



Written by [Ralph R. Reiland](#) on May 2, 2011

Federal Debt & Upward Redistribution

Longer run, worse than doing nothing, Obama's projected budgets over the next decade add enough trillions in red ink to double the size of the incoming tsunami.

The federal government's current \$14 trillion debt averages out to approximately \$50,000 per American, \$200,000 for a family of four. For the half of U.S. households who still pay federal income taxes, that averages out to \$400,000 per family for those are getting stuck with the tab.

Add to that the next decade's proposed red ink and each of those taxpaying household ends up, on average, \$800,000 in the hole. That could become an unworkable \$80,000 a year in interest payments per taxpaying household, on average, if the U.S. credit rating drops and lenders require 10 percent interest payments.

Unfortunately, even this \$800,000 per family scenario is based on some very rough and overly optimistic guesswork. Politicians projecting out a decade and more have every incentive to paint a rosy scenario, plus a clear incentive at every election cycle to buy more votes via additional trillions in red ink.

So what's the solution? Tax hikes to bring in more money? Tax cuts to expand the economy and bring in more federal revenue? Spending cuts? Or some combination of all three?

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"Federal spending is growing faster than federal revenues," editorializes *The New Republic* in its April 28 issue. "Absent changes in the law, future generations of Americans will likely have to raise taxes to unprecedented levels; dramatically reduce the reach of government programs, risk the macroeconomic consequences of uncontrolled debt, or some combination of all three. At best, these options are unappealing. At worst, they are a threat to prosperity."

The editorial quotes Nobel Prize-winning economist Joseph Stiglitz: "Just like it may pay for a business to borrow (run a deficit) in order to increase long-run profitability, so too for government."

That's true, just as it's true for a college student borrowing to increase long-run earnings. But the borrowing can't go on forever. A 60-year-old college student owing \$600,000 in tuition debt and still jobless isn't a prime example of economic rationality.

"Balancing the budget is important; but so is creating a fair society in which all Americans have basic economic security," advises *The New Republic*. "The fact is that much of the moral purpose of government spending is to redistribute income downward — to provide for the least successful and least fortunate members of society. It's easy for that general principle to be lost in the detailed debates





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over which programs will be cut. But liberals shouldn't run away from talking about this overarching commitment."

But regarding this "commitment," this "moral purpose" of government to "redistribute income downward," doesn't the federal government itself do the exact opposite when it cuts the checks each month for its own payroll?

"Average wages in the federal civilian workforce — \$74,311 in 2010 — far eclipse the \$49,977 median wages in private industry," states a recent House budget report. Add benefit packages and the average compensation per year of federal civilian workers jumps to \$101,628.

On top of that, the federal government has added 155,000 new workers to its payroll since President Obama has taken office.

With people earning \$49,977 picking up the tab for the added workers and the \$101,628 paychecks, isn't this the opposite of the "moral purpose" to "redistribute income downward"?

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