

## Federal Budget vs. Household Budget: How Do They Compare?

Dave Ramsey

Whenever the talking heads on TV start talking about the national economy, most of our eyes start to glaze over. The gigantic numbers that they throw out there are ridiculous; most Americans have no idea what those numbers mean in practical terms. So, I thought it'd be fun to turn those figures into something we can understand a little better—like a household budget.

The federal government will take in \$2.173 trillion in 2011. That's their income, and it sounds pretty good. Until, that is, you factor in that the federal government will *spend* \$3.818 trillion during the year. So, just like many families, the government's outgo exceeds their income—to the tune of \$1.645 trillion in overspending. That's called the deficit. Altogether, the government has \$14.2 trillion in debt.

What would happen if John Q. Public and his wife called my show with these kinds of numbers? Here's how their financial situation would stack up:

If their household income was \$55,000 per year, they'd actually be spending \$96,500—*\$41,500 more than they made!* That means they're spending 175% of their annual income! So, in 2011 they'd add \$41,500 of debt to their current credit card debt of \$366,000!

What's the first step to get out of debt? *Stop overspending!* But that means a family that is used to spending \$96,500 a year has to learn how to live on \$55,000. That's a tough pill to swallow. Those kinds of spending cuts *seriously hurt*, but it's the only way out of debt for John Q. Public.

If I ever got a call from a family that was spending \$41,500 more than they made every year, you would definitely expect me to yell at them for their dumb behavior, right? Kids, no more McDonald's four times a week. Snacks come from the grocery store now. And we're not going to the movies for a while, so break out the board games and *TV Guide*. This family has a problem, so it's time to amputate the lifestyle!

It works the same way for the government. You can't borrow your way out of debt, whether you're a typical American family or the entire U.S. government. At some point, you've got to say, "Enough is enough!" and make the hard cuts necessary to win over the long haul.