

A BRIEF HISTORICAL SUMMARY OF THE SPENDING OF THE FEDERAL GOVERNMENT

Did you think I forgot about you? Normally, we send this newsletter out at or near the end of each month. I hope none of you spent time waiting by the mailbox at the end of March.

I do have a couple excuses for not sending out the newsletter at the end of March, and I am going to spend a few lines explaining myself here:

First of all, I couldn't make a final decision about printing the information you are going to see in this newsletter. We try very hard to avoid political statements in this communication, and I was afraid this would end up becoming a political statement. I think I have that situation resolved (making the information apolitical), so that decision was made.

The second reason it didn't go out at the end of March is because I can't cover 100+ years of Federal Government research in two pages, so I am combining March and April into one mailing.

Now that my excuses are out of the way, let's get started.

STATISTIC SOURCES

All of the numbers and statistics found in these publications can be recov-

ered with simple internet searches on Government websites. Almost all of the data found here comes from the US Census Bureau, but some of it (for current-year and future data) comes from President Obamas budget website.

FEDERAL GOVERNMENT INCOME

The first thing we are going to look at is the total income of the Federal Government, much like you would do if you are putting together a budget at your home. After all, our spending has to fit within our income, right?

The first chart, "Exhibit A," illustrates the gross dollar amount of total income to the Federal Government for all years since 1901. The years 2009-2012 come from President Obama's forecasted budget. (I left all the zeroes in on the left column, because I think that gives us a better appreciation of Billions and Trillions than just saying the words.)

While examining this chart, you are likely to notice that there has been a terrific increase in income over the last 100+ years. Obviously, some of that income can be attributed to inflation (you can't buy a new

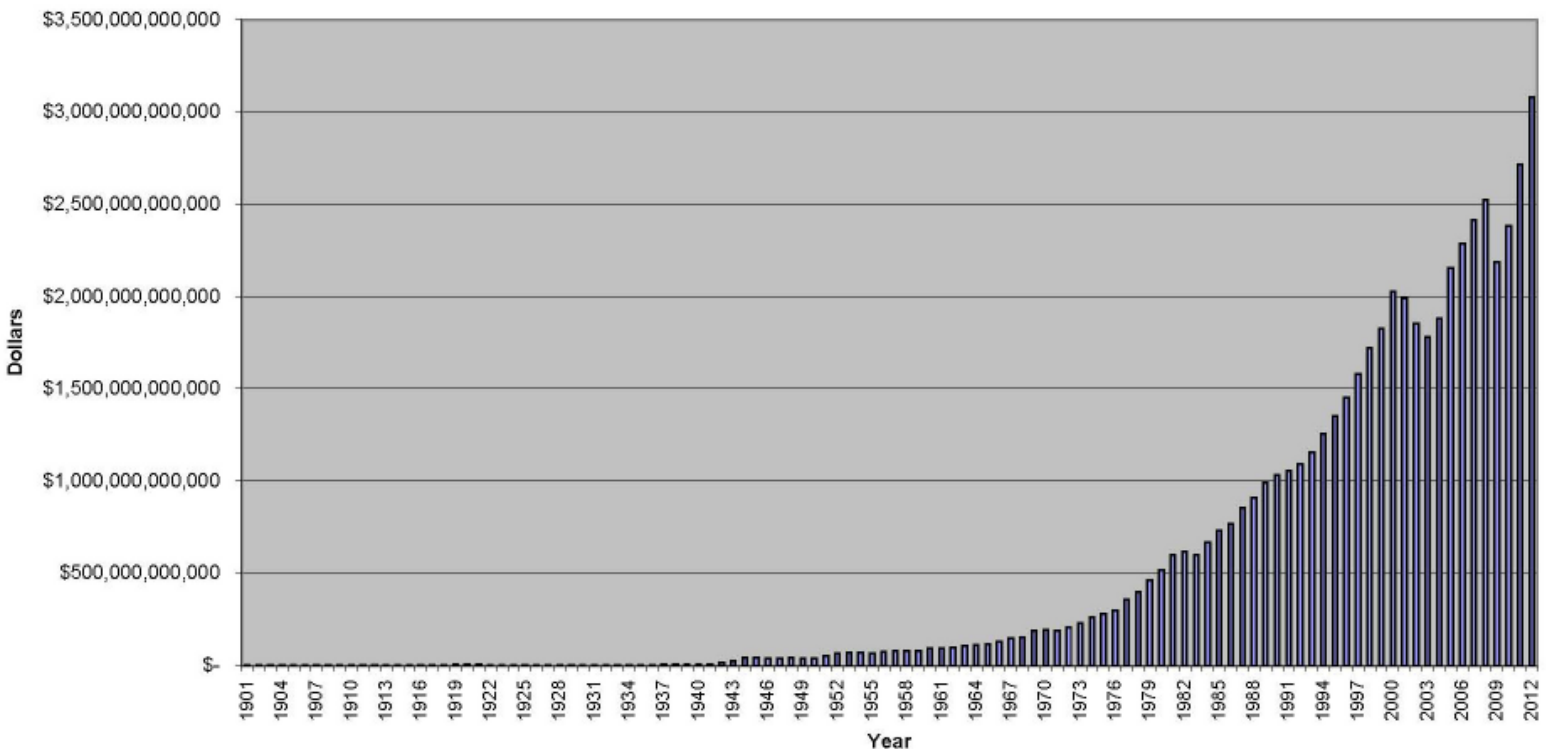
car for \$25 anymore), so we have to find a way to take that inflationary aspect of the income of the Federal Government out of the Chart.

The next two Charts are (I believe) a reasonably simple way to adjust for the impacts of inflation and economics.

The first one, "Exhibit B" is the ratio of the income of the Federal Government to the Gross Domestic Product (GDP) of the United States. The Gross Domestic Product has four major components and is somewhat complicated to determine, but ultimately it is the measure of the United States' economic engine. This is the total amount of horsepower we can harness to pay our citizens, our government, and maintain our way of life. You will notice from this Chart that the income of the Federal Government has grown faster than the increase in the GDP-- because the Federal Government is getting a larger percentage of the GDP each year, on average.

The second Income-adjusting chart illustrates the total tax burden of the Federal Government as a percent of our Per Capita Income (PCI). PCI is also somewhat difficult to calculate, but relatively easy to under-

EXHIBIT "A"
United States Federal Government Annual Income (Taxes)



FEDERAL GOVERNMENT...CONT.

stand. If you add up all the personal income for all wage-earners in the United States and divide it by the total population of the United States (every man, woman, and child) you will have determined the PCI. This is the gross pay for everyone in the USA. Obviously, the government cannot receive more money than the citizens (I hope), so we can reduce the inflationary aspects of money from the equation by stating the Federal Government's income as a percentage of PCI, which is what we did for "Exhibit C." You should also note from this chart that the Federal Government's income growth significantly out-stripped the American citizen's income growth during WWII, but has generally remained between 20% and 25% of our Per Capita Gross income ever since.

In order to keep this article as factual as possible (and not insert too many editorial comments) I am going to limit the amount of data summary I put into words, but I do think you will be able to come to the conclusion that the Federal Government's size in relation to the GDP and the income of its citizens is substantially larger now than it was 100 years ago.

We will try to cover spending in the next two pages (April Issue).....

EXHIBIT "B"
United States Federal Government Annual Income (Taxes) as Percent of GDP

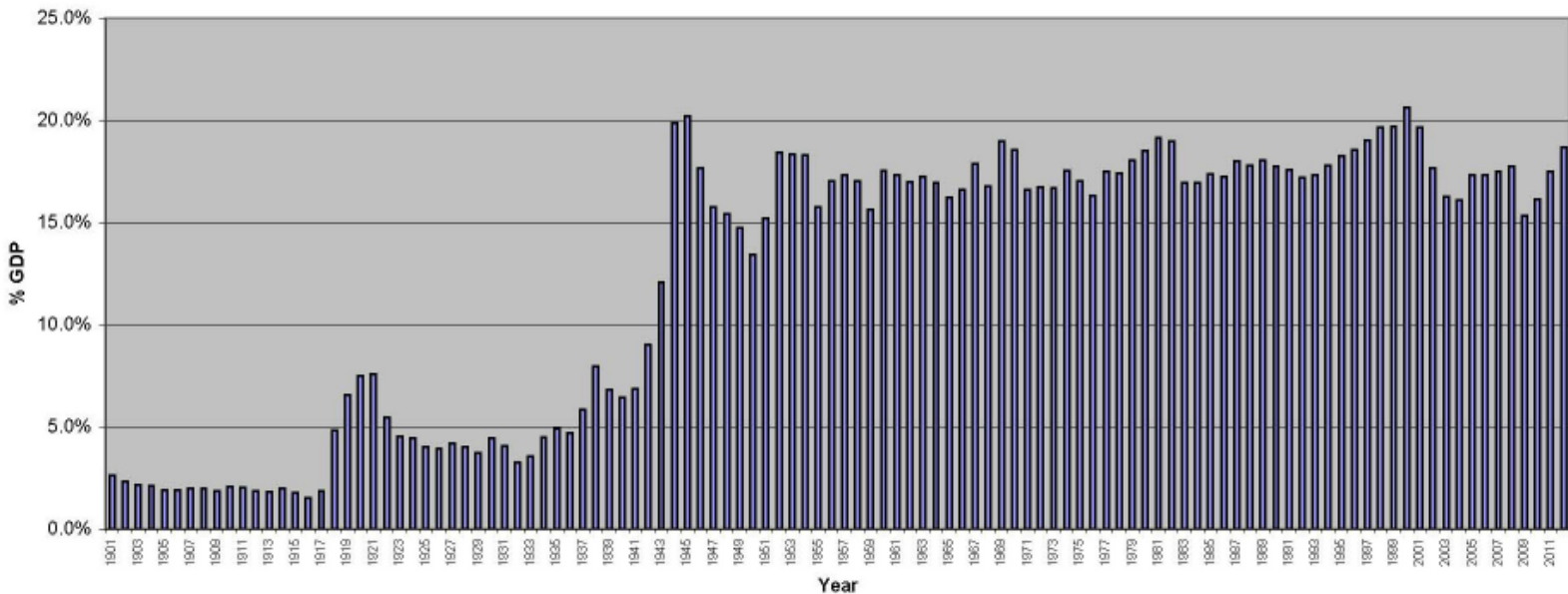
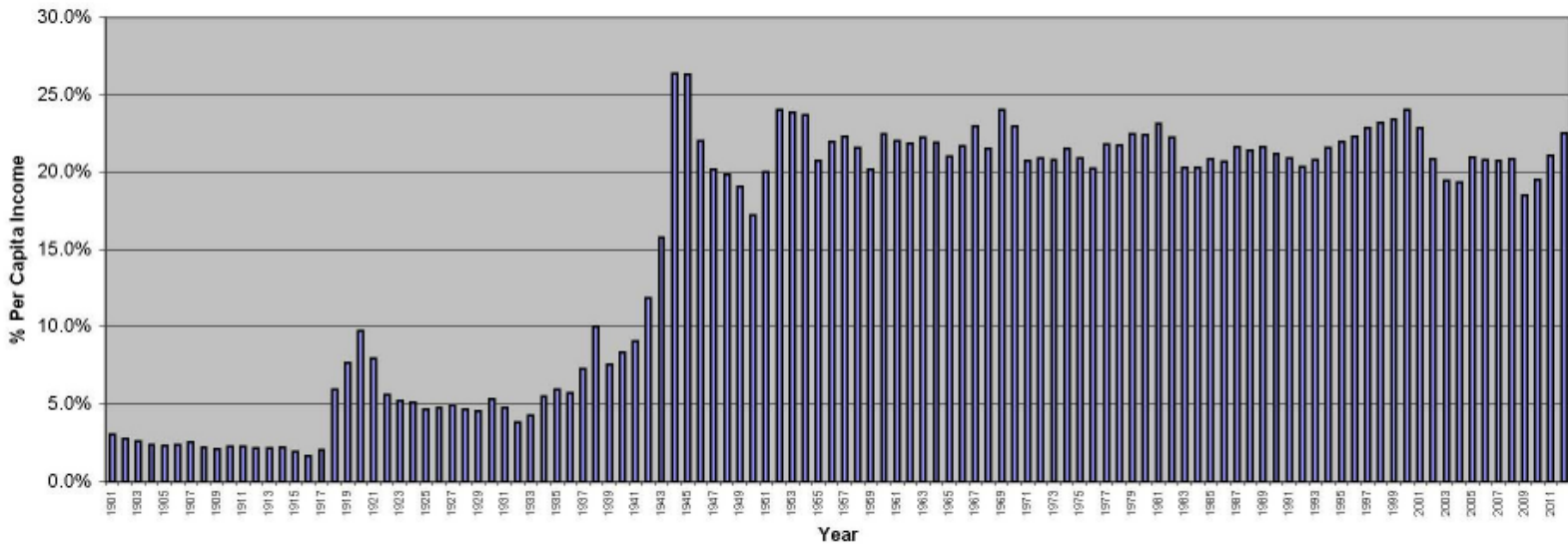


EXHIBIT "C"
United States Federal Government Annual Income (Taxes) as Percent of Per Capita Income



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