CHART OF THE MONTH

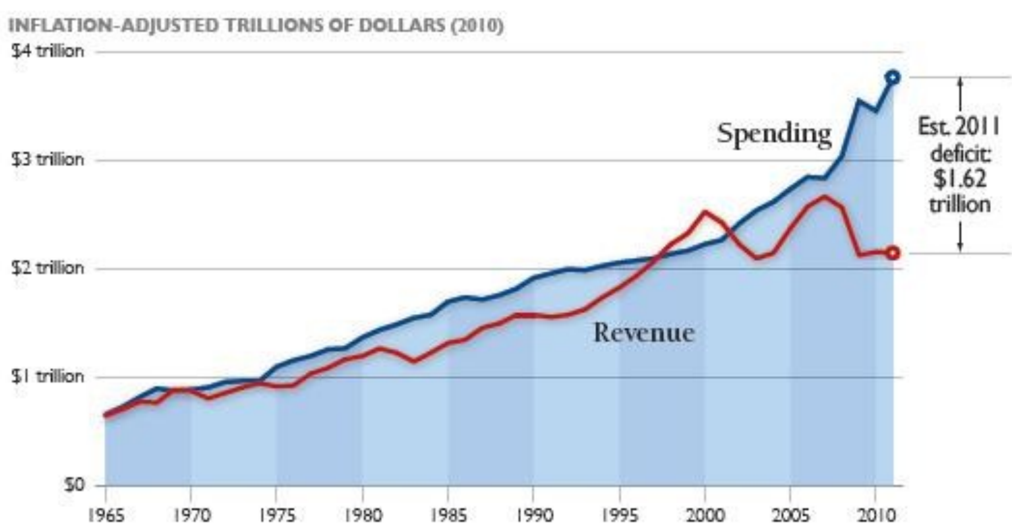
JULY 2011

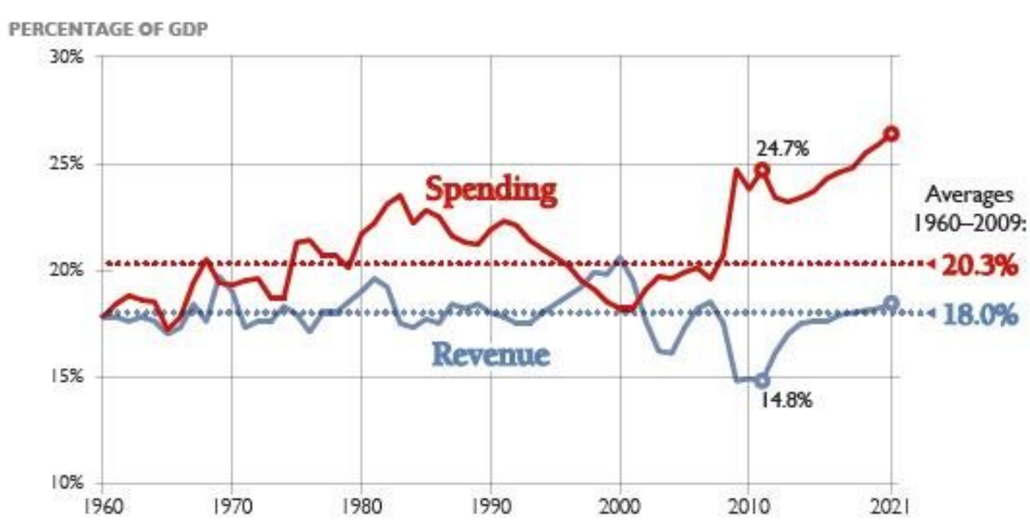
While Congress continues to debate government spending, deficits, and the debt ceiling, we thought it might be helpful to break down the size of the U.S. economy (Gross Domestic Product), federal spending, tax revenues, and the budget deficit in terms of both absolute dollars and percentages.

	2011 Projections	As % of GDP
Gross Domestic Product	$15.2 trillion	N/A
Federal Spending	$3.8 Trillion	25%
Tax Revenues	$2.2 Trillion	15%
Budget Deficit	$1.6 Trillion	10%

As detailed above, the projected GDP for 2011 is approximately $15.2 trillion. The federal government will spend roughly $3.8T, which works out to 25% of GDP. The government will receive about $2.2T in tax receipts, equal to 15% of GDP. The difference between expenses and revenues results in a record budget deficit for 2011 of $1.6 trillion, or just over 10% of GDP.

Since the mid-1960s, federal spending has risen faster than tax receipts, producing budget deficits every year except during the late 1990s. Revenues have declined recently due to the recession and sluggish rebound, yet spending in absolute dollars and as a percentage of GDP has risen at a faster pace to all-time highs. In order to get the deficits under control and maintain the country's AAA rating, spending and revenues need to revert toward their long-term averages of approximately 20% and 18%, respectively. How we accomplish these goals will likely become the focal point of the 2012 elections.





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