

A BRIEF HISTORICAL SUMMARY OF THE SPENDING OF THE FEDERAL GOVERNMENT-2

As promised, we are now going to illustrate the spending of the Federal Government. Similar to the last newsletter, the first chart will illustrate the gross spending of the Federal Government, without adjustment for inflation, popula-

tion, etc. That illustration is shown in, "Exhibit D." You will note that Federal Government spending has not been a constant number for the last 100 years. As a side note, this is just the total gross spending of the Feds. I did not break it down by

spending class (debt retirement, defense, entitlement, etc.) because there clearly isn't enough space in this little newsletter. On another note, the spending amounts shown from 2009-2012 are from the President's

EXHIBIT "D"
United States Federal Government Annual Spending

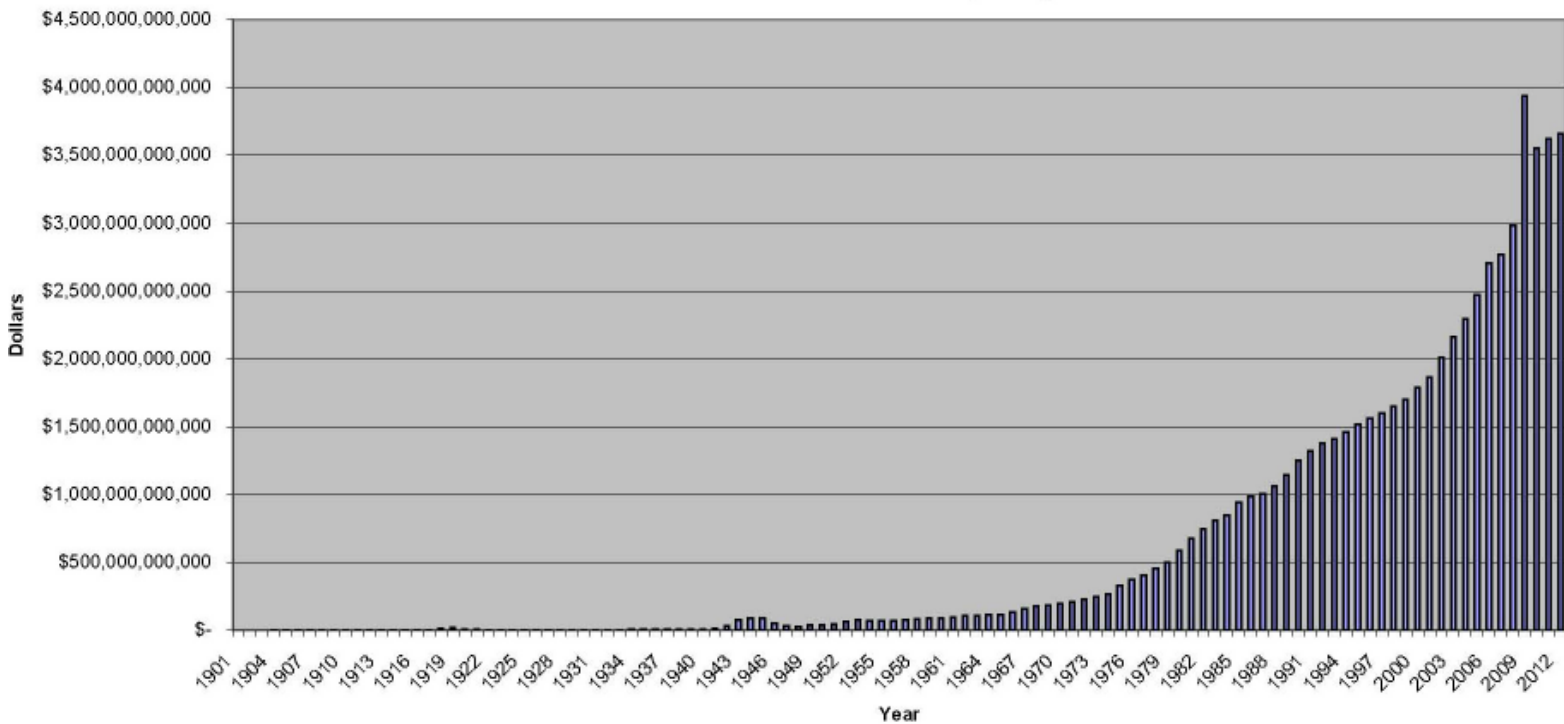
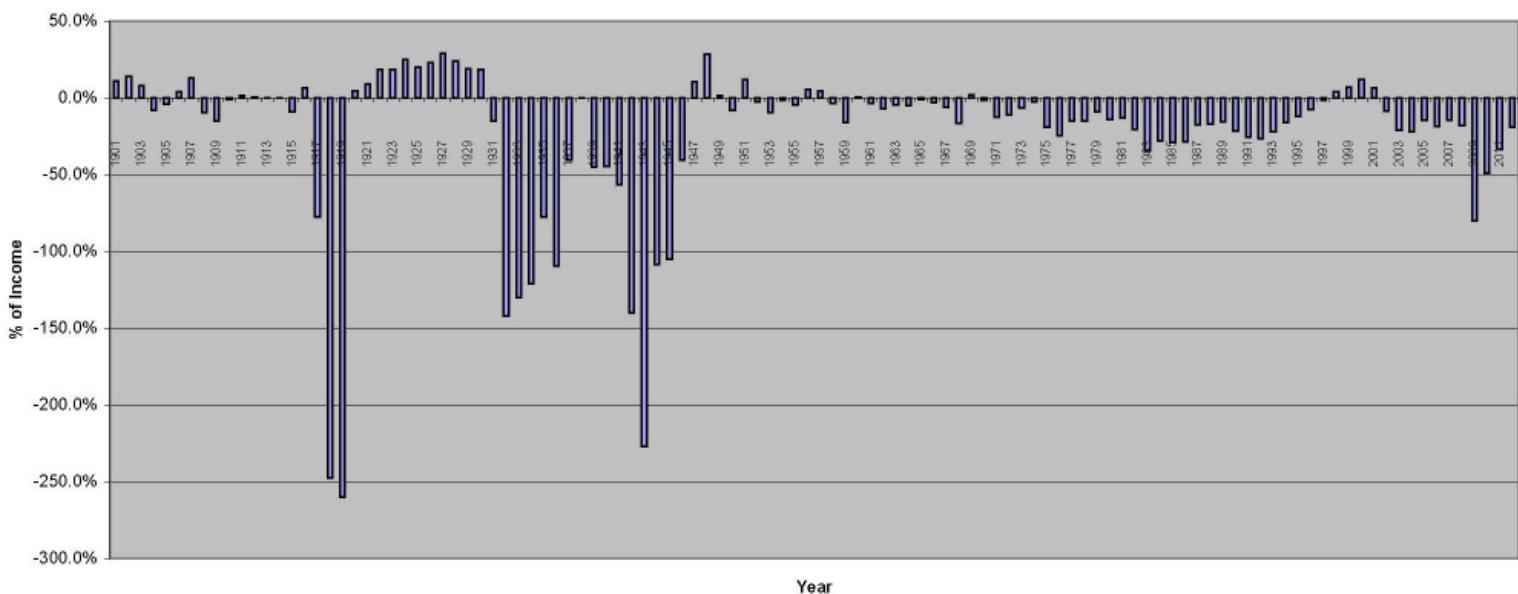


EXHIBIT "E"
Historical Federal Government Spending Percentage Over (-) or Under (+) Income



FEDERAL GOVERNMENT...CONT.

budget and haven't actually been spent at this time.

We will reduce these numbers to "dollars of the day" in three separate charts, rather than the two charts we used for income.

The first of the three illustrates the Federal Government's spending beyond or within the budget (or within their income.) In other words, if they received \$1.0 Billion, but spent \$1.2 Billion, that would be shown as a negative 20% on the chart to illustrate that the government spent more than it received. You will notice that spending more than we get is a common trait for the Federal Government. That chart is shown as, "Exhibit E." What I notice from this chart is that our Federal Government has spent very little time in the "black" over the last 100 years or so.

The second of the three (Exhibit "F") spending illustration charts shows our Federal Government's spending on an annual basis as a percentage of GDP. As you will recall, GDP is a measure of the total horsepower of an economy, and this is the percentage of that horsepower that is being directed and spent by the Federal Government. You will note that the spending has not been a constant percentage of GDP, either.

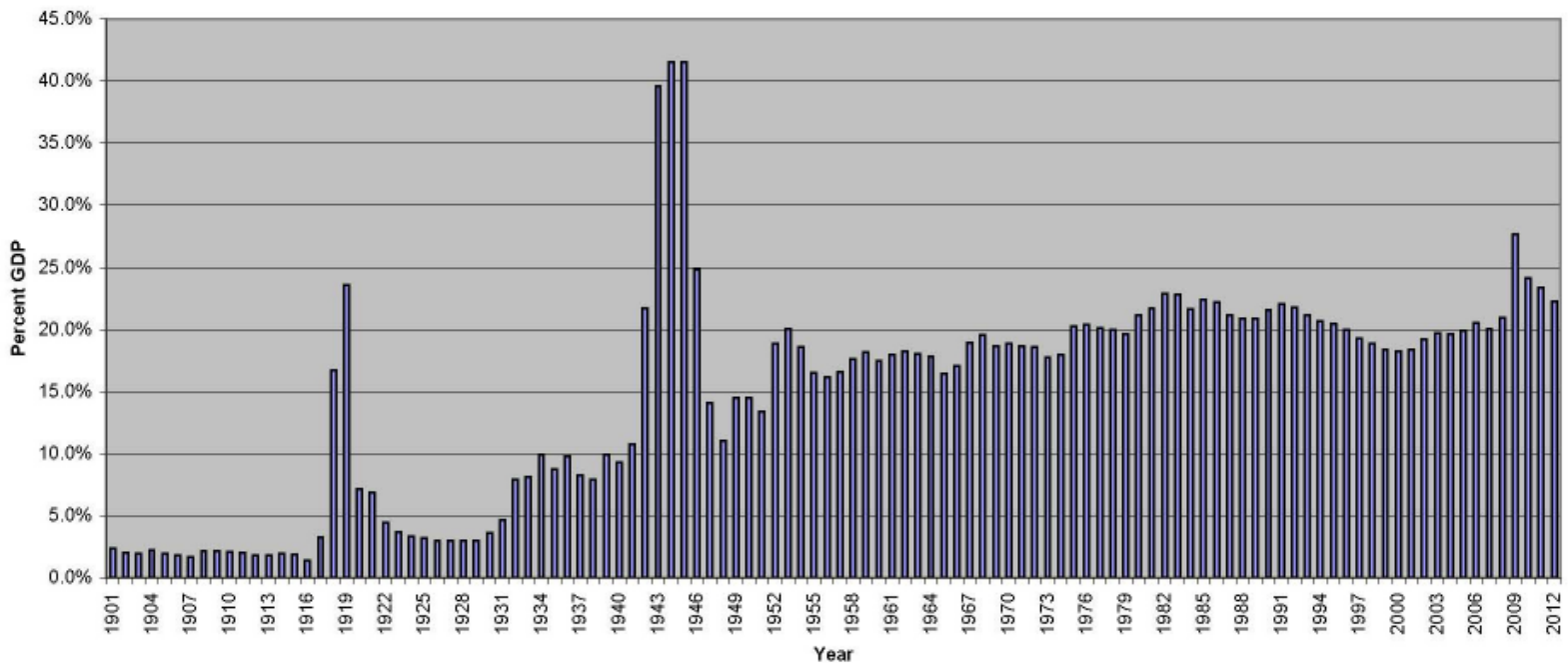
The last of the spending exhibit charts (Exhibit "G"-on additional Chart Page) illustrates our Federal Government spending per person as a percentage of Per Capita Income (PCI.) In other words, if the total personal income of the entire country divided by the number of people equals \$20,000 for every man, woman, and child, and the government's total spending divided by the population of the United States equaled \$10,000 per person, then the ratio would be 50%. That would indicate that the Federal Government is spending 50 cents for every dollar we make. (Fortunately, it's not quite that bad, yet.) You will notice that the Government's spending growth is faster than our earning growth, since their percentage keeps getting higher, however.

The last chart I want to share with you (Exhibit "H"-on additional Chart Page) illustrates the total debt owed by our Federal Government as a percentage of our Personal Income. This number is calculated by taking the gross debt value, dividing it by the population, and then dividing it again by the Per Capita Income. To put this in common terms, if you make \$50,000 per year and owe \$40,000 for all your debts, the percentage would be 80% using the calculation above.

I'm not going to add any more editorial comments. You can look at the charts and the numbers and come to your own conclusions. I did add several other charts on the additional Chart Page for your review, if you want to take the time to look at some other facts and figures. I think you'll find this information interesting, given the commentary we usually receive on this data.....

Let me know if you have any questions, and I'll see you in May...

Exhibit "F"
United States Federal Government Spending as Percentage of GDP



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