



A Sky-Is-the-Limit Federal Budget

Published on *Show-Me Institute* (<https://showmeinstitute.org>)



By: Andrew B. Wilson

In Charles Dickens' classic novel *David Copperfield*, one character observes the need for careful budgeting: "Annual income, twenty pounds; annual expenditures, nineteen pounds, ought and six; result, happiness. Annual income, twenty pounds; annual expenditures, twenty pounds, ought and six; result, misery."

If you are not in the happy position of earning at least slightly more than you spend, what portion of your household budget comes from borrowing, or selling the family silver? Is it the seemingly modest 3 percent that spelt M-I-S-E-R-Y for Dickens' character, who wound up in debtors' prison? Or is it even worse than that? Say, a mind-boggling 43 percent? In percentage terms, that is the expected shortfall between U.S. government receipts and expenditures in the 2011 federal budget.

According to revised numbers released last week, the Barack Obama administration expects its annual revenues for fiscal 2011 to come in at \$2.173 trillion, versus annual expenditures of \$3.818 trillion. That leaves a deficit of \$1.645 trillion. As a result, our government will have to borrow (or find other ways to paper over) 43 cents out of every dollar that it intends to spend.

The Obama administration has more than tripled the national deficit since the last full year of the George W. Bush administration. In doing so, it has achieved a remarkable feat: It has made the gap between federal receipts and outlays even wider than it was at the height of World War II.

U.S. spending during the war increased by a factor of eight, rising from \$8.5 billion in 1940 to \$70.6 billion in 1945. The huge increase in federal expenditures happened for many reasons. Among other things, it supported the 12 million men and women serving in the U.S. armed forces at the peak of the war. It also supported a hundredfold increase in annual production of military airplanes, on the way to annual production of more than 96,000 fighters, bombers, and transport aircraft in 1944.

To raise additional revenues during the war, the government came up with the ingenious device of a withholding tax on payroll checks. Federal tax receipts rose from \$8.2 billion in 1940 to \$41.5 billion in 1945 — a fivefold increase. That left an annual deficit in 1945 of \$29.1 billion, or 41 percent, on total expenditures of \$70.6 billion.

Thus, during the greatest war in human history, the United States — supplying not just its own forces, but those of Britain and Russia — had a budget deficit two percentage points below the gap that now looms for fiscal 2011.

When a nation is at war against a deadly enemy, many people accept that the government will demand sacrifices on the part of citizens. During World War II, this included not just increased taxes, but rationing, price controls, conscription, and other limitations on individual freedom. As Nobel laureate economist F.A. Hayek wrote in *The Road to Serfdom*, “The only exception to the rule that a free society must not be subjected to a single purpose is war and other temporary disasters when subordination of almost everything to the immediate and pressing need is the price at which we preserve our freedom in the long run.”

Does the Obama administration live up to Hayek’s test? I believe not. The all-encompassing unity of national purpose of which Hayek spoke disappears under all but the gravest and most immediate peril.

Federal spending will reach an estimated 25.3 percent of gross domestic product in fiscal 2011, up almost five percentage points since 2008. To what end? Far from kick starting the economy, the government’s heavy reliance on deficit spending has only served to expand an already bloated public sector and to constrict the private sector. This is, indeed, the road to serfdom.

Andrew B. Wilson is senior editor at the Show-Me Institute, an independent think tank promoting free-market solutions for Missouri public policy.

About the Author



*Andrew Wilson
Fellow and Senior Writer*

A former foreign correspondent who spent four years in the Middle East and served as Business Week's London bureau chief during Margaret Thatcher's first two terms as Britain's prime minister, Andrew is a regular contributor to leading national publications, including the American Spectator, the Weekly Standard, and the Wall Street Journal.

Read Online

<https://showmeinstitute.org/blog/taxes-income-earnings/sky-limit-federal-budget#comment-0>

Links

[1] <https://showmeinstitute.org/blog/taxes-income-earnings/sky-limit-federal-budget>

Mission Statement

Advancing liberty with responsibility by promoting market solutions for Missouri public policy.

Show-Me Institute

5297 Washington Place 3645 Troost Avenue
Saint Louis, MO 63108 Kansas City, MO 64109
Phone: (314) 454-0647 Phone: (816) 287-0370
Fax: (314) 454-0667

Email: info@showmeinstitute.org

Support Our Work

The Show-Me Institute is a tax-exempt 501(c)(3) nonprofit organization. Make your tax deductible contribution today: <http://ShowMeInstitute.org/donate>