Written by **Selwyn Duke** on January 3, 2014

America's Death by Debt and Taxes

While the United States put a man on the moon in 1969, it took a bit longer to get there with our spending. But we finally made it with our profligate ways, as 3.9 trillion (our estimated 2013 budget) one-dollar bills stacked up would reach all the way to the moon — and beyond. The question is, can we reach the moon with taxes, too? Since many Americans seem to think so — and continue voting for politicians who spend like drunken sailors — let's place the issue of taxes and spending in perspective.

Many people believe Americans are under-taxed, even though 2013 federal tax revenue will be $2.9 trillion. So mull over the following examples pertaining to this figure (taken from Rob Bluey at The Foundry and updated):

> It is 2,900 billion.
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> At $45.8 million per year, LeBron James would need to work 63,318.8 years to earn it.
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> Average life in the U.S. lasts 2.4 billion seconds.
>
> 2.9 billion seconds ago take us back to the year Benito Mussolini seized power in Italy: 1922.
>
> 2.9 trillion seconds ago woolly mammoths and saber-toothed cats walked the Earth. It was 89,944 B.C.

But while $2.9 trillion is a big figure, how much of this comes from the rich? Are they paying their "fair share"? Consider the following 2010 data from the Internal Revenue Service:

> The top one percent of wage-earners paid 37.38 percent of all federal individual income taxes (FIIT) despite earning only 18.87 percent of all adjusted gross income (AGI).
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> The top five percent of wage-earners paid 59.07 percent of all FIIT despite earning only 33.78 percent of all AGI.
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> The top 10 percent of wage-earners paid 70.62 percent of all FIIT despite earning only 45.17 percent of all AGI.
>
> The bottom 50 percent of wage-earners paid only 2.4 percent of all FIIT taxes despite earning 11.7 percent of all AGI

To place matters in further perspective, however, taxpayer handouts must be factored into the equation. As MoneyNews.com wrote, using 2010 figures from a Congressional Budget Office report:

> The top 40 percent of U.S. wage earners paid 106 percent of U.S. individual income taxes in 2010, while the bottom 40 percent paid negative 9 percent, CNBC reports.

The figure exceeds 100 percent for the top taxpayers because of the sub-zero amount for the bottom taxpayers.

And how do you pay less than zero taxes? The CBO total subtracts "refundable tax credits" from taxes paid. That includes government transfers such as Social Security and food stamp payments.

But desperate times call for desperate measures, and we really do need to right our fiscal ship, and isn't taxing the rich further the only way to do it? Well, consider what economist Walter Williams wrote in 2011, when the budget was "only" $3.7 trillion:

> According to IRS statistics, roughly 2 percent of U.S. households have an income of $250,000 and above.… If Congress imposed a 100 percent tax, taking all earnings above $250,000 per year, it would yield the princely sum of $1.4 trillion. That would keep the government running for 141 days.…
>
> Fortune 500 companies earn nearly $400 billion in profits.…Taking corporate profits would keep the government running for another 40 days, but that along with confiscating all income above $250,000 would only get us to the end of June.
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> … America has 400 billionaires with a combined net worth of $1.3 trillion. Congress could confiscate their stocks and bonds, and force them to sell their businesses, yachts, airplanes, mansions and jewelry. The problem is that after fleecing the rich of their income and net worth, and the Fortune 500 corporations of their profits, it would only get us to mid-August. The fact of the matter is there are not enough rich people to come anywhere close to satisfying Congress' voracious spending appetite. They're going to have to go after the non-rich.

Okay, but what if we all, rich and poor, just rolled up our sleeves and got to work? After all, our national debt is now $17.4 trillion, so we could retire it if every man, woman, and child citizen in America came up with $54,699.82. It would erase the debt today.

But tomorrow is a different matter.

Because we've been adding $2.81 billion per day since September 30, 2012.

Of course, with the total net worth of U.S. households being $70.3 trillion, the wealth to pay off our debt does exist. But not only can this figure fluctuate wildly — it was $48.9 trillion as recently as 2009 — there is always the matter of unfunded liabilities for programs such as Social Security and Medicare. According to Walter Williams, these amount to more than $100 trillion, which, of course, means that our liabilities exceed our assets.

But at least we're not as bad as Greece. Its government had a debt-to-GDP ratio in 2010 of 142 percent, was downgraded to "junk" status, and experienced a government-debt crisis that led to rioting and violence. Our debt-to-GDP ratio is 105.6 percent, after a historic low of 31.7 in 1974 and being "only" 71.2 as recently as 2008.

Note, however, that Greece was where we are just seven years ago — not long before its crisis — with a debt-to-GDP ratio of 105.1 percent. And as with Greece, Standard & Poor's now rates the United States' outlook as "negative."

Of course, if we returned to 2007 spending levels, when the budget was $2.7 trillion, our current revenues of $2.9 trillion would give us a slight surplus.

But it won't happen.

Not only does government hide its true cost from low-info voters through borrowing and inflation, but while many people support lower spending in principle, they won't even consider cuts to their little piece of the pie. So any politician who votes to cut entitlements is likely committing political suicide.

Yet to paraphrase economist Herbert Stein, if something can't go on, it won't. With the Congressional Budget Office estimating that entitlement spending will use up all federal tax revenue by 2048, there will have to be change. Whether this will be accompanied by hope, however, is a very different matter, indeed.