



WASTE REPORT for March 7, 2016

Interested in Waste

You probably have heard about the \$19 trillion balance on the federal government's credit card and maybe even know your share is just over \$60,000. **However, you may not know about the interest on that debt. This year alone interest payments will be around \$255 billion, which comes out to about \$800 for each American alive today.**¹ The President's budget anticipates \$303 billion in interest next year, raising your share to \$938, an increase of \$148.²

It is worth noting what we could be doing with that money. Our **\$255 billion interest payment this year COULD have been used to fund the Departments of: Commerce, Energy, Homeland Security, Housing and Urban Development, Interior, Justice, State, the EPA, NASA, NSF, the Small Business Administration, U.S. Congress and the U.S. Federal Courts – COMBINED.**³

Some think that perpetual deficits, and the debt they create, do not matter. John Maynard Keynes famously said, "[t]he long run is a misleading guide to current affairs. In the long run we are all dead."⁴ But even if we can perpetually put off paying for what we borrow, we cannot outlive or otherwise avoid paying interest. It is not due in the far off future, it is due right now, and will be due tomorrow, and the day after, and the day after that, and it will never go away until the debt is paid off entirely. **It is not left to our kids and grandkids; it is a burden, here, today.**

Worse still, **interest payments do not pay for any things, not one salary, not one paperclip. The first \$800 dollars you pay in taxes this year will simply buy nothing**, and because our debt keeps growing, our interest burden keeps growing. This year alone, the Congressional Budget Office (CBO) projects interest payments will jump 14 percent and will more than triple by the 2026.⁵

As bad as it is, it gets worse!!! Suppose we balance our budget, surely that would curtail wasteful interest spending. Not necessarily. As CBO notes, "[i]nterest rates [which are near record lows] on federal borrowing are also expected to rise steadily over the next few years..."⁶ **As we all learned from the 2008 housing crisis, if you are just paying interest, even a modest rise in rates can blow up your budget.** The only way to accommodate this is with higher taxes or reduced services, or worse still, borrowing more just to pay the interest on what we have already borrowed. In other words, taking a cash advance on one card to make the payment on another – at some point it all crashes down.

So, what could you have done this year with \$940?

¹ FSO calculation using U.S. Census population estimate and Net Interest estimate from: *The Budget and Economic Outlook: 2016 to 2026*; The Congressional Budget Office; Washington, DC. January 2016. Page 11

² FSO calculation using *Table S. 5 Proposed Budget by Category* from the President's FY 2017 Budget. February 2016

³ FSO calculation using *Table 4.1 Agency Outlays* from the Historical Tables of the President's FY 2017 Budget. February 2016

⁴ John Maynard Keynes Quotes, Goodreads.com. March 2016

⁵ *The Budget and Economic Outlook: 2016 to 2026*; The Congressional Budget Office; Washington, DC. January 2016. Page 1

⁶ Ibid. Page 7