

1/19/2009

## GOVERNMENT SPENDING AND TAXES

The "standard operating procedure" of the aspiring "PEERS" is to present inflated predictions of the effects of their proposals with no hint of the disasters that one would reasonably expect to result from such action. That is just how the \$825 billion economic plan is being presented to us.

The aspiring "PEERS" deliberately misrepresent the relationship between government spending and taxes. The tax is levied when the government spends the money, unless the government is operating with a surplus (a very rare occurrence). A tax, enacted by the legislature to pay for expenditure, only effects who pays for the expenditure. If the government pays for the expenditure by printing money, the value of the dollar is reduced, effectively taxing everyone who has money, and reducing the value of debt. If the government borrows the money, it will eventually have to repay it either by printing money, raising taxes or reducing other expenditures. Generally, the borrowing merely postpones the inflationary effect of government spending.

Aiding the "PEERS'" misrepresentation is the common fallacy that money is wealth. Money is a medium of exchange, a claim on the nation's wealth. The following figures explain the relationship between the dollar and the nation's wealth and how the nation's wealth is affected by various activities.

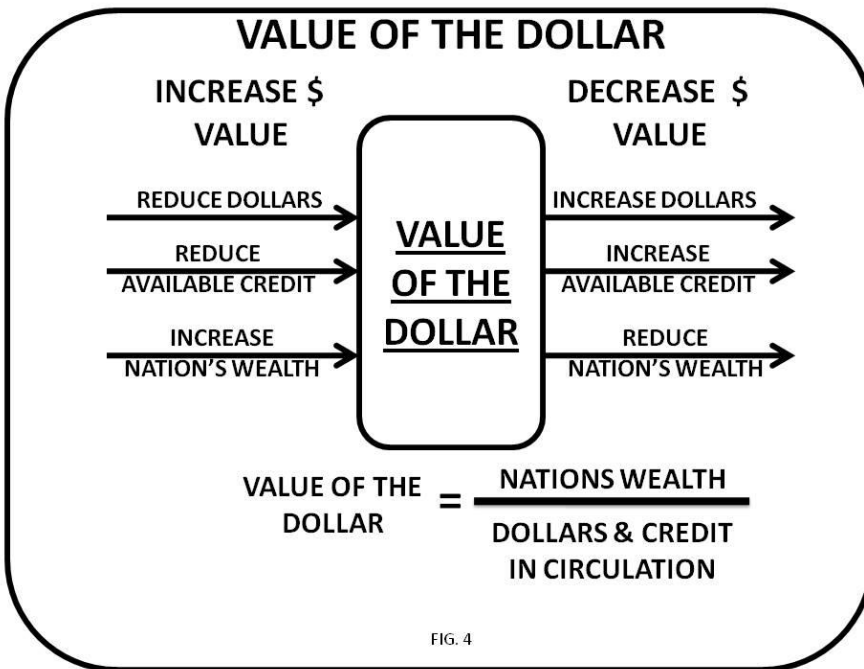
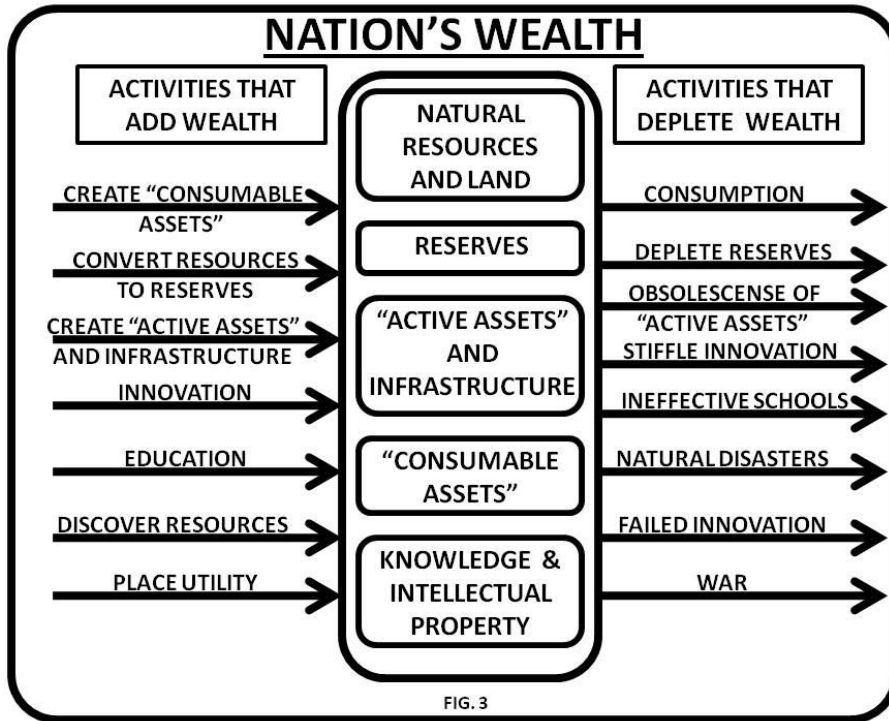


FIG. 4



The \$825 billion economic plan is essentially a plan to have the government invest your money. Historically, the government does not have a good track record in investing money. We are not talking about money. We are about to redeploy the nation's wealth. What effort has been made to insure that the \$825 billion redeployment of our nation's wealth will pay dividends. An investment is supposed to create wealth, not destroy it.

Remember, these are the same people who created the current financial meltdown of our banks by pressuring the banks to lend money to people with little or no prospect to repay the loans. When did they get smart enough to invest \$825 billion?

This destruction of wealth added to the "global warming" initiatives have the potential to push millions of us below the poverty line and increase the "PEERS" constituency.

# \$825 BILLION ECONOMIC PLAN

## NATION'S WEALTH

