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A Nation in Debt

How Can We Pay the Bills?



One Way to Hold a Deliberative Forum

1.

**Review ground rules.
Introduce the issue to be deliberated.**

2.

Ask people to describe how the issue has affected them or their families.

3.

**Consider each option one at a time.
Allow equal time for each.
What is attractive?
What about the drawbacks?**

4.

**Review the conversation as a group. What areas of common ground were apparent?
Just as important: What tensions and trade-offs were most difficult?**

Ground Rules for a Forum

- **Focus on the options.**
- **All options should be considered fairly.**
- **No one or two individuals should dominate.**
- **Maintain an open and respectful atmosphere.**
- **Everyone is encouraged to participate.**
- **Listen to each other.**

About This Issue Guide

Our nation's debt has never been larger, and it has the potential to affect not only each of us, but future generations. This issue guide is designed to support people deliberating together about how we should approach the issue. There is no perfect solution but, by considering three different approaches for dealing with the debt, we can try to understand the viewpoints of others and reflect on what is most important to us. Each option sees the debt from a different perspective, and not all options address reducing the national debt equally.

There are difficult questions we need to think about—questions without easy answers:

- Should all of us have to tighten our belts, or should we ask more from larger corporations or wealthier citizens?
- Should we take drastic action to shrink the debt, or would that upend the economy?
- What's the right direction for tax rates to go—up, to cover our spending, or down, to encourage investment and growth that might expand the economy?
- Are we willing to live with a much smaller federal government—and if so, what benefits and services are we willing to live without?

Some of the worst problems with the debt lie in the future, so it's easy to procrastinate. But the effects are becoming more visible now. By 2020—not that far away—the government will spend more on interest on the national debt than on Medicaid. By 2023, we'll spend more on interest on the national debt than on the Department of Defense.

The research involved in developing this guide includes conversations with Americans from a variety of backgrounds, surveys of nonpartisan public-opinion research, consideration of many people's ideas and thoughts on what the best solutions might be, and reviews by people who know this topic well.



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A Nation in Debt

How Can We Pay the Bills?



IT IS NOT UNUSUAL—and not necessarily a problem—for a government to have at least some debt. But how much is too much? Many Americans think the US national debt is too large and want to try to get it under control.

How large is the national debt?

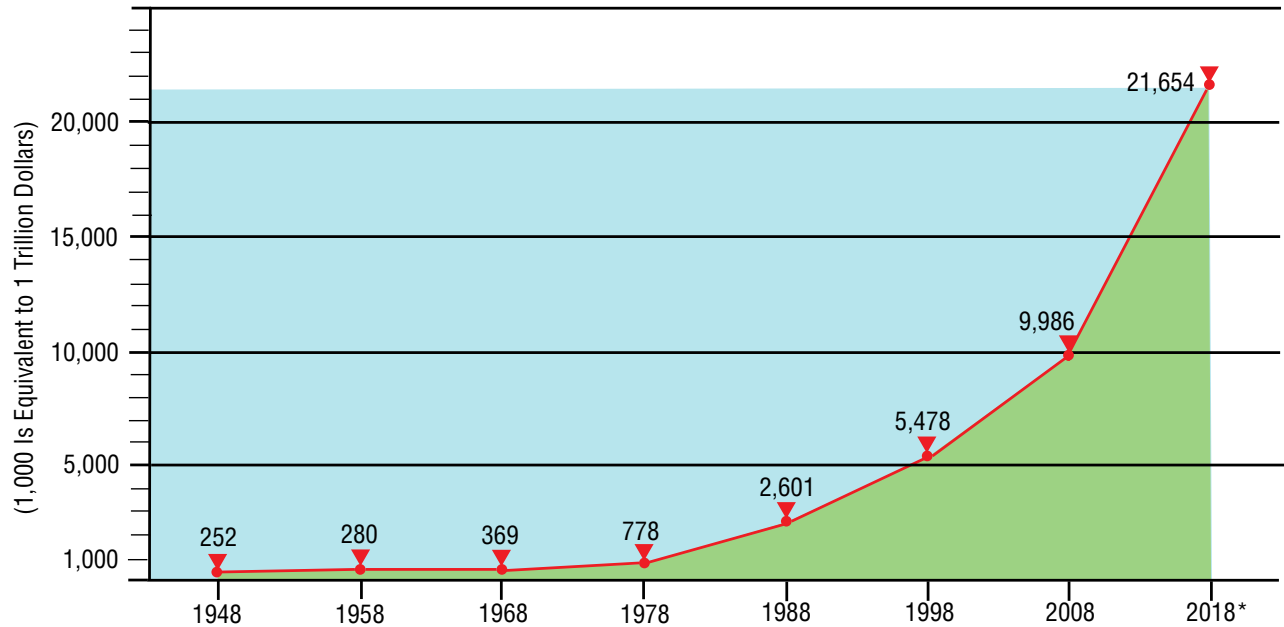
By the end of fiscal year 2018, the US government owed around \$21.7 trillion in gross federal debt (\$15.8 trillion in public debt and \$5.9 trillion in intragovernmental debt—money that is owed by one part of the government to another part). It was \$10 trillion just ten years ago and is projected to rise to \$34 trillion in another decade.

What's the difference between the national *debt* and the national *deficit*?

National deficit and *national debt* are not the same. When our government spends more than it earns in taxes during a year, the shortfall is referred to as the deficit. Most years, the US government runs a deficit. In 2015, the deficit was \$438 billion; in 2016,

Gross National Debt

(In billions of dollars, rounded to the nearest million)



Source: The White House, *Historical Tables*, Table 7.1, <https://www.whitehouse.gov/omb/historical-tables/>

*As of 10/15/2018, Treasury Direct, <https://treasurydirect.gov/NP/debt/current>

Note: Graph shows rise in debt from decade to decade but does not reflect fluctuations in debt between decades.

it had risen to \$585 billion, and in 2018, the deficit reached \$779 billion.

When there is a deficit, the country must borrow money to make up the difference, adding to the national *debt*.

How does the US government borrow money?

The US cannot just take out a bank loan when it needs to borrow money. Instead, it issues Treasury bonds—basically IOUs that are purchased by individuals, organizations, and other governments. When these bonds mature, the government pays back the money plus interest. US bonds are considered extremely safe investments and will continue to be—as long as investors believe there is no way the US government would default and fail to pay them back.

Just about anyone who wants to can buy Treasury bonds, so US debt is held by people and companies around

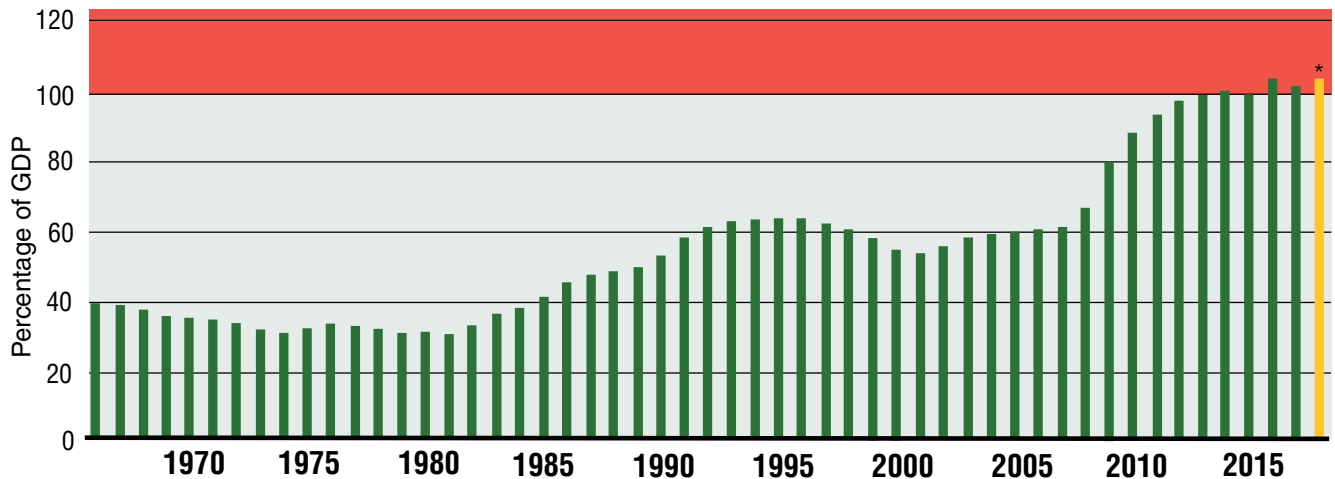
the world. Currently, 43 percent of the US public debt is held by foreign investors, including about \$2.2 trillion held by China and Japan. This means that nearly half of the interest payments on Treasury bonds is leaving the country.

How much debt is too much?

A common way of measuring the size of a country's indebtedness is to compare the amount of its public debt to the size of its entire economy, or Gross Domestic Product (GDP). As of late 2017, US debt held by the public was 76 percent of GDP. According to the US Government Accounting Office (GAO), the country's debt-to-GDP ratio may exceed its historical high of 106 percent in as few as 14 years—a path the GAO calls "unsustainable."

When individuals or families get into too much debt, their credit rating suffers and creditors may charge them higher interest rates or refuse to lend them any more money at all. In

Total Public Debt as a Percentage of Gross Domestic Product (GDP)



*2018 Estimate

Source: Federal Reserve Bank of St. Louis

2011, something similar happened to the United States when the Standard and Poor’s bond-rating agency downgraded the US credit rating for the first time in history. While this downgrade was serious, it did not trigger any interest-rate spikes, and demand for federal bonds remained high.

Various solutions to the debt problem have been suggested, but most don’t consider the sheer size of the debt we are talking about. Even if we eliminate the federal departments of education, agriculture, energy, transportation, health and human services, and housing and urban development, we would save only about six percent of the total discretionary portion of the federal budget. While six percent might sound like a lot, it would account for less than half of the current yearly deficit.

There are many reasons why the US has accumulated public debt over time, including:

- The country spent money fighting abroad or providing new benefits without raising taxes to cover the cost;
- Tax cuts were implemented without cutting expenditures to match;

- Fewer people were working and paying taxes during recessions;
- The government cut taxes or passed “stimulus” programs to prevent a recession from becoming a depression (an approach that worked well in the past);
- Rising health-care costs added to government spending on Medicare, Medicaid, and veterans’ programs.

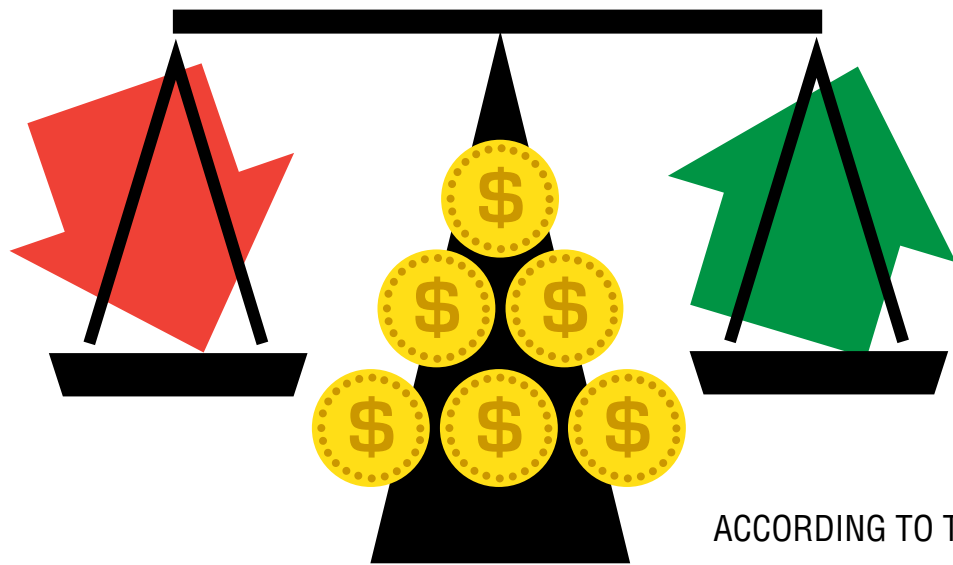
A Framework for Deliberation

This issue book asks: What should we do to shrink the national debt? In addressing it, we have many things to consider and weigh. This guide lays out three ways of approaching the national debt. Some deal with reducing the debt more directly, while others would increase the debt in the short term with no long-term guarantee that the national debt would be reduced. Each suggests actions that we might take, but every action has trade-offs we should consider.

By working through each option, we can come to our own individual and collective decisions about what we would support and under what conditions.

Option 1:

Agree to Limits



ACCORDING TO THIS OPTION, in order to do the responsible thing and avoid passing the burden of a crippling debt on to the next generation, we have to act now in a spirit of compromise and make the vital choices—including both raising taxes and cutting spending—that are our only ways of solving this urgent problem.

According to this option, the national debt has become too large because we are too complacent about the size of the government, too comfortable with the many services and benefits it provides, and too unwilling to raise taxes to pay for those benefits. We will need to both raise taxes *and* cut spending, including on Social Security.



The collective wars in Afghanistan, Iraq, and Syria have cost more than \$1.5 trillion according to a Defense Department report.

American history is full of stories about what has made our nation great. We rightly admire entire generations for the remarkable foresight, tenacity, and devotion to a common cause that were necessary to win the Revolutionary War and form a new nation, endure and outlast the Great Depression, and defeat Nazism in World War II. The outcomes of these and other episodes in our nation's history constituted not only great successes for the people who achieved them, but gifts and legacies for the generations who came after, including ours.

What legacies are we leaving the next generation? Among others, a massive national debt, projected to balloon astronomically with each passing year. "Failing to act and leaving future generations with the bill, particularly for millennials—the single largest and most diverse generation of Americans—will have severe negative effects . . . limiting economic opportunity, earning power, the ability to repay student loans, buy a home, or start a new business," said Patrice Lee Onwuka, a spokesperson for Generation Opportunity, a nonpartisan organization that advocates for millennials, in a February 27, 2017, op-ed in the *Washington Examiner*.

Tightening our belts to the extent necessary would probably require a smaller federal government, but an April 2017 survey by the Pew Research Center found that—for the first time in eight years—the proportion of Americans who want an even larger federal government that provides even more services had risen to nearly half. And, while more Americans are now willing to see taxes increased in general, only about five percent believe that their own taxes should go up.

In other words, we continue to imagine we can have our cake and eat it, too. This option says that those days are over. We must strike a compromise between paying more in taxes and accepting fewer benefits from the government. Until now, by pretending we can have low taxes and still afford generous programs, we've been shifting the costs of our decisions onto the shoulders of young Americans. We can't afford to pretend any longer.

A Primary Drawback of This Option: *This option calls for higher taxes and could require us to work later in life and pay more for fewer benefits.*



What We Should Do

Raise Taxes

Americans have long enjoyed some of the lowest individual tax rates in the developed world. The Organization for Economic Cooperation and Development calculated that the percentage of taxes paid on average wages in 2016 amounted to 31.7 percent in the United States; in Spain, that number is 39.5, in France, 48.1, and in Belgium, 54.0.

Tax cuts signed into US law in late 2017, which took effect in 2018, pushed the deficit higher. These tax cuts reduced the top rate for couples making \$600,000 and above from 39 to 37 percent. We have room to raise tax rates, according to this option. As recently as 1980, the top rate in the US was 70 percent; in the 1950s, it was 92 percent. The 2017 tax cuts are set to expire in 2025. Not only do we

need to revoke them and return to the previous rates much sooner than that, but we should raise those rates still further. Of course, there are also other options when it comes to raising taxes, including taxing corporations at a higher rate or instituting high progressive income taxes.

Reduce Federal Spending on Defense and Other Programs

Trimming from any of the biggest categories of the budget could have a potentially huge fiscal impact. Consider the defense budget, which is currently \$605 billion—16 percent of the federal budget. By 2019, that number is projected to be \$716 billion. That's about as much as the Pentagon was budgeted when we still had 200,000 soldiers fighting in Iraq

Biggest Federal Tax Breaks and Their Cost to the US Treasury

Estimates for fiscal year 2017, in billions of dollars

Employer-paid health care, health insurance, and long-term care insurance	164.7
Lower tax rates on dividends and long-term capital gains	133.6
Deferral of active income of controlled foreign corporations	119.0
Contributions to and earnings of defined-contribution retirement plans	102.0
Earned-income tax credit	73.4
Contributions to and earnings of defined-benefit pension plans	70.4
Deductibility of (nonbusiness) state and local income, sales, and personal property taxes	69.3
Mortgage interest deduction for owner-occupied residences	63.6
Subsidies for insurance purchased through health benefit exchanges	55.8
Credit for children under age 17	54.6

Source: Pew Research Center, "Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019" Joint Committee on Taxation, staff report JCX-14 1R-15



and Afghanistan. When corrected for inflation, it is fully \$100 billion more than the defense budget at the peak of President Ronald Reagan’s massive military buildup in the 1980s, which in turn was more than at the height of the Vietnam War.

Proponents of such increases say they’re needed to improve military readiness, but two military leaders who each served both Republican and Democratic presidents disagree. Writing in the August 9, 2016, *Wall Street Journal*, General David Petraeus, who led the war efforts in Iraq and Afghanistan, said, “There is no crisis in military readiness.” On May 10, 2012, Admiral Michael Mullen, a former chair of the Joint Chiefs of Staff, told *Fortune* magazine that the single biggest threat to our national security is the federal debt.

People who support this option recognize that it’s tough to criticize defense spending. Doing so feels unpatriotic, not to mention that defense projects bring jobs and money to many congressional districts. This option holds, however, that it is no less patriotic to want to protect our nation’s fiscal future. We simply must find a reasonable limit to defense spending. The defense budget is only one area of the federal budget that we could reduce. We might also cut other parts of the discretionary federal budget, including government services in health care, education, and the environment.

Reform Social Security

If we’re serious about getting our financial house in order, according to this option, we urgently need reforms to Social Security, one of our government’s largest obligations. Until recently, the post-World War II baby boom ensured that much more was being paid into Social Security than was being paid out, but that situation is being flipped on its head. As more and more baby boomers retire, Social Security will begin paying out more than it takes in. According to a 2018 report by the trustees who manage the fund, Social Security will be unable to pay all benefits due by 2034.

One simple step for improving Social Security would be raising or eliminating the salary cap on contributions to its trust fund. Unlike income taxes, which must be paid on virtually all levels of income, people pay Social Security taxes on income only up to the cap amount, which rises each year with inflation. The Social Security salary cap for 2018 is \$128,400, so anyone making more than that—be it \$1 or \$1 million more—doesn’t pay a dime into the Social Security trust fund on the excess amount. Raising or eliminating this cap altogether would go a long way toward correcting the program’s projected shortfall.

Another step that fits with this option is to raise the age at which people can begin drawing Social Security benefits. Right now, you can start receiving partial retirement benefits at age 62. Many believe that age should be at least 64, and—recognizing that people today usually work much later in life than when the program was first created—that we should raise the age at which people can retire with full benefits to 69. That would both decrease the number of people receiving benefits and increase the number of people paying into Social Security—a double win for the long-term viability of the program.

According to a 2017 study by the Transamerica Center for Retirement Studies, “Seventy-six percent of all workers are concerned that Social Security will not be there for them when they are ready to retire.”





Trade-Offs and Downsides

- Raising the retirement age for Social Security benefits would compel people to work longer and would be especially hard on people doing manual labor and service jobs.
- Eliminating the salary cap for Social Security taxes is, in effect, a large tax increase that would force higher-income people to pay much more into the system than they can ever get back in benefits.
- Raising taxes could push the country into another recession. It could lead millions of Americans to cut back on spending, which would undercut the economy overall.
- A reduced defense budget would leave the US military with fewer resources to counter growing threats and might force base closures that could devastate communities whose local economies depend on serving the soldiers and civilians who work there.



Questions for deliberation . . .

- 1 If we ask Americans to accept fewer government services and higher taxes to tackle the debt, should the sacrifices fall on everyone to at least some degree, or are there groups who should be exempt?
- 2 What will happen to more vulnerable people in our society if we cut government services in health care, education, and the environment? Are we willing to accept the results of these cuts?
- 3 People often want to cut services they don't value but reject cutting those they do. What government service that you truly value would you be willing to reduce?

Option 2:

Strengthen Checks and Balances

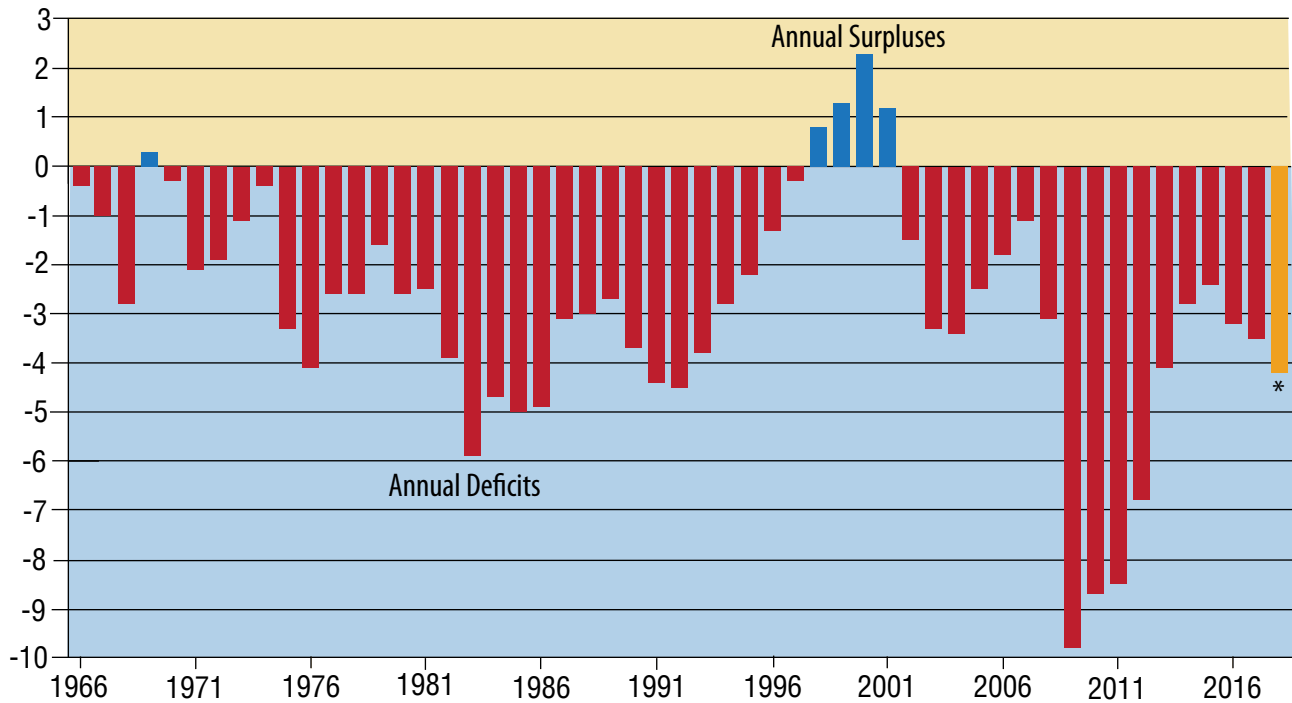


THIS OPTION HOLDS that the national debt is out of control because legislative safeguards that ensure a responsible government are not working. Rather than relying on willpower, this option says that instituting firm controls is the best way to curb growing deficits.

Because people are not always perfect, this nation's founders built checks and balances into our government. Unfortunately, they didn't think it necessary to include effective controls to ensure the government was budgeting in a fiscally responsible manner—perhaps because there was no way for them to know just how large and expensive the US government would one day become.

Annual US Federal Government Surpluses and Deficits

Percentage of GDP



* 2018 Estimate

Source: Congressional Budget Office

Today, elected officials are more likely to lose elections by *not* spending money on government programs than by borrowing to spend it. The two main political parties, instead of reining each other in, are both all too willing to help us dig this hole. And the public willingly accepts more benefits from the government than the nation can afford, choosing not to think about where the money will come from. The result is irresponsible and unsustainable.

This option says we need laws and procedures that—through our representatives—prevent the federal government from spending more than it collects in taxes and impose greater accountability and fiscal responsibility. This approach could help reduce the yearly deficit, but it would

not erase the debt we have already accrued. But, just like a family that finds it has more discretionary income as it pays down the bills, we would steadily make faster progress. In some cases, the tools are already there but have been laid aside by Congress. We need to pick them up again and put them to use.

A Primary Drawback of This Option: *This option could decrease the federal deficit but would not reduce the debt we already owe. It will likely make it harder for government to respond to crises or fund and operate programs that people depend on.*



What We Should Do

Pass a Balanced-Budget Amendment

One important safeguard, according to this option, would be to go back to the blueprint of our government, the Constitution, and enact a balanced-budget amendment. While amending the Constitution would be enormously difficult, and potentially quite controversial, the result would be that the nation could not legally run a deficit. Borrowing simply would not be an option.

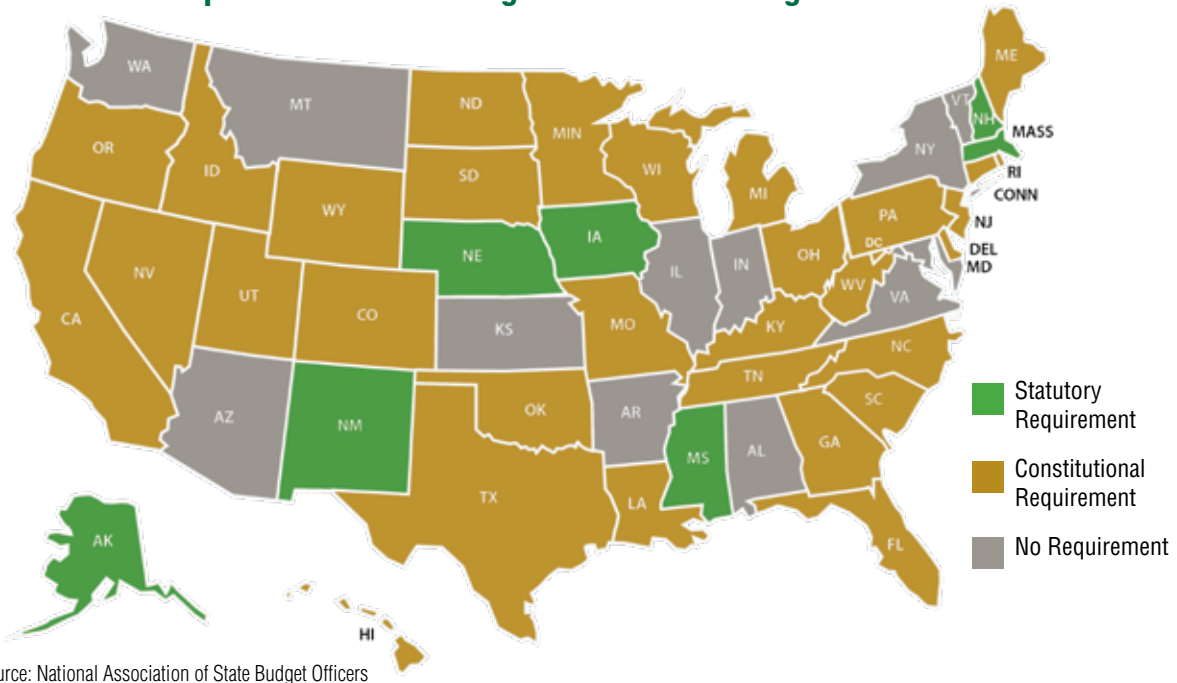
According to the National Association of State Budget Officers, 46 states have some form of statutory balanced-budget requirement; the federal government does not. Over the years, there have been many proposals for a balanced-budget amendment. Former Senator Mark Udall, a Democrat from Colorado, cosponsored one such bill. “I’ve long gone by the saying, if you find yourself in a hole, stop digging,” Udall stated in a 2011 press release. In 2018, Congress failed to pass a proposed balanced-budget amendment.

Approving an amendment to the Constitution is a lengthy and very difficult process. Going from the current deficit to a balanced budget would massively disrupt services currently provided by the government and holds the potential to devastate the national economy. For instance, if such an amendment had been in place during the recent recession, it would have been much more difficult for the government to respond. Nevertheless, say supporters of Option Two, without a balanced-budget amendment there will be nothing to prevent us from sliding right back into our current fiscal quagmire. If we pursue this option, it would ensure that there would be much smaller federal deficits. However, it would not reduce the debt we have already accrued.

Time—Again—for “Pay-As-You-Go”

Another way to help control spending is a so-called “pay-as-you-go,” or PAYGO, requirement, which would

States That Require Governor to Sign a Balanced Budget





mean the government couldn't approve any program or expenditure without showing how it would be paid for. While this would not reduce the current debt, it would restrain the growth of future deficits.

PAYGO fits well with Option Two's approach, which is to force better management of our spending. "Paying-as-you-go" may seem obvious, but spending on credit has become such an engrained habit that many of us—and many of our leaders—simply ignore this basic tenet of sound financial practice.

We've actually tried this before—and it worked for a time. A PAYGO policy was enacted in 1990; that decade, the federal deficit shrank until it became a surplus, meaning the government was earning more in taxes than it was spending. In 2002, PAYGO was allowed to expire completely, and we soon returned to deficit spending. Although it was signed into law again in 2010, it is very easy for legislators to waive the requirement, effectively stopping the law from working as it should.

People who agree with Option Two say we should require all spending by the federal government to fall under pay-as-you-go rules that elected officials are legally obligated to follow.

Riding into the Sunset

While a PAYGO system is a good start, it will not prevent us from spending money on bad ideas and inefficient programs. To reduce that risk, we should consider imposing "sunset" requirements, which set expiration dates in the original legislation for a program or an agency. When those dates come, government must review the expenditure to ensure it deserves to continue.

This is not a new idea. Thomas Jefferson argued that laws passed by one generation should expire within nineteen years to allow the next generation to reevaluate them.

Many US states have laws establishing some form of sunset requirement. According to the Texas Sunset Advisory

Commission, the Texas sunset law has abolished 85 government agencies or commissions since 1977, with an estimated savings through 2017 of \$981 million. But while sunset laws in some states have reduced programs and spending, critics say they are also used to yield political power. "It's a tool the legislature uses to keep the agencies in line and from becoming too tied to the governor's agenda," said Brian Baugus and Feler Bose of George Mason University's Mercatus Center in a September 1, 2015, *US News and World Report* article. Other critics of sunset laws argue that the lengthy oversight reviews could, themselves, cost more than continuing the legislation.

Permanently Ban "Earmarks"

"Earmarking," or "pork," is the nickname for Congress's practice of directing part of a spending bill to a project or agency in specific members' home districts or states—often at the request of citizens there. This is not a major component of the national debt, but this option holds that this fiscal discipline will still have a beneficial effect, even though it would not address the debt we have already accrued.

In early 2011, Congress ostensibly banned earmarks. But even so, in the 2012 through 2017 federal budgets, Citizens Against Government Waste reportedly found an average of 109 earmarks costing \$3.7 billion a year. In the 2018 budget bill, the group counts 232 earmarks costing \$14.7 billion, an amount "nine times greater than the [2018 budget's] increase in discretionary spending."

To correct this problem, Option Two holds that we need to enforce a truly effective earmark ban. But critics say that the ban on earmarks in Congressional bills actually inhibits getting legislation passed. "[A] Congressional Capacity Staff Survey Project shows that congressional staff blame the earmark ban for making it harder to pass bills," said University of California political scientist Alex Theodoridis in a January 12, 2018, article in the *Washington Post*.



Trade-Offs and Downsides

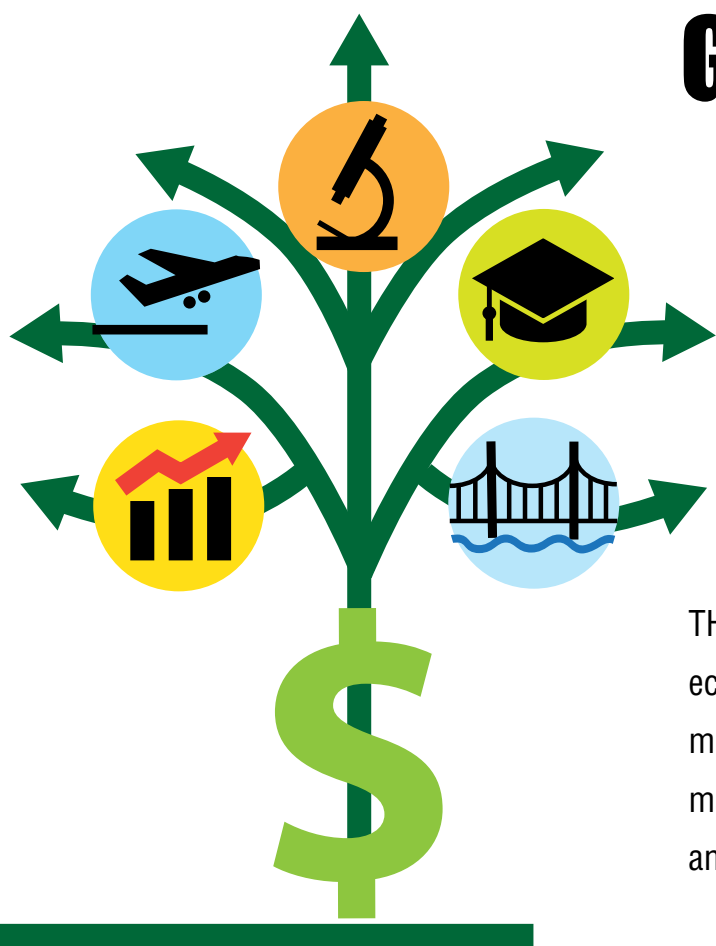
- Passing a balanced-budget amendment to the Constitution would be enormously difficult and potentially quite controversial. However, if it were passed, it would result in immediate, deep cuts in programs to achieve the necessary savings. Vulnerable people would suffer the most, our government would be more difficult to operate, and the sudden changes might well upend the economy and the stock market.
- Implementing ironclad pay-as-you-go rules would sacrifice our current flexibility to meet unexpected needs or invest in strategic resources. It might also lead to extensive layoffs in the public and private sectors.
- Sunset dates require officials to repeatedly renew popular, well-functioning programs, opening them up to partisan wrangling and special-interest lobbying every time.
- Banning earmarks will have minimal impact on shrinking the size of the national debt and it removes legislators' ability to fund highly localized, but critical, infrastructure, job-creation, and community-development projects. Banning earmarks sounds like a good idea, but it often hurts smaller communities the most.



Questions for deliberation . . .

- 1 Requiring balanced budgets could limit the country's ability to fight recessions by injecting money into the economy when it's showing signs of weakness. Is a balanced-budget amendment worth it even if it increases the risk of recessions?
- 2 With the national government in gridlock, pay-as-you-go requirements could mean even more political games and brinkmanship. Do we really think leaders will compromise and make the hard choices?
- 3 Earmarks are a very small part of the budget. If we expect to make progress, shouldn't we look at the big-ticket items like Social Security, Medicare, and defense? In earlier years, they often helped Congress reach compromise. Will eliminating earmarks really help reduce the national debt?

Option 3: Invest in Growth First



THIS OPTION SAYS that by growing the economy faster, the nation's large debt will be more manageable. A thriving economy with many people working will boost tax revenues and make the debt less of a burden.

In this view, we should not risk choking off growth. The drastic cost-cutting measures contemplated by other options will only harm the economy. Instead, according to this option, we should use our large economic power to help make the

debt less of a problem in comparison to our overall economic health. We can do this by helping our businesses become more competitive internationally and encouraging them to shift their operations and profits back home. We also need to make significant investments in infrastructure and education.

Some experts worry less about the dollar amount of the debt than about its size compared to our GDP. The same debt that looks dangerously large now would pose less risk if our economy were larger. The nonpartisan Committee for a Responsible Federal Budget calculates that “boost[ing] average annual GDP growth by 0.4 percentage points [would] reduce deficits by \$700 billion over a decade.”

This option will cost money up front, meaning it will increase the national debt, but we should consider it an invest-

ment that will make us stronger over time. To be sure, most economists say that even a modest increase in GDP is very hard to achieve, and they are unconvinced that growing the economy alone is an effective way to reduce the national debt. But this option says that improving the economy is more important than concerns about future debt consequences.

A Primary Drawback of This Option: *This option will increase the national debt in the short term without a guarantee that it will help reduce it in the future. Most economists are not convinced that a larger economy will substantially shrink the federal debt.*



The nonpartisan American Road and Transportation Builders' Association has identified 55,710 structurally compromised bridges, like this one in Milwaukee that collapsed.



What We Should Do

Reduce Corporate Taxes

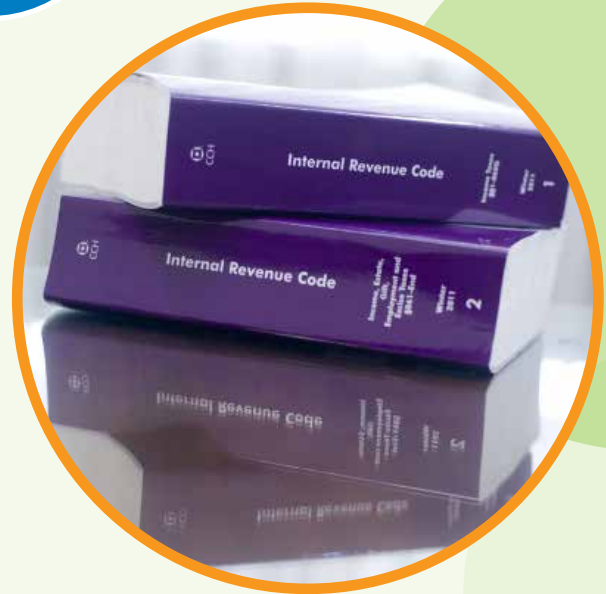
One way we could speed our nation's economic growth is by getting our corporate tax policies right. In 2017, our government cut the corporate tax rate from 35 to 21 percent. This option says the cut was a step in the right direction, but we need to go further. Even after this reduction, Switzerland, Germany, and the UK still have lower corporate tax rates than we do.

If we want to encourage companies to operate and invest in the United States, it stands to reason that their tax bills should be lower on money earned in *this* country.

Reduce Regulation

Another way to encourage investment and job creation is to reduce the regulatory burden faced by businesses in this country. Heavily regulated markets can discourage entrepreneurship, harm competition, restrict consumer choice, and raise prices. According to the National Association of Manufacturers, in 2013, the United States had the ninth most restrictive regulatory regime in a ranking of the 35 leading developed nations. Complying with these regulations costs US businesses around \$10,000 per employee—pushing wages down and consumer costs up.

This option says that the cost of complying with government regulations is like a hidden tax. According to the National Federation of Independent Businesses, compliance costs for firms in 2017 equaled all of the taxes on income and profits collected that year. “Every dollar spent on compliance,” writes the group’s chief economist, William Dunkelberg, “displaces a dollar that could be spent on new equipment, new facilities, employee compensation, and the bottom line.”



While the federal government has recently begun to roll back some of its business regulations, this option says we should make these changes permanent and look even more carefully for financial, environmental, and safety regulations that aren't effective enough to justify their costs.

Fix Our Roads and Bridges

One serious drag on our economy is created by our crumbling infrastructure. In 2017, the American Society of Civil Engineers (ASCE) gave US infrastructure—including roads, bridges, and dams—a grade of D+. According to ASCE, problems like these could not only lead to catastrophic failures and loss of life, but could also subtract \$4 trillion—and 2.5 million jobs—from our GDP by 2025.

Both Democrats and Republicans agree that this problem needs to be fixed. Joe Biden, a former Democratic vice president, has said that “it is just not acceptable that the greatest nation in the world does not have . . . the single most sophisticated infrastructure in the entire world.”



President Donald Trump has often expressed a similar opinion, criticizing the state of US infrastructure and proposing to “build . . . the roads and railways and airports of tomorrow.”

In addition to saving lives, upgrading our infrastructure can stimulate economic growth. The nonpartisan Committee for a Responsible Federal Budget (CRFB) recently calculated that a \$1 trillion infrastructure package could increase GDP by 0.12 percent over two decades. However, according to CRFB, it shouldn't be financed with borrowed money. Quickly improving infrastructure would sharply increase the national deficit unless new taxes were passed to pay for it. We would need to consider possibilities like increasing gas and oil taxes, imposing new taxes and fees on freight and vehicle registrations, and doing away with other popular infrastructure programs, such as Amtrak funding and the Community Development Block Grant program.

Focus More on Job Training and Retraining

Today's economy has created many opportunities, but it has also eliminated many businesses and positions that used to provide people with a comfortable living. To encourage entrepreneurs and small business creators, according to this option, we must help people figure out what skills, services, and products are needed most and point them toward the right education and training. And we should make sure that minority businesses—which are particularly underrepresented in high-tech fields—can access the training and tools needed to establish a digital presence.

According to this option, it is vital that we continue to expand and improve job training and retraining programs

throughout the US. To be as flexible and responsive as possible, the most effective efforts should take place at the state and local levels. Introducing entrepreneurial concepts in high school could also increase the number of future small business owners.

According to an August 21, 2018, article in Industry Week, “In manufacturing alone, the National Association of Manufacturing and Deloitte predict the US will need to fill about 3.5 million jobs by 2025; yet as many as 2 million of those jobs may go unfilled due to difficulty finding people with the skills in demand.”





Trade-Offs and Downsides

- Further reducing the corporate tax rate would bring less money to the government just at a time when our deficits are circling a trillion dollars a year.
- Spending taxpayer dollars to attempt to stimulate the economy, such as with infrastructure spending packages, increases the national debt in the short term without a guarantee that it will help reduce it in the future.
- Job training is important, but it still does not guarantee an improved economy, and people may choose to become retrained for careers that will later be eliminated.



Questions for deliberation . . .

- 1 Will these measures really spur rapid growth? If they don't work, won't the debt grow even higher and become an even greater burden on future generations?
- 2 The nation's bridges and roads need rebuilding, but is this the best way to get the economy moving? And is it worth going even deeper in debt for it?
- 3 Job training is important, but there is little to no correlation between increasing job training and retraining and an improved economy. Without a clear connection, is it worth going even deeper into debt for it?

Closing Reflections

FOLLOWING THE RECOMMENDATIONS included in any of these three options would result in major changes that affect every American. We must think hard about what is most important to us, what decisions and actions will be best for our communities and our country, what we are willing to do without, and what will best help us reduce the national debt.

Before ending the forum, take some time to revisit some of the central questions this issue guide raises:

- Should all of us have to tighten our belts, or should we ask for more from larger corporations or those of us who are wealthier?
- Should we take drastic action to shrink the debt, or would that upend the economy?
- What's the right direction for tax rates to go—up, to cover our spending, or down, to encourage investment and growth that might expand the economy?
- Are we willing to live with a much smaller federal government—and if so, what benefits and services are we willing to live without?



Summary

Option 1:

Agree to Limits

THIS OPTION SAYS WE HAVE LET THE NATIONAL DEBT BECOME THIS LARGE THROUGH COMPLACENCE ABOUT THE SIZE OF GOVERNMENT AND THE MANY SERVICES AND BENEFITS IT PROVIDES. If we don't want to pass the burden of debt on to the next generation, we must do the responsible thing and act now in a spirit of compromise to make the vital sacrifices—including both raising taxes and cutting spending—that are our only way out of this problem.

A Primary Drawback

This option calls for higher taxes and could require us to work later in life and pay more for fewer benefits.

ACTIONS

Raise taxes across the board and revoke the 2017 tax cuts. We should all contribute to getting the debt back under control.

Raise the age for partial Social Security benefits to 64 and full benefits to 69. People are working—and living—longer than when the program was initiated.

Get rid of the salary cap for Social Security taxes. The whole nation benefits from a robust retirement system.

Reduce federal spending, including the defense budget.

What else?

DRAWBACKS

Raising tax rates across the board could push the country into another recession, leading millions of Americans to cut back on spending, which would undercut the economy overall.

Raising the Social Security retirement age would compel nearly everyone to work longer and would be especially hard on people doing manual labor and service jobs.

This is a large tax increase that would force higher-income people to pay much more into the system than they can ever get back in benefits.

This could mean a less flexible US military. Base closures could crash the economies of communities, hurting both businesses that serve the soldiers and civilians who work there.

The trade-off?

Summary

Option 2:

Strengthen Checks and Balances

THIS OPTION SAYS THE NATIONAL DEBT IS OUT OF CONTROL BECAUSE WE LACK THE BASIC MECHANISMS WE NEED TO ENSURE THE GOVERNMENT ACTS IN A RESPONSIBLE WAY. People willingly accept more benefits and programs than government can afford, and our political parties are too willing to help spend money we don't have. The only way we can stop this cycle is by compelling fiscal responsibility.

A Primary Drawback

This option could decrease the federal deficit, but it does not reduce the debt we already owe. It will likely make it harder for government to respond to crises or fund and operate programs that people depend on.

ACTIONS

Amend the Constitution to include a balanced-budget requirement, the same requirement virtually every state has.

Impose strict pay-as-you-go rules on Congress, requiring that no program or expenditure can be approved until it can be shown how it will be paid for.

Implement a requirement that the establishing legislation for all federal agencies and programs include a "sunset," or expiration date, so that we can periodically make sure the expenditure is still worthwhile.

Ban earmarks, or "pork"—permanently. Members of Congress should not be able to win favor with constituents by twisting the appropriations process to result in special favors for their home districts.

What else?

DRAWBACKS

Amending the constitution is enormously difficult and potentially controversial. However, if the amendment did pass, it would trigger immediate, deep cuts in programs for vulnerable people, and the sudden changes might well jar the economy and the stock market.

Ironclad pay-as-you-go rules would reduce the flexibility the government currently has to meet unexpected needs or invest in strategic resources. It could lead to extensive layoffs in the public and private sectors.

This means popular, well-functioning programs would have to be debated and opened up to partisan bickering over and over again.

Earmarks are a very small portion of the budget that fund local infrastructure and community-development projects. Banning them sounds good, but it would hurt smaller communities the most.

The trade-off?

Summary

Option 3:

Invest in Growth First

THIS OPTION SAYS THAT WHILE OUR DEBT IS QUITE LARGE, IT WILL BE LESS OF A PROBLEM IF WE CAN INCREASE THE GROWTH RATE OF OUR ECONOMY. We should ensure that our businesses are competitive internationally and that they have incentives to create jobs and invest here in the United States, not overseas. Significant investments in infrastructure and education will also help the economy grow faster. A larger economy generates more tax revenues, makes the debt less harmful, and is better for the country in the long run, according to this option.

A Primary Drawback

Most economists remain unconvinced that a larger economy will substantially shrink the federal debt. This option will increase the national debt in the short term without a guarantee that it will help reduce it in the future.

ACTIONS

Reduce the corporate tax rate until we are more competitive with countries like Switzerland, Canada, Germany, and the UK.

Reduce unnecessary and burdensome regulations that place a drag on the economy and increase the cost of living.

Fund and execute a massive infrastructure improvement initiative. We cannot thrive or attract new business with roads and bridges in such serious disrepair.

Provide better and more effective job retraining programs through state and local colleges and universities.

What else?

DRAWBACKS

Reducing the corporate tax rate even lower means less money for the government at a time when our deficits are circling a trillion dollars a year.

Regulations are necessary to protect people and the environment from harm.

Pouring federal money into infrastructure just leaves our debt problem looming. We can't afford to wait.

Not everyone is ready to take on new jobs. Some people will choose new fields that are in danger of getting eliminated in the future.

The trade-off?

The National Issues Forums

The National Issues Forums (NIF) is a network of organizations that bring together citizens around the nation to talk about pressing social and political issues of the day. Thousands of community organizations, including schools, libraries, churches, civic groups, and others, have held forums designed to give people a public voice in the affairs of their communities and their nation.

Forum participants engage in deliberation, which is simply weighing options for action against things held commonly valuable. This calls upon them to listen respectfully to others, sort out their views in terms of what they most value, consider courses of action and their disadvantages, and seek to identify actionable areas of common ground.

Issue guides like this one are designed to frame and support these conversations. They present varying perspectives on the issue at hand, suggest actions to address identified problems, and note the trade-offs of taking those actions to remind participants that all solutions have costs as well as benefits.

In this way, forum participants move from holding individual opinions to making collective choices as members of a community—the kinds of choices from which public policy may be forged or public action may be taken at community as well as national levels.

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If you participated in this forum, please fill out a questionnaire, which is included in this issue guide or can be accessed online at www.nifi.org/questionnaires. If you are filling out the enclosed questionnaire, please return the completed form to your moderator or to the National Issues Forums Institute, 100 Commons Road, Dayton, Ohio 45459.

If you moderated this forum, please fill out a moderator-response sheet, which is online at www.nifi.org/questionnaires.

Your responses play a vital role in providing information that is used to communicate your views to others, including officeholders, the media, and other citizens.

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A Nation in Debt: How Can We Pay the Bills?

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