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Economic Outlook: The budget at home

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Published: Sept. 1, 2010 at 9:59 AM
By ANTHONY HALL, United Press International

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It is expensive to live through a recession and the United States took a look at its bill this week.

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At home, when times are tough, a relative might show up and ask for space on a couch and sit at your table with hungry eyes. That relative might want to borrow the car once in a while and is hard pressed to fill up the gas tank before it is returned. The electric bill might go up, not down, if the relative is allowed to use the clothes washer and dryer. The bills pile up just at the time it might be wise to tighten the budget.



Anthony Hall

The same dynamic has formed an expense bubble in the U.S. balance sheet with spending rising 16 percent to \$3.2 trillion in 2009, the Census Bureau said.

Looking at the broad sheet is certainly revealing and worthy of discussion. The federal government, for example, spent \$86 billion on unemployment benefits in 2009 to help millions of unemployed workers, extending benefits up to 73 weeks beyond the state assistance program that covers 26 weeks of unemployment.

That's clearly the relative on the couch, except it's worse, because in the government's case, the unemployed were previously providing the government with tax revenues. Compared to 2008, unemployment spending nearly doubled, The Washington Post reported Wednesday.

Spending also jumped due to the \$787 billion economic stimulus package, which, fuzzy math notwithstanding, "put the nation a trillion further in debt, which was bad enough, but an additional concern is there will be efforts to extend and make permanent many of the stimulus programs," said economist Chris Edwards at the Cato Institute.

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Taking another viewpoint: "This is not anything that should be viewed as a problem. It is a good thing that we have these programs when people are in need," said Paul Van de Water, a senior fellow at the Center on Budget and Policy Priorities.

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University of Maryland economics professor Peter Morici pointed out this week those who want to lower spending might look at Social Security and Medicaid -- and, indeed, the Census Bureau said 46 percent of the federal budget was spent on these programs, plus Medicare.

Without tossing in any blame the size of these programs demands vigilance if nothing else. Finding a 1 percent savings on those programs would be a considerable sum in the aggregate.

What is the government's payroll costs? That would be \$300 billion, almost half of that spent on defense department personnel. Grants -- primarily channeled through the departments of Health and Human Services, Education and Transportation -- amounted to \$744 billion.

In the United States an election year might also be called open season -- a biannual event in which politicians load up with buck shot and stalk spending they believe is ill-conceived. These are big enough numbers to raise the hair on the back of your neck. "Did you know we were spending X amount of our hard-earned dollars on X? Astonishing! Mind-numbing! Someone should put a stop to this!"

Probably so.

In international markets Wednesday, the Nikkei 225 index in Japan rose 1.17 percent while the Shanghai composite index dropped 0.6 percent. The Hang Seng index in Hong Kong added 0.43 percent while the Sensex in India added 1.31 percent.

The S&P/ASX 200 in Australia gained 2.08 percent.

In midday trading in Europe, the FTSE 100 index in Britain rose 1.41 percent while the DAX 30 in Germany gained 1.25 percent. The CAC 40 in France added 1.73 percent while the pan-European DJ Stoxx 50 gained 1.06 percent.

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