**PUBLIC FORUM DEBATE**

**January 2019**

John F. Schunk, Editor

**“Resolved: The United States federal government should prioritize reducing the federal debt over promoting economic growth.”**



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**CON**

**SK/C01.**

**1.**

 SK/C01.01) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. Economics does not offer a straightforward guide to the optimal amount of federal debt. In my assessment, based on what economists know now, the prudent approach is to reduce the debt-to-GDP ratio gradually over the next few decades rather than letting it increase.

**2.**

 SK/C01.02) Max B. Sawicky [economist], AMASS, Winter 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. He [Jason Furman, former head of Obama's Council of Economic Advisers] glosses over the question of whether the current deficit is too high by referring to projections of its long-run trajectory. The deficit-hawk mantra always goes, "If nothing is done, in sixty years.... " The fallacy here is that something is always done. Things that can't continue, don't.

**3.**

 SK/C01.03) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The austerity demanded by the deficit hawks was completely unnecessary, as any careful examination of the economy shows. The problem of deficits is supposed to be that excessive government spending is pulling resources away from the private sector. This is supposed to lead to high interest rates and/or high inflation. In fact, interest rates were at historic lows in this period and inflation was running far below the Federal Reserve's targets.

 SK/C01.04) Douglas W. Elmendorf [Dean, School of Government, Harvard U.], BUSINESS ECONOMICS, July 2017, p. 149+, Gale Cengage Learning, Expanded Academic ASAP. Beyond that, we can make changes to put federal debt on a more sustainable path. Those changes are less urgent than they might otherwise be because interest rates are so low and are likely to stay below their historical averages for a prolonged period. I have written a paper with Louise Sheiner from Brookings that will appear in the Journal of Economic Perspectives shortly, about the implications of low interest rates for fiscal policy. There are a number of possible contributing factors to low interest rates, and those factors have somewhat different implications for policy. But on balance they imply that it is appropriate to have more debt and more federal investment than if interest rates were higher.

**4.**

 SK/C01.05) Donald B. Marron [Director of Economic Policy Initiatives, Urban Institute], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Thanks to low interest rates, America's public debt is more snuggie than straightjacket right now. Our debt more than tripled over the past two decades, yet net interest payments last year were the same as in 1996. Relative to economic activity, interest payments are at historical lows, 1.3 percent of GDP in 2016. That's smaller than before the financial crisis.

 SK/C01.06) James E. Glassman [Head Economist, Chase Commercial Banking], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Despite the daunting numbers, there are several reasons why debt has not been a stranglehold. For one, the federal government's net interest payments have dropped from 2 percent of GDP in 2000 to 1.33 percent most recently despite the rise in debt, with interest rates falling from 6.5 percent to 2.25 percent and the Federal Reserve holding a substantial volume of Treasurys as a result of its unconventional monetary policies.

**5.**

 SK/C01.07) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. The fourth element on my agenda to spur economic growth is to reduce federal debt relative to GDP, but to do so only slowly.

**SK/C02.**

**1.**

 SK/C02.01) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The obsession with debt payments also shows profound ignorance about the way the government obligates payments for the future. In addition to the money it takes in taxes, the government also pulls money away from the country by imposing patent and copyright monopolies. These monopolies are important mechanisms through which the government finances innovation and creative work. The amount of money raised through these monopolies, which are effectively privately collected taxes, is very large relative to the economy. In the case of prescription drugs alone, the gap between protected prices and free market prices is likely in the neighborhood of $400 billion a year. This is more than 2 percent of GDP or 10 percent of total government revenue. Any budget analyst who ignores such massive commitments is simply not being honest.

 SK/C02.02) Jared Bernstein [Sr. Fellow, Center on Budget and Policy Priorities], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. On the U.S. sovereign debt side, though they say otherwise for the cameras, there is a strong sense among policymakers in the majority that budget deficits--in this case, structural deficits that grow even as we close in on full employment--don't matter, at least if they are generated from passing unpaid-for tax cuts. Though tax "reform"--operationally, tax cuts--is proving to be legislatively challenging, any reasonable forecast will be for our budget deficits to continue to rise, and most likely accelerate.

**2.**

 SK/C02.03) Antony Davies [Duquesne U.], INDEPENDENT REVIEW, Spring 2016, p. 622+, Gale Cengage Learning, Expanded Academic ASAP. Tanner's government-household analogy helps the reader understand the magnitude of the federal budget, but the analogy fails on this one point. Unlike a household, a government can assume that it will continue to exist forever. As a consequence, it need never repay its debt. All that is necessary is that it be able to sendee its debt in perpetuity.

**3.**

 SK/C02.04) Richard N. Cooper [Professor of Economics, Harvard U.], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The question in this symposium mentions especially debts by the central governments of Japan and the United States, so they can illustrate some (but not all) of the analytical issues. Debt by both governments is overwhelmingly in their domestic currencies (yen and dollars), so that rules out the complications that may arise for the debtor through an unexpected change in exchange rates if debt is denominated in a foreign currency.

**4.**

 SK/C02.05) Mario I. Blejer [Visiting Professor, Institute for Global Affairs, London School of Economics], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Second, does there exist a relevant crowding out of private investment when public credit increases, both domestically and internationally? Empirical evidence is relatively ambiguous. Government borrowing in local and foreign credit markets in principle could raise exposure and country risk. But private sector access to capital markets is, in many cases, facilitated by the presence of the sovereign.

**5.**

 SK/C02.06) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The argument that the debt will impose some huge burden on our children suffers from both bad arithmetic and bad logic. The burden of the debt is the interest payments we must make each year. Currently the interest on the debt, net of money refunded by the Federal Reserve Board, is around 0.8 percent of GD. This is near a postwar low and far below the more than 3 percent of GDP we paid in the early and mid-1990s.

**SK/C03.**

**1.**

 SK/C03.01) Richard N. Cooper [Professor of Economics, Harvard U.], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. By mobilizing and liquefying saving, debt has fueled growth in all modern economies. Without it, we would be much poorer; we should not forget that. But total debt has reached such levels that it poses a problem, although not an insuperable one.

 SK/C03.02) Jason Furman [Professor of the Practice of Economic Policy, Harvard U.], THE INTERNATIONAL ECONOMY, Summer 2018, p. 11+, Gale Cengage Learning, Expanded Academic ASAP. Some have argued that high levels of debt will constrain the ability to engage in discretionary countercyclical fiscal policy. Precisely the opposite is true. First, with lower equilibrium interest rates, the optimal sustainable debt is higher. Moreover, recent research has failed to find any difference in the effectiveness of fiscal expansions in highly indebted countries versus less-indebted countries.

 SK/C03.03) Ramesh Ponnuru, NATIONAL REVIEW, December 18, 2017, p. 14+, Gale Cengage Learning, Expanded Academic ASAP. But the concerns about the deficit ought to be put in the context of a federal government that is projected to take in $43 trillion over the next ten years and that will have to reform entitlement programs if it is to keep its debts manageable. If the final legislation looks like the Senate bill--which improves the tax structure so that the burden of the federal government falls less on both business and parental investment, and so that state and local governments are less encouraged to create burdens--then the tradeoff of a higher deficit will be worth it.

 SK/C03.04) Loretta J. Mester [President & CEO, Federal Reserve Bank of Cleveland], THE CATO JOURNAL, Spring-Summer 2018, p. 399+, Gale Cengage Learning, Expanded Academic ASAP. Rising fiscal imbalances are projected to lead to higher government debt-to-GDP levels, potentially putting upward pressure on interest rates, and crowding out productive investment. But steps can be taken to offset some of the negative consequences of demographic change for the economy. These include policies that focus on increasing productivity and labor force growth and that address growing fiscal imbalances.

**2.**

 SK/C03.05) Mario I. Blejer [Visiting Professor, Institute for Global Affairs, London School of Economics], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. First, how much of the public debt will have to be effectively paid eventually and how much could be permanently and automatically rolled over? The issue here is connected to the intra-government debt. Debt with other government agents may be perpetually rolled over, accruing never-to-be paid interest, and does not need to be regarded as effective debt in terms of debt repayments. A special issue has to do with government debt held by its central bank. That debt may need to be serviced, but it is not easily conceivable that governments would impose austerity on their citizens in order to repay their own central banks. This has implications for the so-called normalization of current monetary policies.

 SK/C03.06) Robert Litan [Adjunct Sr. Fellow, Council on Foreign Relations], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The financial crises of the late twentieth century taught the world the dangers of borrowing from other countries and in foreign currency. Foreign borrowers are not as fickle, and foreign-currency denominated debts cannot be inflated away. Translating all these thoughts into the world today, the United States, Japan, and China can borrow for a long time without a major risk of panic, though at the cost of modestly slower growth.

**3.**

 SK/C03.07) Heiner Flassbeck [Director, Flassbeck-Economics], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. There is no such thing as a global debt problem. Unfortunately, no subject in the world creates more confusion than debt. Many economists speak about indebtedness without a clear definition of debt and the assets they are referring to. Sometimes it even sounds as if the whole world could be over-indebted.

**4.**

 SK/C03.08) Jared Bernstein [Sr. Fellow, Center on Budget and Policy Priorities], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Among the many important things economists seem to continuously get wrong is the prediction that rising debt levels will soon cripple indebted economies. Simply plot any official projections of yields on U.S. Treasuries against actual outcomes and you'll see what I mean. The projections constantly predict that around the next corner rates will climb back up to "normal levels," and yet they do not. True, interest payments on the debt increased this fiscal year--by 0.2 percent of GDP--but that was due to the impact of higher inflation on inflation-protected bonds. Last year, those adjustments were negative.

**SK/C04.**

**1.**

 SK/C04.01) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Summer 2017, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. It is amazing that Japan is being held up as a model of how things get really bad as public debt grows out of control. With a ratio of public debt-to-GDP of more than 250 percent, Japan should be the poster child of everything bad that is supposed to happen with runaway debt. However, none of the textbook stories fit Japan at all. The problem is the deficit hawks just haven't bothered to notice.

 SK/C04.02) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Summer 2017, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. For fans of logic and consistency, the debt story is supposed to be one of excess demand. The textbook story is that excessive government borrowing pushes the economy beyond its limits. This most immediately leads to higher interest rates. Higher interest rates crowd out new investment, thereby slowing productivity growth. They also lead to a rise in the value of the currency, which leads to a large trade deficit. This means higher foreign indebtedness. Alternatively, the central bank can try to keep interest rates from rising by printing money. This leads to higher inflation, which if carried far enough leads to a Weimar-type situation with hyper-inflation leading to the collapse of the currency. None of this is happening in Japan. In fact, it is pretty much the exact opposite of the textbook story.

 SK/C04.03) Zachary Karabell [Head of Global Strategy, Envestnet], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. Income inequality in Japan has increased in the past decade, as it has in much of the world, but that shift has not meaningfully eroded living standards for the bulk of the population. What's more, Japan's very high level of public debt hasn't led to financial collapse.

 SK/C04.04) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Summer 2017, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. For all practical purposes, Japan looks like an economy that could benefit from more spending. It still has excess supply, as indicated by weak wage growth and low or non-existent inflation. This would send its debt even higher, but why should anyone care? The debt is not posing any of the problems that economic theory predicts; in fact, in almost every case the story of Japan is the opposite.

 SK/C04.05) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Summer 2017, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. In short, the story of Japan's economy is one that directly contradicts all the horror stories about large debts and deficits. Incredibly, economists are choosing to ignore the reality of Japan's economy today and instead act like the textbook story applies. It is economics that is in crisis, not Japan's economy.

**2.**

 SK/C04.06) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Summer 2017, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. Interest rates [in Japan] are incredibly low, with the interest rate on ten-year government bonds hovering near zero. Inflation is also extremely low. The central bank has been desperately struggling to raise the inflation rate, which has occasionally slipped into negative territory, to its 2 percent target. It has largely failed to date, as the inflation rate remains near zero. Instead of a trade deficit, Japan has a surplus of more than 3 percent of GDP. And the country's debt service burden is nearly zero, which follows from its zero or negative interest rates. Japan's unemployment rate is under 3 percent. Its employment rate for prime-age workers (ages 25 to 54) has risen rapidly in the last five years, especially for women.

 SK/C04.07) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Summer 2017, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. We know that Japan has an incredibly high debt-to-GDP ratio, but what exactly about this situation are we supposed to look at with horror? It's true that its economy is not growing rapidly, but fans of intro econ know that it is per capita GDP that matters, not total GDP. In this category, Japan is not doing especially poorly. Furthermore, it is not clear how the debt is impeding growth.

**SK/C05.**

**1.**

 SK/C05.01) Loretta J. Mester [President & CEO, Federal Reserve Bank of Cleveland], THE CATO JOURNAL, Spring-Summer 2018, p. 399+, Gale Cengage Learning, Expanded Academic ASAP. If financing the funding shortfall through increased government borrowing is undesirable, raising taxes and reducing benefits or other expenditures are not very appealing either. Depending on how such policies are implemented, they could ultimately hurt the economy's longer-run growth prospects, leaving the fiscal outlook even worse.

 SK/C05.02) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. As a result, GDP in 2017 is more than 10 percent below the level that had been projected by the Congressional Budget Office in 2008. We can think of this gap of almost $2 trillion ($6,000 per person annually) as an "austerity tax" that the deficit hawks have imposed on the country.

 SK/C05.03) Douglas W. Elmendorf [Dean, School of Government, Harvard U.], BUSINESS ECONOMICS, July 2017, p. 149+, Gale Cengage Learning, Expanded Academic ASAP. On the other hand, cutbacks in federal investment, restrictive immigration policies, and restrictive trade policies would all diminish growth. Whether those considerations will, on balance, raise or lower growth relative to the policies we have had in place is not at all clear. If we could achieve sustained growth in the low 2% range--sustained growth, meaning not for a year or two but over a decade--that would be a real accomplishment.

**2.**

 SK/C05.04) Kaiji Chen [Dept. of Economics, Emory U.] & Ayse Imrohoroglu [Dept. of Finance & Business Economics, U. of Southern California], ECONOMIC THEORY, December 2017, p. 675+, Gale Cengage Learning, Expanded Academic ASAP. Overall, we find that the labor income tax rate would have to increase from a current level of 26 % to more than 40 % in order for the debt-to-GNP ratio to stabilize below 100 % in the long run. Such a drastic increase in the tax rates, however, is associated with a high welfare cost. In addition, we find that increasing capital income tax rates are not helpful in lowering the deficit at the steady state, due to its disincentives on capital and labor supply. This finding is consistent with the conventional wisdom that taxing capital income is a bad idea (see Atkeson et al. 1999).

**3.**

 SK/C05.05) Douglas W. Elmendorf [Dean, School of Government, Harvard U.], BUSINESS ECONOMICS, July 2017, p. 149+, Gale Cengage Learning, Expanded Academic ASAP. We are on track to significantly cut federal investment in infrastructure relative to the historical pattern, and this would be a terrible mistake. Under the current caps on appropriations, federal nondefense discretionary spending will soon be a smaller percentage of GDP than at any point in my lifetime. About half of such spending is labeled investment by the Office of Management and Budget, covering infrastructure, research and development, and some education and training.

 SK/C05.06) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. Spending for infrastructure like roads and airports decreases the cost of moving people and delivering goods and services; spending for education and training enhances the skills of our workforce; and spending for research and development promotes innovation. Cutting those federal investments will reduce total output and income relative to what they would otherwise be. In particular, cutting federal investment in education and training will reduce the incomes of lower- and middle-income people who are dependent on government help to have a real opportunity to advance.

 SK/C05.07) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The country is paying an enormous price in the form of an "austerity tax" due to completely unrealistic fears about government deficits. Following the collapse of the housing bubble in 2008, output and employment fell off much further and longer than was necessary because of unfounded concerns about the deficit getting out of control. These concerns both limited the size of the initial stimulus and then forced a turn to austerity in 2011 when the economy was still very far from having recovered. The immediate result was that millions of workers were needlessly kept from having jobs in these years.

 SK/C05.08) Dean Baker [Co-Director, Center for Economic and Policy Research], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. In addition, the weakness of the labor market led to an unprecedented shift from wages to profits that depressed wage income by at least 6 percent. Furthermore, the economic weakness of this period had a lasting impact on growth by curtailing investment, causing some people who were unemployed long-term to become unemployable.

**4.**

 SK/C05.09) Douglas W. Elmendorf [Dean, School of Government, Harvard U.], BUSINESS ECONOMICS, July 2017, p. 149+, Gale Cengage Learning, Expanded Academic ASAP. But as I look out to the next several years, I am much more worried about the prospect of sharp cuts in federal spending that would be damaging to the country's long-term growth prospects through reductions in federal investment, and would be harmful to lower- and middle-income people's well-being through reductions in federal services and benefits. I think that economic policy in this country should be oriented explicitly toward raising the living standards for lower- and middle-income people because they have gained the least from overall economic growth during the past several decades, and there are a number of steps we can take to do that. But the first thing is to do no harm--to not take away services and benefits that people depend on. So I worry a lot in the short term about inappropriate cutbacks in government spending.

 SK/C05.10) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. I argued at the beginning of the talk that we should try to spur income growth especially for lower- and middle-income people, who have been experiencing the slowest growth in incomes. If that is our goal, then restraining federal debt by cutting their benefits or raising their taxes would be counterproductive. Based on those budget data and that value judgment, I think we should avoid significant cuts in benefits targeted at lower- or middle-income people-as well as significant across-the-board cuts in benefits, such as increasing the eligibility age for full Social Security benefits. Such cuts would significantly reduce income for people of modest means.

**SK/C06.**

**1.**

 SK/C06.01) Ludger Schuknecht [Federal Ministry of Finance, Germany], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Higher growth and leaner governments are the solution for high public debt.

 SK/C06.02) Stephen Axilrod [author of The Federal Reserve: What Everyone Needs to Know], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. In the United States, we have built up a sizeable amount of debt in the course of the slow but fairly steady economic growth that has by now taken us from the credit crisis economic low to a virtual full employment.

**2.**

 SK/C06.03) Douglas W. Elmendorf [Dean, School of Government, Harvard U.], BUSINESS ECONOMICS, July 2017, p. 149+, Gale Cengage Learning, Expanded Academic ASAP. I am quite concerned about the high and rising levels of federal debt we will have in the long term unless our policies are changed. But as I look out to the next several years, I am much more worried about the prospect of sharp cuts in federal spending that would be damaging to the country's long-term growth prospects. We are on track to significantly cut federal investment in infrastructure relative to the historical pattern, and this would be a terrible mistake.

 SK/C06.04) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. However, we should reduce debt only slowly. A further decline in the deficit in the next few years would hurt the economic expansion--just as the rapid drop in the deficit in the past few years slowed the recovery by lowering output, investment, employment, and wages relative to what they would have been otherwise. Therefore, we should not reduce federal debt quickly. And certainly we should not try to balance the budget, because that would definitely harm the expansion and is not needed to reduce the debt-to-GDP ratio slowly.

 SK/C06.05) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. When the economy is suffering from a shortfall in demand, and the federal funds rate is close to its lower bound, the tax increases or spending cuts that reduce budget deficits lower output, investment, employment, and wages. Similarly, tax cuts or spending increases improve economic conditions. CBO made this point repeatedly, and it has been confirmed by many analyses and by experience around the world since the financial crisis.

 SK/C06.06) Max B. Sawicky [economist], AMASS, Winter 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. In 2003, Paul Krugman argued that "the government of the United States faces a fundamental fiscal shortfall" due to the Bush tax cuts, a problem so serious that Krugman called it a "planned crisis" that could be masked "for a while, by running huge budget deficits," but that would eventually wreak economic havoc. At the time, the CBO was projecting that federal debt in 2013 would hit 14.4 percent of GDP. By the time 2013 rolled around, a deep recession had intervened and federal debt actually stood at 72.6 percent of GDP. Rather than wreaking havoc, though, the higher deficits were actually providing crucial support to the economy, and Krugman was arguing that even bigger deficits were needed.

**3.**

 SK/C06.07) James E. Glassman [Head Economist, Chase Commercial Banking], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Finally, turning to the debate of the day, the concerns about how to pay for an ambitious infrastructure plan fail to consider the return on such investment (the billions of dollars of savings associated with reduced commuting congestion and reduction in the 40,000 highway casualties that occur every year). There is little doubt that the nation would benefit enormously from such an initiative, even if it were financed by debt.

**SK/C07.**

**1.**

 SK/C07.01) Diane Coyle [Professor of Economics, U. of Manchester], FINANCE & DEVELOPMENT, March 2017, p. 16+, Gale Cengage Learning, Expanded Academic ASAP. GDP growth is instrumentally important as well. It is closely correlated with the availability of jobs and income, which are in themselves vital to peoples standard of living and underpin their ability to achieve the kind of life they value (Sen 1999).

**2.**

 SK/C07.02) Diane Coyle [Professor of Economics, U. of Manchester], FINANCE & DEVELOPMENT, March 2017, p. 16+, Gale Cengage Learning, Expanded Academic ASAP. Why does economic growth matter? The answer for economists is that it measures an important component of social progress--namely, economic welfare, or how much benefit members of society get from the way resources are used and allocated. A look at GDP per capita over the long haul tells the story of innovation and escape from the Malthusian trap of improvement in living standards that is inevitably limited by population growth.

 SK/C07.03) Institute of Economic Affairs, STATES NEWS SERVICE, December 23, 2014, pNA, Gale Cengage Learning, Expanded Academic ASAP. Sceptics of further economic growth should bear in mind the benefits to be had from ongoing prosperity. Between 1965 and 2000, average incomes worldwide have doubled -- contributing to improved living standards and a substantial reduction in poverty. Aside from job creation and the boost to wages, further economic growth is vital in order to afford increasingly burdensome welfare spending.

 SK/C07.04) Benjamin Powell [Professor of Economics, Texas Tech U.] & Taylor Leland Smith [Dept. of Agricultural & Applied Economics, Texas Tech U.], INDEPENDENT REVIEW, Winter 2016, p. 369+, Gale Cengage Learning, Expanded Academic ASAP. A large literature shows that economic freedom is associated with higher incomes, faster economic growth, longer life expectancies, and most other measures of well-being that people generally care about (Hall and Lawson 2014).

**3.**

 SK/C07.05) Robert J. Gordon [Professor of the Social Sciences, Northwestern U.], FINANCE & DEVELOPMENT, June 2016, p. 33+, Gale Cengage Learning, Expanded Academic ASAP. The 100 years after 1870 witnessed an economic revolution in which households were freed from an unremitting daily grind of painful manual labor, household drudgery, darkness, isolation, and early death. In only a century daily life changed beyond recognition. Manual outdoor jobs were replaced by work in air-conditioned environments, housework was increasingly performed by electric appliances, darkness was replaced by light, and isolation was replaced not just by travel, but also by color television images that brought the world into the living room. Most important, a newborn infant could expect to live not to age 45, but to age 72. The economic revolution of 1870 to 1970 was unique in human history.

 SK/C07.06) Robert J. Gordon [Professor of the Social Sciences, Northwestern U.], FINANCE & DEVELOPMENT, June 2016, p. 33+, Gale Cengage Learning, Expanded Academic ASAP. The foundation of the book's analysis is that economic growth is not a steady process that creates economic advance at an even, regular pace. Instead, progress occurs much more rapidly in some eras than in others. There was virtually no economic growth for millennia until 1770, only slow growth in the transition century before 1870, and remarkably rapid growth in the century ending in 1970.

**SK/C08.**

**1.**

 SK/C08.01) Ruchir Sharma [Morgan Stanley Investment Management], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. In every single region of the world, economic growth has failed to return to the rate it averaged before the Great Recession. Economists have come up with a variety of theories for why this recovery has been the weakest in postwar history, including high indebtedness, growing income inequality, and excess caution induced by the original debt crisis.

 SK/C08.02) James Pethokoukis [American Enterprise Institute], COMMENTARY, October 2016, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The growth in the gross domestic product (GDP) has averaged a subpar 2 percent annually since the end of the Great Recession, making it the weakest recovery since at least World War II. And the seven years before the financial crisis weren't so hot, either, with GDP growth undershooting its postwar average by a full percentage point. All in all, using GDP alone, the economy really hasn't been firing on all gears since the late 1990s. We haven't seen back-to-back years of 3 percent growth since 2004-5.

 SK/C08.03) Benjamin Powell [Professor of Economics, Texas Tech U.] & Taylor Leland Smith [Dept. of Agricultural & Applied Economics, Texas Tech U.], INDEPENDENT REVIEW, Winter 2016, p. 369+, Gale Cengage Learning, Expanded Academic ASAP. The U.S. recession officially ended in June 2009 (Business Cycle Dating Committee 2010). Yet since the end of the recession, annual growth in gross domestic product (GDP) has averaged only 2.2 percent (U.S. Bureau of Economic Analysis 2015). Meanwhile, unemployment has averaged a little more than 8 percent, and even this percentage understates the problem because many are underemployed or have dropped out of the labor force altogether (U.S. Bureau of Labor Statistics 2015).

 SK/C08.04) Benjamin Powell [Professor of Economics, Texas Tech U.] & Taylor Leland Smith [Dept. of Agricultural & Applied Economics, Texas Tech U.], INDEPENDENT REVIEW, Winter 2016, p. 369+, Gale Cengage Learning, Expanded Academic ASAP. This sluggish economy contrasts sharply with the U.S. economic performance in the twenty years prior to the recession. During that time, the economy expanded by 75 percent, growing at a real annualized rate of 3.0 percent (U.S. Bureau of Economic Analysis 2015). Over the same period, roughly 63 percent of the U.S. labor force was employed. Since the end of the recession, that number has dropped to 59 percent.

 SK/C08.05) Benjamin Powell [Professor of Economics, Texas Tech U.] & Taylor Leland Smith [Dept. of Agricultural & Applied Economics, Texas Tech U.], INDEPENDENT REVIEW, Winter 2016, p. 369+, Gale Cengage Learning, Expanded Academic ASAP. The U.S. economy's poor performance is no longer related to our most recent business cycle. It instead reflects the type of long-run growth that can be expected due to our decreased economic freedoms. The Economic Freedom of the World Annual Report is the best measure of economic freedom available. It measures thirty-one variables across five broad categories: size of government; property rights; sound money; freedom to trade internationally; and regulation of credit, labor, and business (Gwartney, Lawson, and Hall 2014). The United States ranked in the top four in the world in every year economic freedom was measured between 1970 and 2000. But since the year 2000 U.S. economic freedom has been on the decline. The United States fell from second in 2000 to a low of sixteenth in 2011, thirteenth in 2012, and then sixteenth again in 2013, and its rating (out of ten) fell from 8.65 to 7.73 in 2013.

**2.**

 SK/C08.06) Benjamin Powell [Professor of Economics, Texas Tech U.] & Taylor Leland Smith [Dept. of Agricultural & Applied Economics, Texas Tech U.], INDEPENDENT REVIEW, Winter 2016, p. 369+, Gale Cengage Learning, Expanded Academic ASAP. Absent a change in the U.S. institutional environment, the future of the U.S. economy looks--based on our deteriorated economic freedom--much like the slow-growth economy we have today.

 SK/C08.07) Robert J. Gordon [Professor of the Social Sciences, Northwestern U.], FINANCE & DEVELOPMENT, June 2016, p. 33+, Gale Cengage Learning, Expanded Academic ASAP. My recently published book, The Rise and Fall of American Growth, chronicles those changes, examines their sources, and looks at why productivity grew rapidly before 1970 and much more slowly since then. It also forecasts muted growth in productivity and income per person from 2015 to 2040.

**SK/C09.**

**1.**

 SK/C09.01) Donald B. Marron [Director of Economic Policy Initiatives, Urban Institute], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. To boost nominal growth, policymakers should pursue a broad range of strategies. Thoughtful reform of taxes, social insurance, and regulations could encourage work and investment. Investments in infrastructure, workforce development, education, and research and development could boost productivity.

 SK/C09.02) George R. Hoguet [CEO, Chesham Investments LLC], THE INTERNATIONAL ECONOMY, Summer 2017, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. To avoid the "Japan disease," carefully considered and prudently implemented structural, fiscal, and monetary policies are required. Structural policies to enhance long-run potential growth are key. This means an ongoing commitment to pro-competition policies, flexible product, labor and capital markets, and the promotion of an open and expanding world trade and investment regime characterized by equitable burden sharing and market access. Policy should also focus intensively on family-friendly measures and human capital development, building effective and credible retraining efforts, and offering to individuals incentives to delay retirement and to firms to retain qualified older workers.

**2.**

 SK/C09.03) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. The second element of my agenda to spur income growth is to reform the tax code to increase the efficiency of business investment.

 SK/C09.04) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. Still, tax reform could increase economic growth by increasing the efficiency of business investment. The current tax code distorts businesses' decisions regarding asset types, industries, organizational forms, and geographic locations. Reducing those distortions would boost future incomes. Therefore, we should enact revenue-neutral and distribution-neutral tax reform that increases the efficiency of business investment.

 SK/C09.05) Ramesh Ponnuru, NATIONAL REVIEW, December 18, 2017, p. 14+, Gale Cengage Learning, Expanded Academic ASAP. The corporate tax has, by contrast, become a larger obstacle to economic growth than it once was. The corporate-tax rate in the U.S. has stayed in place for decades even as other advanced countries have reduced theirs. As a result, the U.S. has become a less attractive place for companies, both foreign and American, to invest. The Republican tax bills cut the corporate rate from 35 to 20 percent and allow companies to deduct the cost of their investments more rapidly.

**3.**

 SK/C09.06) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. My goal today is to make the case for a set of changes to federal budget policy that would spur economic growth. In contrast to my talks when I was director of the Congressional Budget Office (CBO), today I will be making policy recommendations. I will try to be explicit, though, about the ways in which the recommendations are based on the analysis done by CBO and others, and the ways in which the recommendations are based on my personal value judgments.

 SK/C09.07) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. To boost economic growth, we should raise the caps on nondefense discretionary spending substantially, in order to maintain federal investment as a share of GDP.

**4.**

 SK/C09.08) James Pethokoukis [American Enterprise Institute], COMMENTARY, October 2016, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Then there is the labor-force aspect of economic growth. While there are demographic reasons behind the decline in labor-force participation--the decline in work among prime-age males is particularly worrisome-policymakers aren't without options. Among possible reforms: making work more attractive by expanding earning subsidies such as the Earned Income Tax Credit; reforming the Social Security Disability Insurance program so it encourages reentry into the job market; expanding work-based learning programs such as apprenticeships; and tweaking Social Security so that older workers stay in the workforce longer.

**5.**

 SK/C09.09) James Pethokoukis [American Enterprise Institute], COMMENTARY, October 2016, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Some economists are focusing more on how excessive or unnecessary land-use or zoning regulations damage growth and worker mobility by making housing more expensive in high-productivity cities such as Boston and San Francisco. Reform in all these areas would be a welcome effort in boosting productivity.

**6.**

 SK/C09.10) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. The third item on my agenda is to encourage innovation, because the development and diffusion of new products and new processes for making products are key determinants of economic growth in the long run.

**SK/C10.**

**1.**

 SK/C10.01) Allen Sinai [Chief Global Economist & President, Decision Economics, Inc.], THE INTERNATIONAL ECONOMY, Summer 2018, p. 11+, Gale Cengage Learning, Expanded Academic ASAP. Policies that will raise sustainable growth, that is, potential output, and thus permit stronger actual growth should be the focus--increasing and maintaining stronger supply-side growth that can bring a higher full employment growth path with relatively low price inflation.

 SK/C10.02) Mario I. Blejer [Visiting Professor, Institute for Global Affairs, London School of Economics], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Third, what are the limits of debt service for a normally working economy? It is well accepted that only a growing economy can service growing levels of debt.

**2.**

 SK/C10.03) THE INTERNATIONAL ECONOMY, Summer 2018, p. 11+, Gale Cengage Learning, Expanded Academic ASAP. In a provocative interview, former U.S. Treasury Secretary Larry Summers recently warned that developed world policymakers are ill-prepared for the next recession. He suggested that the current preoccupation with the avoidance of inflation is a mistake--"inflation is no longer the top issue." The top issue is maintenance of sound growth and getting to full employment.

 SK/C10.04) Allen Sinai [Chief Global Economist & President, Decision Economics, Inc.], THE INTERNATIONAL ECONOMY, Summer 2018, p. 11+, Gale Cengage Learning, Expanded Academic ASAP. The world is not ready for the next downturn. One reason is that a U.S. and global downturn is not on the horizon. There is no reason to get ready for an economic downturn, a recession, when the path of growth in the U.S. and world economies is moving up and the peak in growth, let alone a decline in the level of activity, is not indicated by the data nor underlying fundamentals. Focusing on policies to deal with the next downturn is premature--instead, the emphasis should now be to maximize sustainable growth with reasonable price stability.

**SK/C11.**

**1.**

 SK/C11.01) James F. Freeley III [U. of Massachusetts Law School], UMASS LAW REVIEW, Spring 2016, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. As the country has continued to move towards an economy that is more service-based, economic growth has waned and inequality has increased. The current problems are complex and are due to many reasons, including globalization, technology changes, and federal policies that often favor large companies. These developments have made it increasingly difficult for the lower and middle classes to maintain their standard of living. These trends have left the United States economy in a potentially dangerous place, with a larger percent of the wealth being controlled by a smaller percentage of people. The only policy responses that will work to address these underlying trends are ones that put a priority upon hiring people at a living wage and encouraging entrepreneurship and growth at all levels of the economy.

**2.**

 SK/C11.02) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. In addition, it is important to understand that some federal spending outside nondefense discretionary spending also represents an investment in future income, especially for lower-income people. There is a growing body of evidence that certain health care benefits, housing subsidies, education subsidies, and other means-tested benefits raise future incomes of some young people. We should protect those investments as well.

**3.**

 SK/C11.03) John Hollis [George Mason U.], STATES NEWS SERVICE, November 6, 2018, pNA, Gale Cengage Learning, Expanded Academic ASAP. Cowen contended that government redistribution was a necessary society investment in certain cases, such as education or fighting malnutrition, but cautioned against excessive interdictions. The gap in overall income inequality in America, he noted, has decreased over the last 20 years, with sustained economic growth that has led to longer lifespans, healthier lives, more creativity and more tolerance, among other things. It's that kind of society that will best attract immigrants to spur future innovation rather than repel them. "When redistribution and economic growth clash, I argue that we should really always side with economic growth," Cowen said. "In the long term, it gives us actually better equality."

 SK/C11.04) William B. Bonvillian [Lecturer in Economics, MIT], ISSUES IN SCIENCE AND TECHNOLOGY, Spring 2018, p. 5+, Gale Cengage Learning, Expanded Academic ASAP. Gregory Tassey remains one of the small number of card-carrying economists still pursuing economic growth policy. His succinct article "Make America Great Again" (Issues, Winter 2018)--which is more of a cri de coeur--lays out an analysis of the failure of the past decade of national economic policy, particularly the past year of it, to focus on the underlying necessities for renewal of American economic growth. As he notes, the nation's economy has been beset with low growth--and behind that is low productivity growth and behind that is low investment in capital plant, equipment, and technology. This low growth is breaking us apart: there is a dramatic increase in income and asset inequality and a declining middle class in a nation founded on the ideas that everybody gets better, the next generation is better off than the last. This economic success has been at the heart of America's democratic experiment. But now we seem to be systematically striving to leave our working class behind by failing to advance a broad-based, innovation-based growth agenda that might create the societal resources that could put them ahead again.

 SK/C11.05) Robert J. Gordon [Professor of the Social Sciences, Northwestern U.], FINANCE & DEVELOPMENT, June 2016, p. 33+, Gale Cengage Learning, Expanded Academic ASAP. But while innovation continues, the median growth rate of real income per person will be less than productivity growth because of an aging of the population and rising inequality. Government policy can affect these impediments to median income growth. The best offset to the retirement of the baby-boom generation is substantially increased immigration to lower the average age of the population and to raise the proportion that is working. A larger working population would raise tax revenue and counteract future increases in the debt-to-GDP ratio from the aging of the population. As for inequality, the government cannot prevent successful CEOs, entertainment stars, and entrepreneurs from earning high incomes, but it can use progressive taxation to redistribute income and promote more equality of after-tax incomes.