- * *NewsPapers.com* Archives Link: <https://www.NewsPapers.com/newspage/343076623/>
- * *Kathryn's Report* Archive: <http://www.KathrynsReport.com/2012/12/forgetting-pearl-harbor-editorial.html>
- * *Archive.org* capture-1: <https://web.archive.org/web/20121231161245/http://www.gordonwatts.com/Twittergate.html>
- * *Archive.org* capture-2: <https://web.archive.org/web/20181001065101/http://www.gordonwaynewatts.com/Twittergate.html>
- * *Archive.org* capture-3: <https://web.archive.org/web/20140830214933/http://www.KathrynsReport.com/2012/12/forgetting-pearl-harbor-editorial.html>

Proposed Solution: ** MILITARY / DEFENSE ** – So, we might possibly cut a “little” bit of the military and defense spending, but is this really a tenable solution? NO! For several reasons: First, as a “political” reality, it's very hard to cut a machine like this, and moreover, as a “practical” necessity, we face more-serious threats of “post Nine Eleven,” if you know what I mean. Lastly, over HALF of defense is “non-discretionary” spending, meaning we'd need to make “fundamental” changes in Federal Law to “reign in” out-of-control military (and nation-building) spending. We can't even pass ANNUAL budgets without much political infighting, how much **less** a change in Federal “non-discretionary” spending. ← **BAD SOLUTION. Moving on...**

Proposed Solution: ** Veteran Affairs aka: “V.A. Benefits” ** – How about a cut in V.A. Benefits? –*Oh, really?* That only comprises about 7% or 8% of the budget. (Besides, cutting this would be VERY politically unpopular, as well as immoral & impractical, regarding our duties to our veterans.) ← **BAD SOLUTION. Moving on...**

Proposed Solution: ** Net Interest on Treasury Securities held by the Public ** – Can we cut (or eliminate) interest we owe to ourselves? Well, about two (2) Trillion Dollars of debt is held by the public (that's you!), e.g., via private pensions, trusts, & insurance contracts managed for individuals' retirement needs. Failure to pay interest owed to Mr. & Mrs. Taxpayer isn't likely to be a tenable or popular “solution”: ← **BAD SOLUTION. Moving on...**

All we have left is the 6% “Other mandatory” from the House Budget Committee data, which isn't a lot. **But is it?..**

Proposed Solution: Let's take a listen one more time to U.S. Secretary of Education, Betsy DeVos: (Yes, I know everybody and their brother hates her guts, for being too “Conservative,” and I'M disappointed that she's too LIBERAL in her financial dealings in the Department of Education, but we're about out of options, and DeVos is 100% correct in her assessment and warnings.) Let's take a listen: “Tuition, fees, room and board have grown at twice the rate of inflation and almost two and a half times median income. [] It has something to do with what one of my predecessors [Dr. Bill Bennett] famously pointed out decades ago. When the federal government loans more taxpayer money, schools raise their rates. FSA financing accounts for 80 percent of the actual tuition and fee revenue received by schools. [] Today, FSA's portfolio is nearly 10 percent of our nation's debt. [] Stop and absorb that for a moment. Ten percent of our total national debt. [] The student loan program is not only burying students in debt, it is also burying taxpayers and it's stealing from future generations.” (**Note: Sec. DeVos doesn't outright call for loan limits, but STRONGLY implies it, ok?**) Source: “Prepared Remarks by U.S. Secretary of Education Betsy DeVos to Federal Student Aid's Training Conference,” By Hon. Betsy DeVos, U.S. Sec. of Education, U.S. Dept. of Ed, November 27, 2018: <https://www.ed.gov/news/speeches/prepared-remarks-us-secretaryeducation-betsy-devos-federal-student-aids-training-conference> where she went on to say in salient part: “There's a fitting metaphor that comes to mind. When a thunderstorm looms on the horizon, pilots have a couple of choices to make. They can either adjust their flight path ten degrees when they are a long distance away from the storm. [] Or they can stay on their

original course and then be forced to make a jarring and abrupt turn when they fly right up to the bad weather. We face that same decision here.”

Now, her claim that collegiate debt is almost TEN (10%) PERCENT of total national debt is easily verifiable: Student Debt is almost TWO TRILLION (\$2,000,000,000,000.00) DOLLARS, and divide that by total U.S. Debt of slightly over \$20 Trillion, and you get ten (10%) percent, OK?

We recall that President Trump recently called for loan limits for use of tax dollars to make/guarantee collegiate loans, and, more recently, called for a cut in the budget of the Dept of Education (including some ostensibly good programs, like after school programs, and such).

We don't even need to use one single DIME of taxpayer monies to make or back (guarantee) collegiate loans: We got by in decades past **without** subsidising college loans, and, in fact (reference: Bill Bennett Hypothesis – Google that!), when you subsidize anything, costs go up. (Because colleges & banks know students can “afford” more if they have “deep pockets” loans, on the tax dollar.) ← **GOOD SOLUTION. *Let's try this...***

Why not do as President Trump (and many others) have suggested? Let's cut (or eliminate) use of ANY tax dollars to make or back student loans. (In fact, make use of tax dollars for this purpose as illegal as it is for abortions: Anyone remember the “Hyde Amendment,” hello?)

Now, remember that TWO (\$2,000,000,000,000.00) TRILLION “goal,” I outlined above? Well, this is it: This is the “spending” cut which we need. And, the “tax” cut would ensue if collegiate loans had “standard” (not next-to-impossible) bankruptcy discharge standards: Bankruptcy would NOT be inflationary, as it would NOT require the printing of new dollars. And, most-importantly, besides curing Constitutional flaws in current U.S. Bankruptcy Code, it would NOT be a “free handout,” or “bailout,” like we did for sorry businesses, and which was “inflationary.” (Lack of BK protections all but begs for a total “Jubilee” aka “loan forgiveness”—which would effectively occur when the dollar crashes: If the economy has crashed, how could a student loan borrower pay back any loan? This would GUARANTEE the loans never got paid back—**when the dollar crashes**. Now, is ***that*** really what you want? – If not, maybe we'd better get back to “square one” and review ****my**** proposed solutions.)

As outlined in my “Letter to the President” dated Wednesday, 24 April 2019, this 2-fold solution would be a “Conservative” Free Market approach to reign in excesses in taxing and spending. (Or, you might use a heavy-handed “Liberal” approach where you “regulate” tuition, like a public utility, regulate it like the ILLEGAL MONOPOLY that Higher Education us. It's your choice.)

Gordon Wayne Watts, editor-in-chief, *The Register*
www.GordonWayneWatts.com / www.GordonWatts.com

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→ ***See below for the 2 graphs, which I cited as “sources,” above...*** →

(which would comprise Pages “5, 6, 7, 8, and 9” of this 9-page doc, but not numbered so due to download constraints)