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## A billion is \$7.59

For every billion the government saves you can pay each taxpayer \$7.59.



### Every billion dollars costs you \$7.54

There are [132,611,637 income tax returns in the United States circa 2007](#). So every billion dollars spent represents an average cost of \$7.54 to each of those taxpayers. This can be a handy way to think about [government spending](#). It is also a basis for reforming our government.

You can use the \$7.54 number to show someone what a government program costs her. The 700-billion dollar bailout cost every single income taxpayer 5278.57 dollars. The [defense budget](#) costs the average taxpayer \$4600. The [Social Security](#) program costs \$5250. The entire budget of 2527.9 billion represents \$19,000 per taxpayer return.

Admittedly, the realities of the cost are a bit skewed. First off, the [income tax is only about 45% of the revenue](#) of the United States. So if you wanted to apportion the 700 billion dollar bailout properly you would have to assign 2.5% to excise tax, and 14.5% to corporate and 33.9% to social security and then 3.9% to other taxes. By that reckoning the bailout costs the average taxpayer \$2375.

Then again, the [income tax is wildly progressive](#). So if you make over \$104,000 your tax rate is 34% and your income group pays 70% of the tax while occupying 10% of the taxpayer population. Indeed the median income is \$30,881 but the income of the median tax payer is around \$200,000. Thusly, if you make \$104,000 you should think of the

\$700 billion as costing you \$7540 assuming the bailout was paid entirely from the income tax.

But rather than quibble about the apportionment of the cost of the bailout lets look at the social utility of the \$7.54 number. If you asked the American taxpayer whether he would rather have the bank CEOs paid off or whether he would like a check for \$5278, I think it is a safe bet that well over 50% of the voting public would be wildly enthusiastic to take the \$5278.

Now sure, the Heritage Foundation would point out that this was not fair since many of the voters pay no income taxes at all. The Objectivists will furiously flip through their copy of Atlas Shrugged and offer their own slew of objections complete with quotes and page citations. But here is the sad fact: Democrats love socialism as much as Republicans love Christianity. And both groups want massive government spending as long as it benefits their group.

But the Democrats, who are expected to be populists, love that socialism so much you can make a case to give the exact same \$5278 to every American taxpayer, as long as everyone gets the same amount. And the republicans get their due as well; they can give their \$5278 to the church. And although everybody knows Republicans are lying when they say they want small government, this scheme really does make the government smaller so they will have to support it to keep from being called hypocrites.

The apportioned scheme might seem fairer but the flat refund scheme will be successful. With the flat scheme each and every one of our 535 legislators can give refunds at a rate of \$7.59 per billion dollars. If she cuts spending 60 billion we can each get a \$455 check. Several trenchant libertarians have ponted out that a tax

cut without a spending cut is really just a tax deferment. Milton Friedman was wrong when he said we could stave the government with tax cuts.

It is a nice sentiment but it is naive and impractical. Public choice theory means that governments will spend and spend even with no tax revenue and that is why the USA has a \$10,573,4121,724,954 deficit.

The \$5278 check we each get for the bailout is a one-time payment. But if some Senator manages to cut the defense budget or eliminate the Department of Agriculture we would get those thousands of dollars every year.

One effective result of this proposal is to make our progressive income tax into an insanely progressive income tax. The Democrats should love it. The other effect will be to eliminate vast swaths of government bureaucracy. The Republicans should love it.

And it will shift billions of dollars of government spending and transfer it to the private sector. This will let capital flow to where it really does some good rather than to where it will return the most campaign contributions. The economists will love it.

What's not to love? I suggest we set up 754 committees to demand that any legislator that saves us a billion dollars gets to pay us \$7.59 a year, in perpetuity. Best of all, I believe the separation of powers means that the President has the authority to just not spend money appropriated by Congress so if he can save the billion he can then send us the \$7.59 and take credit and get the votes for buying us off.

Yippee democracy.