

*Economic Newsletter for the New Millennium*  
*<BLOG>*

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*Federal Debt, Federal deficits, and  
the Prophecies of the timeless/timely  
Alexis de Tocqueville*

"The American Republic will endure until the day Congress discovers it can bribe the public with the public's money".  
Alexis De Tocqueville, *Democracy in America*, 1835.

Folks, you have just read the perfect definition of Congressional earmarks and bailouts. In economics you learn there is no such thing as a free lunch.

It is not the one eating the 'free' lunch but some other sucker not eating the free lunch, but paying for it by drinking overpriced watered down beer and pretzels.

Congressmen must legislate earmarks and bailouts in order to become elected for life. So we are experiencing annual federal budget deficits well in excess of \$1,000,000,000,000. That, good readers, is one million-million dollars, or one-thousand billion dollars. To be more precise, one trillion three-hundred billion

dollars for this fiscal year: \$1,300,000,000,000. That is close to 10% of the current outstanding federal debt.

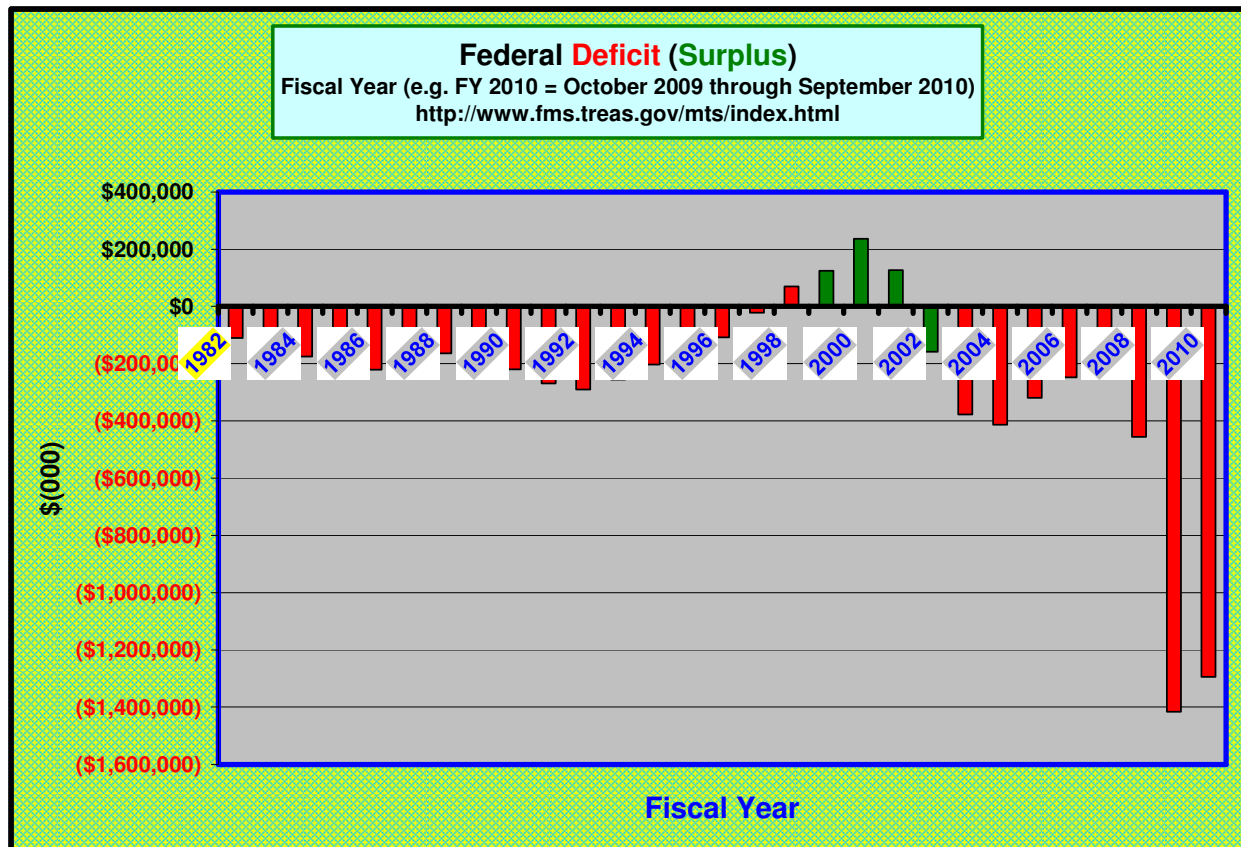
U.S. Department of Treasury  
Bureau of the Public Debt

<http://www.treasurydirect.gov/NP/BPDLogin?application=np>

Current	Debt Held by the Public	Intragovernmental Holdings	Total Public Debt Outstanding
12/03/2010	9,270,119,745,304.06	4,563,391,993,688.14	13,833,511,738,992.20

As of December 3, 2010, the U.S. Debt was \$13,833,511,738,992.20, that's thirteen trillion, eight-hundred and thirty-four billion dollars.

In normal years, the interest alone on the current federal debt would be would be about \$500 billion or \$500,000,000,000 or one-half trillion dollars, just for the interest on that debt.



The just adjourned, presidentially appointed and so called bipartisan deficit reduction committee wants to significantly reduce Medicare, national defense, and Social Security, for example, to reduce the coming federal deficits.

What about earmarks and bailouts?

Are their priorities your priorities?

This year's interest on the federal debt it will be less because the Federal Reserve System is keeping interest rates down so the U-6 unemployment rate is kept below 20%. It is currently above 17%.

U.S Labor Department  
Bureau of Labor Statistics (BLS)  
THE EMPLOYMENT SITUATION – NOVEMBER 2010

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On the Web at <http://www.econnewsletter.com/>

<http://bls.gov/news.release/pdf/empsit.pdf>

Page 27 (Table A-15. Alternative measures of labor underutilization)

HOUSEHOLD DATA									
Table A-15. Alternative measures of labor underutilization									
[Percent]									
Measure	Not seasonally adjusted			Seasonally adjusted					
	Nov. 2009	Oct. 2010	Nov. 2010	Nov. 2009	July 2010	Aug. 2010	Sept. 2010	Oct. 2010	Nov. 2010
U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force.....	5.6	5.5	5.5	5.8	5.7	5.5	5.5	5.7	5.8
U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force.....	5.9	5.4	5.8	6.5	5.9	6.0	6.1	5.9	6.2
U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate).....	9.4	9.0	9.3	10.0	9.5	9.6	9.6	9.6	9.8
U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers.....	9.9	9.8	10.0	10.5	10.2	10.3	10.3	10.4	10.6
U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force.....	10.7	10.6	10.8	11.3	11.0	11.0	11.0	11.1	11.3
U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.....	16.4	15.9	16.3	17.2	16.5	16.7	17.1	17.0	17.0

NOTE: Persons marginally attached to the labor force are those who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past 12 months. Discouraged workers, a subset of the marginally attached, have given a job-market related reason for not currently looking for work. Persons employed part time for economic reasons are those who want and are available for full-time work but have had to settle for a part-time schedule. Updated population controls are introduced annually with the release of January data.

Short-term interest rates are close to zero. To keep interest rates down, the FED has purchased and is continuing to purchase both private sector and government securities in order to keep their prices up. In financial theory you learn that the prices of financial securities and interest rates are negatively or inversely related, they move in opposite directions.

Income, Poverty, and Health Insurance Coverage in the United States: 2009

<http://www.census.gov/prod/2010pubs/p60-238.pdf>

Households in the lowest quintile had incomes of \$20,453 or less; those in the second quintile had incomes ranging from \$20,454 to \$38,550; those in the third quintile had incomes ranging from \$38,551 to \$61,801; those in the fourth quintile had incomes

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ranging from \$61,802 to \$100,000; and those in the highest quintile had incomes of \$100,001 or more.

<http://www.census.gov/prod/2010pubs/p60-238.pdf>

Page 48 Table A-2

Table A-2. Selected Measures of Household Income Dispersion: 1967 to 2009											
(Income in 2009 CPI-U-RS adjusted dollars. For further explanation of income inequality measures, see Current Population Reports, Series P60-204, <i>The Changing Shape of the Nation's Income Distribution: 1947-1998</i> . For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <a href="http://www.census.gov/apsd/techdoc/cps/cpsmar10.pdf">www.census.gov/apsd/techdoc/cps/cpsmar10.pdf</a> )											
Measures of income dispersion	2009 <sup>1</sup>	2008	2007	2006	2005	2004 <sup>2</sup>	2003	2002	2001	2000 <sup>3</sup>	1999 <sup>4</sup>
<b>MEASURE</b>											
<b>Household Income at Selected Percentiles</b>											
10th percentile limit .....	12,120	12,115	12,581	12,766	12,402	12,384	12,287	12,662	12,947	13,180	13,318
20th percentile limit .....	20,453	20,633	20,991	21,314	21,071	20,992	20,974	21,961	21,771	22,320	22,069
50th (median) .....	49,777	50,112	51,965	51,278	50,899	50,343	50,519	50,563	51,161	52,301	52,388
80th percentile limit .....	100,000	99,860	103,448	103,226	100,757	99,930	101,307	100,170	101,163	101,844	101,995
90th percentile limit .....	137,632	137,775	140,690	141,489	138,536	137,249	137,849	136,053	137,685	139,502	138,742
95th percentile limit .....	180,001	179,317	183,103	185,119	182,386	178,453	179,740	178,844	182,335	180,879	182,795
<b>Household Income Ratios of Selected Percentiles</b>											
90th/10th .....	11.36	11.37	11.18	11.08	11.17	11.08	11.22	10.75	10.63	10.58	10.42
95th/20th .....	8.80	8.69	8.72	8.69	8.66	8.50	8.57	8.37	8.38	8.10	8.29
95th/50th .....	3.62	3.58	3.52	3.61	3.58	3.54	3.56	3.54	3.56	3.46	3.49
80th/50th .....	2.01	1.99	1.99	2.01	1.98	1.98	2.01	1.98	1.98	1.95	1.95
80th/20th .....	4.89	4.84	4.93	4.84	4.78	4.76	4.83	4.69	4.65	4.56	4.62
20th/50th .....	0.41	0.41	0.40	0.42	0.41	0.42	0.42	0.42	0.43	0.43	0.42
<b>Mean Household Income of Quintiles</b>											
Lowest quintile .....	11,552	11,612	11,949	12,077	11,707	11,633	11,658	11,911	12,280	12,651	12,763
Second quintile .....	29,257	29,405	30,457	30,614	30,057	29,765	29,947	30,284	30,855	31,588	31,339
Third quintile .....	49,534	49,942	51,691	51,301	50,871	50,431	50,834	51,032	51,647	52,603	52,457
Fourth quintile .....	78,694	79,457	81,839	81,201	80,014	79,518	80,463	80,271	80,978	81,774	81,644
Highest quintile .....	170,844	170,408	173,763	178,904	175,335	171,965	171,527	171,382	176,848	177,203	174,106

Many of the senators and representatives in the two houses of Congress are certainly not poor, nor middle class in income and not without significant wealth. "The current salary (2010) for rank-and-file members of the House and Senate is \$174,000 per year." This puts them at the top 5% of income earners based on household income. Assuming their spouse or other members of the household earn even a modest income, this would place them, as a household, well into the top five-percent income earners.

Salaries and Benefits of US Congress Members

<http://usgovinfo.about.com/od/uscongress/a/congresspay.htm>

Pay and Perquisites of Members of Congress, Including a History of House and Senate Salaries

<http://www.thecapitol.net/FAQ/payandperqs.htm>

“Congressional members scored big during the steep downturn in the market, posting a 16% gain collectively between 2008 to 2009...”

*Members of Congress Getting Richer, Despite Market Meltdown*

Daily Finance Dawn Kawamoto 11-17-10

[http://www.dailyfinance.com/story/investing/members-of-congress-getting-richer-despite-market-meltdown/19722898/?icid=sphere\\_copyright](http://www.dailyfinance.com/story/investing/members-of-congress-getting-richer-despite-market-meltdown/19722898/?icid=sphere_copyright)

Mr. de Tocqueville, how right you were...are