



Cost of Government Goes Up While Costs of Living Go Down

by Mark J. Perry, Ph. D.

Summary

The average American worked until June 22 this year to pay his share of the bill for all government taxes, spending, and regulation. Lawmakers at the federal, state, and local levels must work to rein in the ever-growing cost of government.

Main text word count: 714

Every year, Americans for Tax Reform in Washington, D.C. calculates “Cost of Government Day,” the date during the calendar year on which the average American has earned enough gross income to pay for his or her share of all federal, state, and local government expenditures, *and* for the cost of all federal, state, and local regulations. This year Cost of Government Day fell on June 22.

Cost of Government Day is not to be confused with the better-known “Tax Freedom Day,” which occurred this year on May 11. That’s the day by which we have earned enough to pay just our taxes, as determined by the Tax Foundation. Cost of Government Day includes regulations, which add another five weeks. So, from January 1 until June 22, every penny of the average American’s earnings went to pay for the cost of government. In other words, Americans are working virtually half the year for themselves and half for the government.

In dollar terms, the total cost of government in America in 1999 comes to \$13,939 for every individual citizen—\$3.72 trillion, up from \$3.56 trillion in 1998. Of this amount, total regulatory costs will consume \$1.06 trillion while government spending will total another \$2.66 trillion, of which \$1.6 trillion is federal.

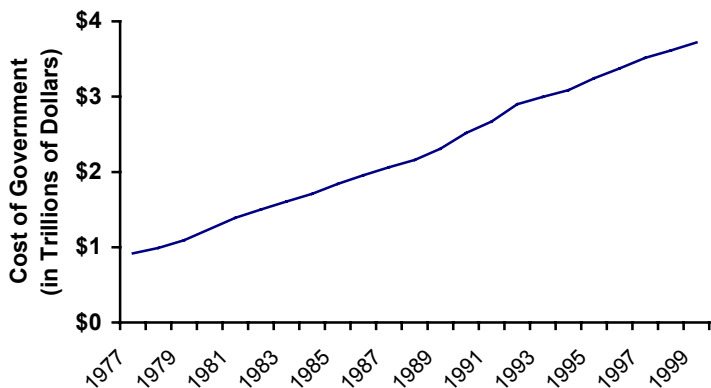
Americans recognize that government fills a vital role, but government officials should not be surprised that many citizens are asking, “Isn’t this enough?” and “How much more do you want?”

It is ironic that we celebrate Independence Day on July 4 to recognize our rejection of oppressive foreign rule, and yet the typical American now works from the start of the year until just two weeks short of July 4 to pay for his share of our own homegrown Big Government!

From the late 1700s until the 1930s, the total federal, state, and local government spending rarely exceeded ten percent of national income, and the economy was less regulated.

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Total Cost of Government 1977-99



Source: Americans for Tax Reform Foundation

During that period, Cost of Government Day occurred before the end of *February*, not in June. Since the 1930s, spending and regulations have swollen the tax and regulatory burden of government to the current level of nearly 50 percent of national income.

Presenting the *public* sector in terms of the time the average American must work to pay its bills allows us to factor out the effect of inflation and draw some interesting contrasts with the costs we pay for goods in the *private* sector. W. Michael Cox and Richard Alm, economists and authors of a fascinating new book entitled *Myths of Rich & Poor*, tell us that “the cost of just about everything we consume, expressed in the currency of time, has been going down.”

“In terms of work time,” say Cox and Alm, “the price of bacon and eggs has fallen 40 percent since 1970 A pound of ground beef declined by more than 5 minutes A dozen oranges is worth 10 minutes’ work, cheaper by 6 minutes since 1970 A sample of 12 food staples—a market basket varied enough to provide three square meals—shows that what required 2 hours, 22 minutes of work time to buy in 1970 now takes only 1 hour, 45 minutes.”

Food items are just a small part of the remarkable story of how the private sector—through higher wages, quality improvements, and sometimes even lower nominal prices—has cut the cost of living. Over the past 25 years, work-time cost is down 80 percent for kitchen stoves and 39 percent for lawnmowers. A bulky hand-held calculator sold for \$120 in 1972; a much better and more compact one sells today for \$9.99—which translates into more than a 90 percent reduction in work-time cost. *Myths of Rich & Poor* documents the real reduction in work-time costs of hundreds of things Americans buy every day.

In terms of the time we must work to pay the bills, government is getting ever more expensive while what we buy in the marketplace is getting ever cheaper. You and I have been forced to relinquish most of this windfall to pay for government. Wise policy makers will work to control the cost of government so that it does not take from citizens the impressive gains they have made in the productive marketplace.

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