

## The Biggest Spender in the World: Your Government

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Whether you're an American or Chinese citizen -- or a resident of just about any other country for that matter -- chances are more than likely that your government represents far and away the largest spender within your borders. Of course, as private sector professionals, when we think of procurement and sourcing we often think of dropping savings to the bottom line (and meeting the aggressive targets our bosses set for us). But in government, the entire concept of savings is a bit more nebulous. After all, if you achieve cost reduction on purchased goods, the amount you've saved quite often disappears from your budget allocation the following year, and in government, the less you have to spend, the less power you have. Fortunately for those who represent us in Washington, Beijing, New Delhi, and just about every other capital, there's still an awful lot of spending going on, even if certain budgets aren't surviving at current levels from one year to the next, thanks to the few savings-focused government employees who think like us.

This is what makes a chart from my favorite critic of unnecessary spending, The Cato Institute, all the more scary. [This linked-graphic](#) shows five decades of Federal spending trends across three components: defense, nondefense, and net interest. In 2008 and 2009, non-defense spending shot up to nearly 20% of overall gross domestic product. According to Cato, "This category includes all other federal spending. After a steady decline during the Clinton years to 12.9 percent of GDP, President Bush pushed up nondefense spending to a higher plateau of around 14.5 percent. Then came the recession and financial crisis, and the Bush-Obama tag team hiked spending to an even higher level of around 19 percent of GDP. That level of nondefense spending is almost double the level in 1970 measured as a share of the economy."

Granted, defense spending is still down from its ~10% peak during the Cold War, but it's on the rise again, hitting nearly 5% of GDP. Net interest payments on our debt appear to be slowly ratcheting up as well. As taxpayers and citizens, we all owe it to ourselves to ask for greater procurement accountability from our governments. Federal/national spending in and of itself -- especially during a recession, depending on how much you support Keynesian economics -- may not be such a bad thing. But the fact that over a quarter of our GDP represents Federal spending should give us all pause, considering how far behind (from a sourcing and supplier-management perspective) the public sector is. Perhaps we should encourage our elected leaders to set savings targets for categories and line items, as management does in the private sector. At this point, anything would be a start.

- Jason Busch

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