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Larry Elder says government takes almost 50 percent of the American people's money

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CNN's *Crossfire* stacked its panel with Republicans this week to talk about New Jersey Gov. Chris Christie and how the say-what-he-wants, does-what-he-wants governor divides the GOP.

Conservative talk radio host and panelist Larry Elder criticized Christie for accepting the "architecture of the welfare state," pointing to Christie's embrace of billions of dollars in federal aid in the aftermath of Hurricane Sandy. In pressing his point, Elder made a head-spinning claim that our governments take almost $.50 of every $1 we earn.

"In 1900, at all three levels of government, federal, state and local, government took less than 10 percent of the American people's money," Elder said. "Now we're talking about 35 percent, and when you add a dollar value to mandates, you're talking almost 50 percent. Where's the outrage on the part of the Republican Party?"

Elder's figures certainly are eye-popping, and his general point -- that the government consumes a lot more money than it did more than 100 years ago -- is true. But on the merits of his specific stats, experts we consulted urged caution.

Elder is essentially putting together two separate calculations to get to 50 percent. He's taking the direct cost of government as a percentage of the economy, then adding to it the cost of government regulations. The first half of this equation is straightforward; the second half is not.

Previously, PolitiFact has addressed the question of how large a portion of the economy is accounted for by government expenditures. We'll recap some of what we found here.

For 2012, the gross domestic product -- the size of the nation's economy -- was $16.2 trillion, according to the Commerce Department's Bureau of Economic Analysis. Meanwhile, the expenditures by all levels of government was $5.3 trillion, according to the Office of Management and Budget.

Using these figures, government at all levels accounted for 32.6 percent of gross domestic product.

Given the way Elder phrased his claim -- using as the denominator "the American people's money" -- it's possible to use a different calculation. If you replace gross domestic product with personal income (which was about $13.7 trillion in 2012), then the percentage is a few points higher -- 38.5 percent.

Neither of these figures gets Elder to "nearly 50 percent." So the cost of regulations has to add an extra 10 to 16 points. Is the cost of regulation high enough to do that?

Elder cited 1980s-era work of free-market economist Milton Friedman, though Elder said even Friedman called estimating the burden of regulations "a difficult, if not impossible thing to quantify."

Elder pointed us a 2009 report from Americans for Tax Reform Foundation that said the combined cost of government spending and regulatory burdens at all levels totaled "a whopping 61.34 percent" of national income. In 2013, the cost of government was down to 53 percent of the country's Gross Domestic Product, according to the anti-tax group, which was founded by Grover Norquist.

The data, Elder said, suggests that, if anything, "I understated it."

But even economists sympathetic to the notion that government is too big are unwilling to say Elder's definitively right. They say the numbers are simply too squishy.

Government mandates "do have a large burden," said Chris Edwards of the libertarian Cato Institute. "But the estimates shouldn't be treated with precision."

William McBride of the business-backed Tax Foundation said Elder went "out on a limb" with his 50 percent figure.

In addition to the softness of the regulatory cost estimates, experts pointed out a few other question marks about the evidence Elder is using.

First, the Americans for Tax Reform Foundation analysis only attempted to calculate a gross cost of regulations, so it ignored any benefits regulations might have. (We reached out to Americans for Tax Reform but did not hear back.)

"Gross rather than a net cost of regulations analysis is pretty much intellectually indefensible," said Daniel Shaviro, a New York University law professor who specializes in taxes. "Once we get into the net, who knows where it comes out. And, compared to what?"

In addition, saying the government "took" your money is misleading. Some of the money government collects comes back to you in the form or Social Security or Medicare, or any of a number of other government programs. While Republicans such as Elder may advocate that

Americans should have more control over their money from cradle to grave, suggesting government simply takes $.50 on every $1 someone earns isn’t the whole story.

"If Elder wants to talk about mandates as increasing the percentage of government ownership, it’s only fair to consider the other side," said Daniel Shaviro, a New York University law professor. "I pay money in payroll tax during my working years, then I get money back in my retirement years (from Social Security)."

"The whole exercise is rather silly (and pointless) because it does not take into account what the U.S. gets for its tax dollar," added Thomas Hungerford, a senior economist and director of tax and budget policy at the liberal Economic Policy Institute.

All in all, said Bryan Camp, Texas Tech University tax professor**,** "Mr. Elder’s statement is too vague to be useful for any purpose other than generating ‘hallelujahs!’ from the choir he is preaching to."

Our ruling

Elder said, "When you add a dollar value to mandates," government took almost 50 percent "of the American people’s money."

It’s easy to get to the mid-to-high 30 percent range. But getting the last 10 to 15 percentage points to get to "almost 50 percent" is less certain. Regulation does have a cost, but the exact cost is hard to pin down. Because his larger point -- that government spending has increased, and that mandates have a cost -- is valid, we rate the claim Mostly False.