**Your name**

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**Course Number**

**Date**

**The Federal Debt**

**What are the possible solutions for the federal debt problem?**

**Introduction**

The US federal debt is the total amount of money the federal government owes to other countries (mostly China and Japan), itself, state and local governments, its citizens, or investors. (GAO 2020) The US government uses this borrowed money to finance its annual budget deficits. At the end of the fiscal (tax and spending) year 2019, the total federal debt was $22.8 trillion. (GAO 2020) This annotated bibliography will explore the possible solutions for this insurmountable amount of debt on society. As a hypothesis, I expect to find that the government is going to go bankrupt from my research. I got interested in this subject not so long ago after learning about the recession of 2008, and how the big banks on Wall Street lied to and ripped off the American people. From then on, I’ve become very interested in the economy and its characteristics. I believe that the debt problem affects every single citizen of this country; and as citizens, we should be aware of the state of our economy. At this very second, the federal government is accruing more and more debt by the thousands just by interest alone! The Congressional Budget Office states, “As a result of those deficits, federal debt held by the public is projected to rise sharply, to 98 percent of GDP in 2020...It would exceed 100 percent in 2021 and increase to 107 percent in 2023, the highest in the nation’s history.” (CBO 2020) This basically means that the debt is projected to grow larger than the economy! If the US government doesn’t make the necessary policy changes, the government could go bankrupt.





**Entry One:**

“National Debt: Who Cares?” *YouTube*, uploaded by PragerU, 17 Jun. 2019.

https://www.youtube.com/watch?v=tBb6Dh234TE.

This Youtube video explains the magnitude and the possible effects of the debt on our society. It explains what’s driving the debt; one of the causes of the debt is the 2008 recession because “revenues fell while spending soared.” The video claimed that the primary source of the federal debt is two programs: Social Security and Medicare. This claim is backed by this statistic: “According to data from the Congressional Budget Office, these two programs alone face a $100 trillion-dollar shortfall over the next three decades.” The reason for this shortfall is because “Medicare recipients typically receive benefits that are triple the size of what they paid into the system. Without some serious adjustments, these programs are going to fail.” Raising taxes wouldn’t solve the debt, “Paying all promised benefits would require either raising the payroll tax from its current 15.3% to 33% or imposing a 34% national sales tax. No – squeezing the rich, slashing defense, or eliminating welfare won't come close to paying the bill. Neither will any plausible level of economic growth. The 100 trillion-dollar hole is too big.” The video states that a way to fix the debt is to cut back benefits to senior citizens to a more affordable level, “Likewise, when America promises senior citizens benefits far exceeding what they paid into the system, we should not tell young working families that their taxes must be doubled or tripled. We should instead pare back those benefits to an affordable level.” According to the video, people should depend less on the government “that has promised more than it can possibly pay out to take care of you.” Instead, the video proposes, people should save for their own retirement. The next way to fix the debt is to raise the Social Security eligibility age. And as for Medicare, “... a good solution already exists, amazingly within the Medicare system – the prescription drug program... this one has come in below initial projected costs. Why? Because insurance companies have to compete for seniors' prescription drug business. So let's give seniors more options to shop around for the Medicare plans they want. More choice and competition would stabilize costs, and give us a fighting chance to keep Medicare solvent.”

I agree with the video 100% mostly because the video reinforces what most credible fiscal responsibility advocacy groups, such as the Concord Coalition and The Peter G. Peterson Foundation, are saying. The video claims that people should depend less on the government for retirement, and I think this advice is important for all citizens living under the US system because it is probable that Social Security will go bankrupt. Though it is ideal that senior citizens receive a sufficient amount of money from Social Security, the reality is Social Security, Medicare, and most pension plans can possibly go broke. At this point, relying on the government is rather useless. The only thing I don't understand about this video is the prescription drug program which was mentioned as the third solution to solve the debt crisis. I don’t know what that program is but it sounds like a good alternative to the current policy on Medicare because it “has come in below initial projected costs” which means it cost less to execute and maintain the program than predicted. This video tells me that there are three solutions for the debt problem: less government spending on Social Security, an older eligibility age for Social Security, and implementing the prescription drug program. I think the speaking style of this video is informal and straightforward. The video began with what one would assume to be a pop culture reference, “In the 1958 movie, The Blob, starring a young Steve McQueen, a giant, expanding mass,” to give the audience a better understanding about the gravity of the debt problem. It also uses pretty informal words like, “Mom and Dad”, and informal phrases like, “If the US goes 'boom'”. The author's intended purpose is to educate the general public about the problems of the debt and the need to fix it as soon as possible. The choice of the genre makes sense for what the author wants to accomplish because a lot of people go on Youtube; some every single day to get their information or entertainment; therefore, Youtube is among the best platforms to reach the most people. Also, a lot of students and adults look for educational videos on Youtube. Though Prager University is a conservative and right-wing organization, all claims made by the video are non-partisan and are backed by statistics and logical reasoning. For part four of the entry, all the quotations can be seen above in the summary. I didn’t find any new information but I felt like this video offers good solutions to counteract the debt problems, it also gave a good analogy for the debt as a blob that swallows a whole city. At this point, nothing about the video surprised me because I’m sure that in the future, things will get a lot worse before it gets better, and that the American dollar will lose it’s value.





**Entry 2**

*I.O.U.S.A*. Directed by Patrick Creadon, 2008, YouTube,

https://www.youtube.com/watch?v=BVvdTYSMVRQ&t=2969s.

This documentary was published in 2008, yet it is still very much relevant today and its messages are of the utmost importance especially now that this nation’s debt has predictably risen to an inconceivable, baffling amount. David Walker (Comptroller General of the United States 1998–2008) says in the documentary, “we suffer from a fiscal cancer...if we do not treat it, it can have catastrophic consequences for our country.” According to I.O.U.S.A, the federal debt is “only a fraction of our nation’s fiscal challenge.” Robert Bixby (Executive Director of the Concord Coalition from I.O.U.S.A) declares that the current fiscal policy is unsustainable. I.O.U.S.A gives a definition of federal debt: “today's federal debt is the sum of all of our annual budget deficits and surpluses going back to the beginning of our federal government.” America faces 4 deficits today: budget, savings, trade, and leadership. Peter G. Peterson (Secretary of Commerce, 1972 - 1973) claims, “we are now borrowing 22 cents of every dollar that we’re spending and in effect what we’re doing is we’re slipping this huge hidden check for our free lunch to our children and our grandchildren.”

Next the documentary talks about the 2008 Federal Budget; Bixby compares a budget to a diet, “It's a lot like dieting, a budget is a diet...There are only two ways that you can balance a budget, you can cut spending or you can raise taxes.” Sen. Kent Conrad (1987–2013) mentions, “[Baby Boomers] they’re going to be eligible for Social Security and Medicare and yet we can’t pay our bills now.” I.O.U.S.A predicts, “In less than 10 years, Social Security will be paying out more than it takes in and will only get worse as Baby Boomers retire in larger and larger numbers. By 2017, Social Security will not be helping to reduce our overall deficit, it will be adding to it. Our enormous Medicare deficits and other federal spending and also lie ahead will only make this situation worse.” Senator Judd Gregg, NH (1993–2011) decries “this issue (debt) represents the potential meltdown of this nation. And it absolutely guarantees if its not address that our children will have less of a quality of life that we’ve had, that they will have a government that cant afford and we will be demanding so much of them in the area of taxes that they will not have the money to send their kids to college or buy that home or just live a good quality of life.” Alice Rivilin (Director of the United States Office of Management and Budget (1994–1996)) states, “...[the federal government] is running a deficit. If you look at just 3 programs: Medicare, Medicaid, and Social Security, the spending for those programs under current rules will rise very rapidly over the next few years… Unless we are willing to raise taxes and keep on raising them or close down the rest of the Federal Government. We’ve got a very big problem staring us in the face.” Bixby says, “what they’re [people] frustrated with is that they can’t get straight answers from politicians or they’re told things that just don't make sense like oh we can cut taxes and add prescription drug benefit to Medicare, and you know instinctively people think ‘I don't think that really adds up, you know, but this guy is telling me that I can have it all, so okay… I’ll vote for him.’” The document then went on to talk about the money supply. Alan Greenspan is the chairman of the Federal Reserve board, the Fed has tremendous power over the money supply and credit. Rep. Ron Paul says, “If you increase the supply of money, you have inflation.” If the Fed creates too much money, we’re going to have a crash of the dollar. Warren Buffet (Billionaire investor) talks about the trade deficit, “If 15 or 20 years from now 2 or 3 percent of the GDP is being paid abroad merely to service the debts or the ownership of assets that have been incurred because we’re overconsuming that would be politically unstable.” One last interesting quote is: “By the time today's college graduates are ready to retire 40 years from now, the only things that our government will be able to pay for is our interest on the federal debt and some Social Security, Medicare, and Medicaid benefits. All other parts of the federal government will be closed and out of business… We would have to raise federal tax burdens across the board more than 2 times of today's levels to close the financing gap. We’re facing a more than doubling of federal taxes if we continue down our present path.”

I agree with almost 100% of the documentary. One part that I didn’t really agree on is when it mentions that people should save their money in a savings account, and that grandparents should create a savings account for their grandchildren. I think that though that might be better than not saving at all, the saving essentially wouldn’t really be savings anyway because the Fed is always printing money and inflating the money supply. Adding on, some respectable economists from the documentary think that if the current level of fiscal irresponsibility continues the American dollar will lose its value. I personally believe that if a person wants to have more purchasing power in the future, he shouldn’t save the American dollar; instead, Gold and Silver could be a better option because these precious metals inherently have value as opposed to a piece of paper which only has value because the government says so. Also, with the foreseeable takeover of technology in our society, Bitcoin is a good bet. I understand almost everything the documentary says. A lot of experts from this documentary think that the level of debt in the future is unsustainable and actions need to be taken ASAP. This documentary tells me that there are 6 basic solutions for fixing the federal debt: 1. “Demand responsible budget controls; 2. Implement major reforms to taxes, social security, and medicare; 3. Reform Healthcare; 4. Save more; 5. Fix trade deficit; 6. “Throw out Washingtons do nothing plan and those who support it”. The author's style is very straight-to-the point. And the words used are pretty common for most people. Additionally, the sentences are kept short and simple so as to cause no unnecessary confusion for the audience . The author's intended purpose is to educate the general public about the problems of the debt. The choice of genre makes sense for what the author wants to accomplish because a documentary serves an educational purpose. The genre, being a visual and auditory one, makes a complicated, and boring subject interesting and stimulating. This genre is also very good at eliciting an emotional response from people.





Entry 3:

Antony Davies, James R. Harrigan. “Debt Myths, Debunked”. *US News*, Dec 1 2016. https://www.usnews.com/opinion/economic-intelligence/articles/2016-12-01/myths-and-fac ts-about-the-us-federal-debt

This article talks about the common misconceptions about the federal debt and dives into details about the facts contrary to the myths. Here are some important points in the article: “The federal government has borrowed around $3 trillion from the Social Security trust fund, and another $2.5 trillion from other intragovernmental sources like the Medicare trust fund, federal retirement plans and veterans benefits funds. This money doesn't belong to the government. It belongs to retirees, veterans and the sick. When the federal government borrows this money, it isn't borrowing from itself; it is borrowing from people for whom the government is holding the money in trust.” Another fact that is interesting is: “Technically speaking, the government can't go bankrupt because it only promised to hand over a certain number of dollars; it didn't promise what the value of those dollars would be. Because the value of the dollars was never specified, the government can print enough to render the dollars nearly worthless. To the rest of us, the effect is the same as the government going bankrupt.” The article then talks about the fact that taxing the rich would not solve the problem simply because there aren't enough rich people to tax, so it wouldn’t make that much of a difference. Here is an interesting fact about the government's assets in 2018: “The government's gold would not come close to covering its obligations. The federal government owns 8,000 tons, or about $300 billion worth, of gold. The federal government also owns almost 500 million acres of land that are worth about $1.8 trillion. Together, gold and land account for more than 70 percent of the government's $3 trillion in assets. If the government sold all the gold and all the land it owns, it wouldn't raise enough money to pay for even two percent of its obligations.” Lastly, the article offers solutions to this debt problem, which is to cut all federal spending by 10%, “Hold government spending constant for the next five years”.

Yes, I agree with the text because I think that the government is overall spending much more than it should, this is confirmed by the previous source. Cutting all federal spending by 10% may cause some programs or departments to receive less funding but it might save the economy for this generation and the ones coming up. If I could say something to the author, I would ask him if he still believes that the economy is salvageable given what has happened in 2020. This document tells my research question that one solution to solve the debt problem is to cut overall spending by 10%. The author’s writing style is authoritative as it implies that the writer is correct since he is stating the facts. Despite there being some economic jargons, the writer provides the definitions for them in an easy to understand manner. The audience intended audience is people who are confused about the federal debt and want to know more about it. The author’s purpose is to clear up any misconceptions people might have about the debt and educate them about the facts. Yes, this genre is news media, many people rely on the news to become more informed. This source is credible because it is published on a credible news site. For part 4 of the entry, all the quotes are in the summary.





Conclusion:

What I learned is very important because if people know about the debt problem, they will question politicians who promise a variety of programs along with lowered taxes because programs require money that the government most likely can’t afford without taxes, otherwise, the money would need to be borrowed and that leads to debt. If citizens know of this looming crisis, they will be more willing to demand fiscal responsibility and be more prepared in the future. Though I think everyone who wants a comfortable future for himself should know about my research. The President and the people in the Legislative branch should know about this the most, since they are the people who can make policies about the economy.