

Point Park University



Homework 1:
Ten Trillion and Counting

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Introduction:

In the contents of this paper, the main point we are going to analyze is the national debt of the United States. We are going to use the film documentary “Ten Trillion and Counting” presented by Frontline. The paper has three parts. The first part of the paper is the executive summary which will give you an overview of the film. The second part is based on follow-up questions of the film, such as important ideas, recommendations to the government, etc. The third part is the research paper questions and graphs. The two graphs will show the evolution of the ratio of National Debt-to-GDP and analyzes the evolution of the ratio of Budget deficit-to-GDP both from 1940-2020. The research questions will use the graphs to give answers analyzing how each administration handled those issues.

Part 1: Executive Summary

Hundreds of billions of dollars have been added to the national debt as a result of the federal government's efforts to stem the tide of the financial disaster that began with the mortgage crisis. Frontline examined how the debt will confine and test the new Obama administration, as well as the increasing outcry on both sides of the aisle warning that without fiscal change, the US government would face a debt catastrophe that surpasses the current financial position. The video analyzed the reasons, probable outcomes, and possible solutions to America's \$10 trillion debt through interviews with renowned experts and insiders in government finance.

To start of the documentary shows the inauguration of President Obama in 2008. During the inauguration, he says that “we are in the midst of crisis is now well understood. Our economy is badly weakened, a consequence of greed and irresponsibility on the part of some, but also our collective failure to make hard choices and prepare the nation for a new age. Homes have been lost, jobs shed, businesses shuttered.” Not only does that foreshadow what was about to come but the challenge that the administration would have to face would be almost impossible to manage without any damage. Obama had lots of “campaign promises” such rebuilding roads, bridges, electrical grids, Obamacare, and many other wishlist items. There was only one problem, how would the federal government fund this? The answer is simple but not ideal. In a room that is at an undisclosed location close to the capital where the U.S government gets money, it needs to pay for its bills. Borrowing money. The day the recession would start is when the government would start to auction off the 67 billion of debt obligations. These

obligations in the form of treasury securities interest guaranteed by “the full faith and credit of the United States.” Except now, some people were losing faith in the government to fulfill that promise.

But if we flashback to previous administrations it shows the problems that added up to Obama’s ticking time bomb of national debt. The handover of power to George Bush eight years ago in 2001 could not have been more different. He was the first president to take office with a budget surplus in 30 years. President Bill Clinton struck deals with Congress that turned enormous deficits into increasing surpluses. We not only had our fourth consecutive year of surpluses in 2001, but we also had surpluses as far as the eye could see. Though for Bush, tax cuts were his number one campaign promise to voters. Bush was determined to give the prior budget surplus that he inherited and return it back to the people in the form of tax cuts. In only three months of being president, he signed a tax bill that over ten years would cut taxes by almost 1.3 trillion dollars. This was a political action and not a smart economic decision. Cutting taxes has been a main objective for Republicans ever since one of the great presidents Ronald Reagan pushed the largest tax cuts since World War II. The only thing was that Reagan was an economic genius and listened to his advisors when he eventually needed to increase taxes again. George W. Bush's political instincts were developed at the side of his father and former president, George Herbert Walker Bush, thus tax hikes would never be on his agenda. Candidate HW Bush said things during his campaign that would come back to harm him during his presidency. Bush said "Congress will push me to raise taxes, and I'll say no. And they'll push, and I'll say no. And they'll push again, and I'll say to them, Read my lips, no new taxes." Later In-office less than two years, he was confronting a recession and a steadily escalating budget deficit. He called for a tax increase to cut the deficit and trim the national debt.

Eight months after President Bush was inaugurated in 2001, planes crashed into the World Trade Center, the Pentagon, and a field in Pennsylvania. 9/11 threatened the economic fortunes of the country. For many, it called into question the wisdom of Bush's tax cut, but his party was solidly behind him. Republicans argued that the surpluses that were projected weren't lost because of the tax cut. They were lost because of 9/11 and the effect that that had on the economy. One of the ways it caused the united states to have to readjust was that we went into a severe economic slide. Not only did we have an unstable economy but we are now about to declare war on a foreign group overseas. Not only are wars dangerous for those risking their lives but they are VERY expensive and pose a severe threat to a crippling economy. Bush put preventing another 9/11 and starting a war over our economy. This left the economy to Obama in 2008.

With Obama being elected in 2008, there was a large Democratic majority in congress. This would make pushing his policies and creating change easier since congress was controlled by the same party. But his image of change would soon grow dark when faced with reality. For weeks after he was elected Obama met with his economic team to propose tax cuts and increase spending in the form of a stimulus plan. This would create a partisan fight on whether this was the right move or not. Eventually, this bill would get signed and with a stroke of his pen, he had added another 787 billion to the national debt. Not long after Obama would pursue his biggest challenge yet, health care reform. He proposed in his 2010 budget to spend 3.5 trillion dollars, the largest in history at the time. In the budget, it commits more than 630 billion towards healthcare. In this budget, debt will accumulate at an even faster rate than it did under George Bush.

For decades the United States has gotten away with overspending and overborrowing. Though when the economy can no longer sustain this amount of borrowing the economy will be in lots of trouble very quickly. In the first three months of 2009, the US has already borrowed 493 billion dollars. Time will only tell when our problem of the national debt is no longer sustainable and the outcomes will be devastating.

Part 2: Follow-Up Questions

Q1) Three Most Important Ideas:

1. Health Care Budget

The future of America is surrounded by a fact that many see as positive. Due to technological advances in medicine and technology more Americans are living longer. What does this mean? It means that by law as Americans age increases the government is obligated to spend more. When Americans turn 62 they are eligible for social security and Medicare/Medicaid when they turn 65, both of which are federally funded. This is concerning because eventually the more older Americans there are the less money available there is in the federal budget to fund those programs. As of now without any change, we are on an unsustainable course for being able to fund these entitlements.

2. Effects of Tax Cuts

Over the years Americans have overwhelmingly wanted one thing from their government, tax cuts. In the short term tax cuts may seem like a smart move but more often than not they negatively impact the economy later on. Also, they are usually proposed based more on a political agenda rather than what the right move is for the economy. For example, most of the time they are proposed during a time of economic downturn to give a helping hand to Americans and possibly gain votes. The problem with this is that with decreasing taxes the government is earning less tax money resulting in a progressively worse future economy as they are unable to afford their debts.

3. Treasury Securities

Treasury Securities or bonds are sold and purchased by the federal government. During a time of economic downturn, the United States will sell these bonds to acquire money to pay off debt, increase entitlement programs, etc to stimulate the economy. A problem the federal government faces is that investors of these bonds have become increasingly worried that the government won't be able to fulfill their promises of the bonds. One of those investors is the Chinese government. During the Obama administration, they became worried that so much borrowing has them worried. The president even has to call the Chinese government to reassure them of their investment.

Q2) Administration Recommendations:

1. Reduce Spending

Nobody wants to have less than what they have, but that may be a solution to decreasing our national debt. If we reduce or cut spending in unnecessary areas we could decrease the national debt. For example, in the COVID stimulus bills, there were numerous spending provisions that made no sense and did not even impact Americans. There is no reason we should have spent 10 million dollars on gender programs in Pakistan when our country was suffering one of the worst pandemics we have ever seen on earth. By reducing or eliminating unnecessary spending would be beneficial to our national debt crisis.

2. Increase Taxes

Another thing that Americans don't want to hear is that they are going to have to pay more taxes. As this is a burden for everyone to have to give up more of their hard-earned paycheck, it would provide the government with an increase in tax revenue which could be used to pay down our debts. Though the government will earn more income this would significantly hurt the economy as there is less money for households to spend and businesses to invest.

3. Imperialism

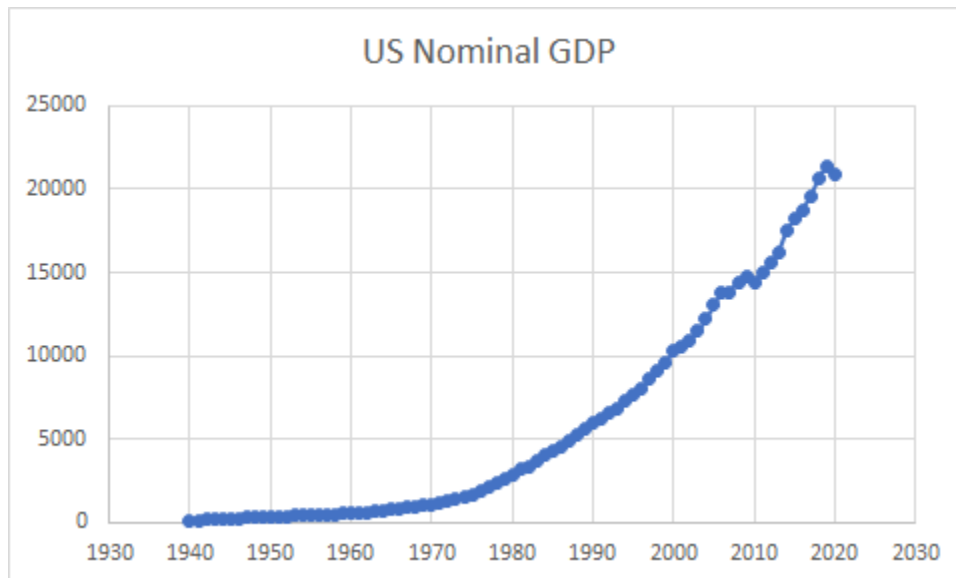
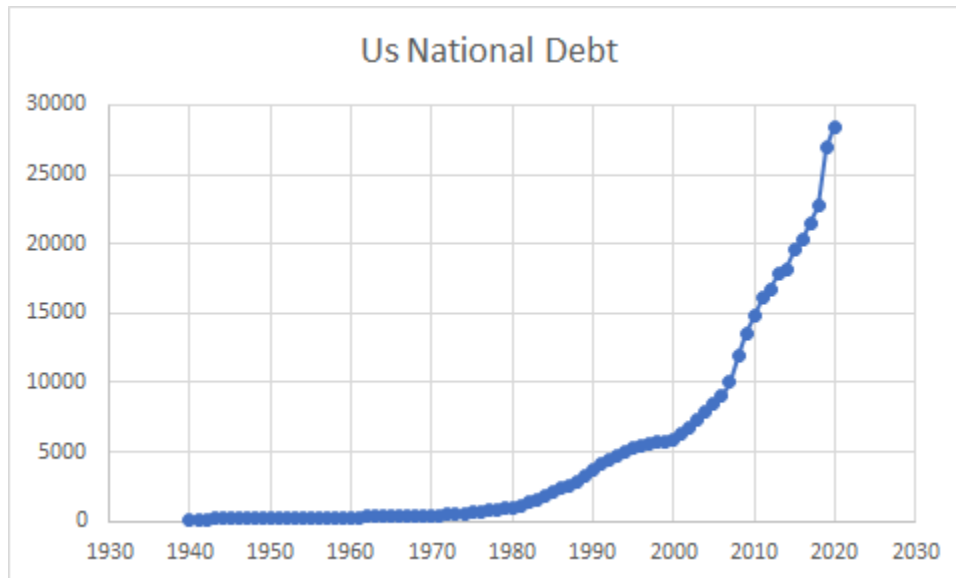
A new suggestion that you have probably never heard from the government or media would be to use imperialism. This would involve the United States using its military power to invade other countries. For example, the United States could invade a country and take their assets and money to use for our own problems such as national debt. Now, this would be very unlikely due to alliances and global stabilization BUT it would be a way to decrease our national debt by seizing and liquidating the assets and resources of other countries.

Part 3: Research Questions and Graphs

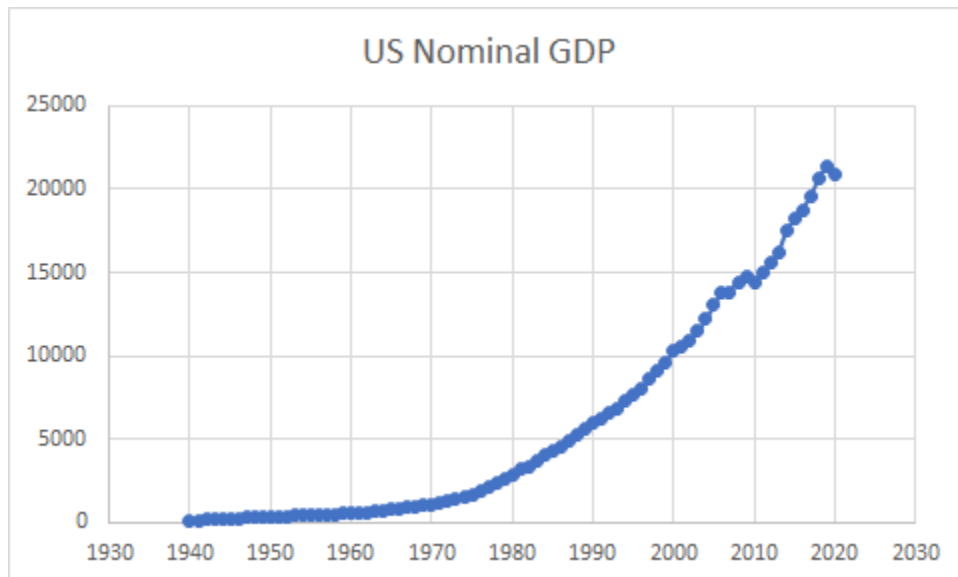
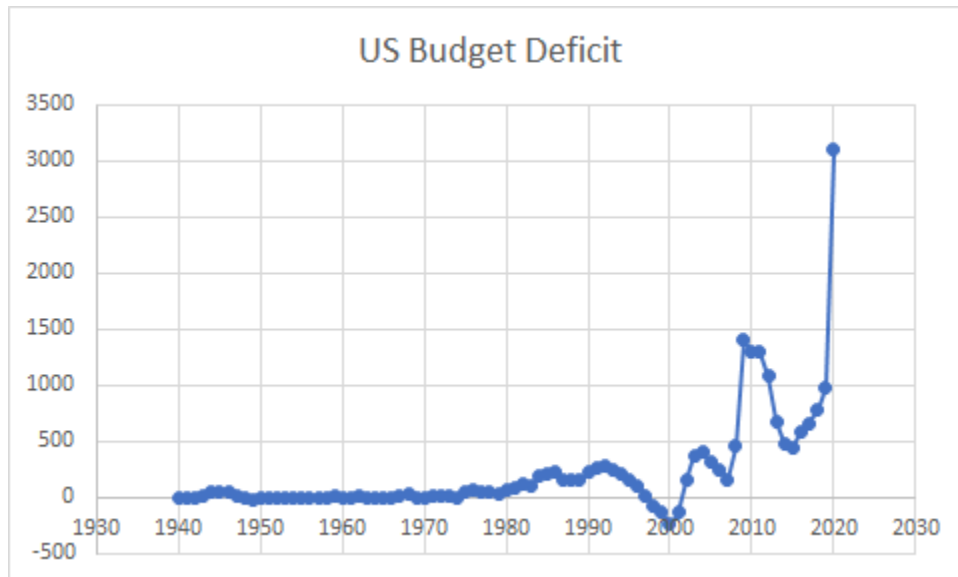
****I was unable to put the two sets of data onto one graph so there will be 2 graphs per question****

****Sources will be in works cited page****

Q1) US national debt-to-GDP



Q1) Evolution of Budget Deficit-to-GDP



Q2) Research Questions:

1) During President Ronald Reagan's presidency in the 1980s, the debt climbed as a result of tax cuts introduced at the same time as military spending was increased by a 35 in the defense budget. The debt rose during George H. W. Bush's presidency as a result of him following through on his campaign pledges of tax cuts, forcing the US to borrow money from foreign countries.

2) One of President Bill Clinton's key goals while in office was to help to reduce the deficit. He accomplished this by boosting taxes on the wealthiest and drastically altering the country's fiscal trajectory. This did result in a surplus for the first time in nearly 30 years, but it also led many Americans to assume that the deficit-reduction plan was worsening rather than improving the fiscal situation and economy.

3) George W. Bush was elected with a campaign promise to lower taxes and give tax cuts to the American people. Initially, this was justifiable because the government had a large cash surplus. When 9/11 occurred, however, the war on terror in Afghanistan and Iraq began. The war on terror necessitated the borrowing of trillions of dollars to fuel military spending, resulting in an economic downturn.

4) President Barack Obama served from 2008 until 2016. The country was in the midst of what is now known as the Great Recession in 2009. To combat the recession, President Barack Obama approved a \$831 billion stimulus package, resulting in nearly a trillion dollars in debt. Obama also added over 850 billion dollars to the debt through tax cuts implemented during his presidency, causing the debt to continue to rise.

5) From 2016 through 2020, President Donald J. Trump was responsible for adding a total of 6.7 trillion dollars to the national debt. The majority of this debt was incurred as a result of the 2020 coronavirus pandemic. In the year 2020, the economy had a downturn, resulting in a loss of funds for the country as a whole. To compensate for the loss of cash, Trump enacted a stimulus program worth approximately \$2 billion on its own.

6) President Joe Biden is in a similar scenario to President Trump, as he is also dealing with a global pandemic while in office. It has also been shown over time that Democrats often spend more than

Republicans when in office, causing the national debt to rise. Though the majority of the spending will most likely be because of the coronavirus

Part 4: Recent Article

Brooke Singman of Fox News wrote about how the White House has warned that failing to raise the debt limit will threaten US national security, and military families. The debt limit is a ceiling imposed by Congress on the amount of debt that the U.S. Federal government can have outstanding. This limit has been set at \$28.4 trillion since August 1st, 2021. A White House memo warned that if the U.S. defaults and can no longer pay its obligations, it could "undermine our national security and international credibility." The federal government pays the salaries of 2.1 million military members each year. If the U.S. defaults, salary payments could be halted, or not be paid at all according to the White House. Treasury Secretary Janet Yellen has warned that failing to raise the debt ceiling before the Oct. 18 deadline would send the government into default for the first time in history. Yellen said it would have disastrous consequences that could plunge the country into another recession and destabilize global markets.

Conclusion:

All in all the national debt is a problem that the united states has faced since the founding of the country in the 1700s. It is a very difficult problem to address to americans. It is an economically easy problem to fix but a politically impossible one to address. Americans will never want to dramatically cut spending and taxes to the extreme levels they need to be at to decrease the national debt. This is a crucial problem that I dont think will be fixed until its to late.

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