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The Stimulus Bill: $825 Billion in Forgone Family Spending

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House Democrats have proposed $825 billion in stimulus spending (the American Recovery and Reinvestment Act of 2009) to be used to create jobs, protect workers, expand infrastructure, and provide aid to states. This money is being borrowed, meaning it will have to be repaid by either taxing it from future generations or borrowing even more funds.

Many people have trouble picturing such an enormous amount of money. To put it into perspective, $825 billion is worth approximately $10,520 for each family in the United States, or $22,445 for each family with children under the age of 18. These figures account for a large portion of what families spend money on each year, including food, clothing, shelter, and health care.

Family Spending. In 2007, there were 78,425,000 family households in the United States; 36,757,000 of these households contained children under 18 years of age.[1] If the $825 billion in stimulus spending were borrowed from either of these groups, every family in the United States would be lending the federal government $10,520, or each family with children under the age of 18 would lend $22,445. Of course, family groups are not going to be asked to loan this money to the government, or even to be responsible for paying it all back in the future. However, as a mental exercise, if they were, how would this fit into annual family spending?

These amounts account for a large portion of the goods and services that families spend their money on annually. According to the 2007 Consumer Expenditure Survey (CES),[2] families with children under 18 spend, on average:

- $2,470 on apparel and services,
- $2,668 on health care,
- $4,402 on food at home, and
- $12,739 on shelter.

Taken together, families with children under 18 spend, on average, $22,279 annually—almost 37 percent of total average annual family spending—on these goods and services. If this group were required to fund the stimulus bill, it would be similar to saddling them with debt equivalent to their budgets for clothing, health care, food, and housing for one year.

Average spending for all family groups in the United States is similar to that of families with children. On average, families are spending:

- $2,330 on apparel and services,
- $3,595 on health care,
- $4,322 on food at home, and
- $11,657 annually on shelter.

If all families were asked to equally shoulder the burden of the $825 billion stimulus package, it

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would be like asking them to take on an amount of debt equivalent to what they spend on food, clothing, and health care or most of what they spend on shelter for an entire year.

College Tuition. According to a recent report issued by the College Board, the average cost of tuition and fees to attend an undergraduate program for the 2008–2009 school year was $6,585 for a public in-state institution, $17,452 for public out-of-state and $25,143 to attend a private four-year institution.[3] Families subsidize most of the cost of attending college with some type of aid program, including school loans and federal grants. With their share of the stimulus, families with children under 18 could pay tuition for one year at a private four-year institution—such as Harvard, Stanford, or Yale—or could cover almost four years of the cost of public in-state tuition.

The Way Out. The proposed stimulus package by the House Democrats intends to jump-start the economy by increasing government spending, which has not increased economic production in the past and is unlikely to do so in the near future. The national deficit is already large and growing, and the American Recovery and Reinvestment Act of 2009 will only further exacerbate this problem. This increased debt will need to be made up by increasing taxes on years of future taxpayers or by borrowing more money from the economy.[4]

While increased government spending is not the appropriate policy response for boosting the economy, other policy prescriptions can certainly aid the process. Instead of creating higher taxes for families by increasing government spending, policymakers should instead consider extending or making permanent the 2001 and 2003 tax reductions and should reduce individual, small business, and corporate taxes through 2013. A recent study by Heritage Foundation analysts found that extending these tax cuts and further reducing taxes would stimulate job production and increase gross domestic product, thereby improving our economy and shortening the length of the recession.[5]

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1. U.S. Census Bureau, “America’s Families and Living Arrangements 2007,” tables AVG2 and AVG3, at *http://www.census.gov/population/www/socdemo/hh-fam/cps2007.html* (January 22, 2009).
2. Bureau of Labor Statistics, Consumer Expenditure Survey, 2007, table 5, at *http://www.bls.gov/cex/2007/Standard/cucomp.pdf* (January 24, 2009).
3. College Board, “Trends in College Pricing: 2008,” table 1a, at *http://professionals.collegeboard.com/profdownload/trends-in-college-pricing-2008.pdf* (January 22, 2009).
4. See Brian Riedl, “Why Government Spending Doesn’t Stimulate Economic Growth,” Heritage Foundation *Backgrounder* No. 2208, November 8, 2008, at *http://www.heritage.org/Research/Budget/bg2208.cfm*.
5. J. D. Foster and William W. Beach, “Economic Recovery: How Best to End the Recession,” Heritage Foundation *WebMemo* No. 2191, January 7, 2009, at *http://www.heritage.org/Research/Economy/wm2191.cfm*.