**PUBLIC FORUM DEBATE**

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John F. Schunk, Editor

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



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**PRO**

**SK/P01.**

**1.**

 SK/P01.01) THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. In the United States, public debt alone under Presidents George W. Bush and Barack Obama jumped from $5.8 trillion in 2001 to $20 trillion in 2016, a 250 percent increase. According to the U.S. Congressional Budget Office, interest payments on that debt increased by almost $30 billion for just the first six months of FY 2017--a nearly 23 percent jump.

 SK/P01.02) Thomas Breneiser, NATIONAL REVIEW, April 16, 2018, p. 2, Gale Cengage Learning, Expanded Academic ASAP. The total federal debt is greater than $13 trillion.

 SK/P01.03) Enrique G. Mendoza, MANCHESTER SCHOOL, September 2017, p. 1+, Gale Cengage Learning, Expanded Academic ASAP. Since the birth of the Republic, the United States has gone through five debt-crisis episodes defined as year-on-year increases in net federal debt in the 95-percentile. The Great Recession is the second largest, and the only one in which primary deficits continue six years later and are expected to persist at least through 2026.

**2.**

 SK/P01.04) 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. The publicly held debt-to-GDP ratio in the USA rose from 36 % in 2007 to 68 % in 2011, and this trend is not expected to be temporary. Figure 1 displays data on the US debt-to-GDP ratio between 1970 and 2011 as well as two projections on the future debt-to-GDP ratio provided by the Congressional Budget Office (CBO 2011). Both projections indicate future debt-to-GDP ratios that are significantly higher than the past levels.

 SK/P01.05) David M. Walker [former U.S. Comptroller General], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Public debt is currently about 78 percent of GDP and total debt is about 106 percent of GDP. Both debt levels are still rising faster than the growth rate of the economy. In addition, when you consider traditional liabilities, including unfunded pension and retiree health care benefits, and unfunded Social Security and Medicare benefits over a 75-year horizon, total liabilities and unfunded obligations are about four times the total debt levels.

**3.**

 SK/P01.06) Antony Davies [Duquesne U.], INDEPENDENT REVIEW, Spring 2016, p. 622+, Gale Cengage Learning, Expanded Academic ASAP. Debt per GDP puts a country's debt in perspective by scaling it relative to the size of its economy. And here Tanner [author of Going for Broke: Deficits, Debt, and the Entitlement Crisis] understates our already bleak financial condition. The government doesn't own the GDP. GDP is (roughly speaking) the total of the people's incomes. When one asks a bank for a loan, the bank will compare the proposed loan to the borrower's ability to pay off the loan. And the borrower's income is a reasonable proxy for this ability. As a consequence, it is debt relative to the borrower's income that matters. However, GDP is not the government's income. Tanner correctly puts the federal government's debt and unfunded liabilities at more than $90 trillion (p. 8), or 500 percent of GDP. But the more compelling comparison is the government's debt to the government's income. That ratio is 3,000 percent-that is, the federal government's $90 trillion debt is thirty times the size of the federal government's annual income.

 SK/P01.07) Antony Davies [Duquesne U.], INDEPENDENT REVIEW, Spring 2016, p. 622+, Gale Cengage Learning, Expanded Academic ASAP. If we extend Tanner's opening example of the family budget, this is like a household with a $50,000 annual income being $1.5 million in debt. More disturbingly, at 2.4 percent interest (the current average rate on federal government obligations), interest on the government's debt and unfunded obligations is almost 75 percent of federal revenues. In short, the federal government is bankrupt now.

**4.**

 SK/P01.08) Mickey D. Levy [Chief Economist, Berenberg Capital Markets LLC], THE CATO JOURNAL, Winter 2018, p. 171+, Gale Cengage Learning, Expanded Academic ASAP. The longer-run projections of government debt are alarming and must be taken seriously. General government debt has risen to 100 percent of GDP, up from 61 percent before the 2008-09 financial crisis, while publicly held debt, which excludes debt held for accounting purposes by the Social Security Trust Fund and other trust funds, has risen to 78 percent from 40 percent. The Congressional Budget Office (CBO) estimates that under current law, the publicly held debt-to-GDP ratio is projected to rise to nearly 150 percent by 2047.

 SK/P01.09) Loretta J. Mester [President & CEO, Federal Reserve Bank of Cleveland], THE CATO JOURNAL, Spring-Summer 2018, p. 399+, Gale Cengage Learning, Expanded Academic ASAP. According to Congressional Budget Office projections, under current policy, the federal deficit as a share of GDP will more than triple over the next 30 years, from 2.9 percent in 2017 to 9.8 percent in 2047 (CBO 2017a). During this time period, outlays for Social Security and Medicare are projected to rise from 8 percent to 12.4 percent of GDP. As a result, the federal debt-to-GDP ratio rises dramatically, from 77 percent in 2017 to 150 percent in 2047. This increase dwarfs the run-up in debt to fund World War II.

 SK/P01.10) David M. Walker [former U.S. Comptroller General], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The Congressional Budget Office also projects that public debt will escalate from the current 78 percent of GDP level to over 150 percent of GDP by 2047 absent a change in course. While pro-growth tax reform, reasonable regulatory relief, and intelligent infrastructure investment will help to grow GDP, tough choices on spending programs, including spending on social insurance programs, will be necessary to restore fiscal sanity and sustainability.

 SK/P01.11) James E. Glassman [Head Economist, Chase Commercial Banking], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. In fact, there is reason to worry about debt in the future. The widely projected rise in public sector debt will be more structural in nature than cyclical. For example, the Congressional Budget Office projects that the structural federal budget deficit will grow from the current 3 percent level of GDP to 10 percent in coming decades, if the economy's growth potential remains slow (around 2 percent), even if there is no recession. That implies the federal government will be a growing source of competition for credit, adding to future interest rate pressures.

**5.**

 SK/P01.12) 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. government's official debt of $18.3 trillion amounts today to roughly 103 percent of GDP. Approximately 73 percent of the federal debt is held by the public. According to the U.S. Congressional Budget Office (2014), this publicly held debt is expected to grow to between 92 percent and 135 percent of GDP by 2039. By 2089, it is expected to balloon to 225 percent of GDP. As the European debt crisis has shown, these debt levels are wholly unsustainable.

**SK/P02.**

**1.**

 SK/P02.01) Jean-Claude Trichet [former President, European Central Bank], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The global financial crisis starting in 2007-2008 had many causes. But one of the most important was the excessive financial leverage characterizing particularly the advanced economies. Due mainly to these economies, the piling up of additional global public and private debt outstanding in the years preceding the eruption of the crisis had been very impressive. According to the report "Shadow Banking and Capital Markets," published last year by the Group of Thirty, the overall global debt outstanding as a proportion of global GDP increased from 250 percent to around 275 percent, from 2000 to 2007. Adding around one-quarter of global GDP to global debt outstanding during the seven years preceding the crisis was a major mistake by the international community.

**2.**

 SK/P02.02) Antony Davies [Duquesne U.], INDEPENDENT REVIEW, Spring 2016, p. 622+, Gale Cengage Learning, Expanded Academic ASAP. Second, the greater the public debt is, the greater is the danger to the Federal Reserve's autonomy. For all the discussion of the economic benefits of low interest rates to the housing market, the student-loan market, and the stock market, the single largest beneficiary of low rates is the federal government itself. Tanner [author of Going for Broke: Deficits, Debt, and the Entitlement Crisis] points out that interest on the federal debt was more than $250 billion in 2014. But that amount ignores interest on intragovernmental debt--the bulk of which is held by the Social Security trust fund. If we include that interest, the annual interest expense is more than $400 billion. Yet that amount still ignores the interest on the present value of unfunded liabilities. Although the latter is not interest in the accounting sense, every year that the government foregoes having money in the bank to cover those future liabilities is a year's worth of interest the government fails to earn to put toward those liabilities.

 SK/P02.03) Jared Bernstein [Sr. Fellow, Center on Budget and Policy Priorities], THE INTERNATIONAL ECONOMY, Summer 2018, p. 11+, Gale Cengage Learning, Expanded Academic ASAP. In the U.S. case, because we have engaged in a highly unusual degree of fiscal stimulus even as we closed in on full employment, our debt-to-GDP ratio is high and rising. Convincing research by Romer and Romer finds that at historically high debt ratios, say above 80 percent (about where the United States is now, and we're headed higher), the fiscal authorities do a lot less to offset the downturn.

**3.**

 SK/P02.04) INVESTMENT NEWS, January 8, 2018, p. 6, Gale Cengage Learning, Expanded Academic ASAP. The U.S. national debt is 74% of the nation's gross domestic product. That's better than some of our major trading partners, e.g., Germany (82%), the United Kingdom (89%), Canada (84%) and Japan (214%), but the new tax cuts are projected to increase that ratio to almost 100% within 10 years. That cannot be good for our competitive position in the world.

**4.**

[**Editor’s Note:** This Subpoint contradicts Brief #P07, Subpoint 3.]

 SK/P02.05) Christoher Whalen [Chairman, Whalen Global Advisors], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. In terms of the big picture, the burden of public debt is growing faster than the underlying economies. The situation facing the industrial nations led by Japan is that public debt is unpayable and thus radical monetary policies are used to confiscate the value held by savers, directly or indirectly. Japan is an extreme example of this syndrome, where a no-growth society is literally consuming itself.

 SK/P02.06) Matt Welch [Editor at Large], REASON, October 2016, p. 20+, Gale Cengage Learning, Expanded Academic ASAP. "If you want to know what keeps me up at night, more than anything," Sen. Jeff Flake (R-Ariz.) told reason in January, "it's waking up some morning and having the markets already decided that we're not going to buy your debt anymore, or we'll only buy it at a premium, and interest rates are going to have to go up. When that happens, then virtually all of our...non-defense discretionary spending goes just to service the debt. And then we are Japan."

**5.**

 SK/P02.07) Jeffrey R. Shafer [former Undersecretary for International Affairs, U.S. Treasury], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Excessive debt is a drag on economic performance and too often gives rise to financial crises. Tax burdens to meet debt service erode economic efficiency. They can be driven to the point that investment dries up and labor flees. Detroit, Puerto Rico, and Greece are contemporary examples. Explicit or implicit government guarantees can allow private debt to become excessive, too. Fannie and Freddie in the United States before 2008, the wealth management products building up in China, and banking systems in many countries are examples.

**6.**

 SK/P02.08) Enrique G. Mendoza, MANCHESTER SCHOOL, September 2017, p. 1+, Gale Cengage Learning, Expanded Academic ASAP. There is a view that high debt is not a concern and more debt is needed for fiscal stimulus and/or strong global demand for 'safe assets'. This paper makes four points to the contrary based on findings from the literature: First, empirical work shows that debt sustainability conditions display a significant break after 2008 and fiscal stimulus fails when debt is high. Second, a dynamic general equilibrium model predicts that tax adjustments may not make the debt sustainable and will have adverse effects on macro aggregates and social welfare. Third, the strong appetite for U.S. public debt worldwide can be a slow-moving, transitory result from financial globalization in an environment in which U.S. financial markets are relatively more developed and the expected financing needs of the U.S. government are large. Fourth, domestic sovereign default could become optimal if the cost of regressive redistribution in order to make debt payments outweighs default costs related to the social value of debt for liquidity provision, self-insurance and risk-sharing.

**7.**

 SK/P02.09) CHOICE: CURRENT REVIEWS FOR ACADEMIC LIBRARIES, August 2016, p. 1822, Gale Cengage Learning, Expanded Academic ASAP. Economists Merrifield and Poulson propose adopting fiscal rules constraining growth in the federal debt. They review such rules in several OECD countries, giving particular attention to Sweden and Switzerland, which have brought austerity to their governments. The authors discuss several legislative efforts--debt ceiling, the 1974 Congressional Budget and Impoundment Control Act, the 1985 Gramm-Rudman-Hollings Balanced Budget Act, the 1990 Budget Enforcement Act, etc.--to add constraints to US finances. They propose a constitutional amendment allowing deficits in recessions to be offset by surpluses during economic expansions.

**SK/P03.**

**1.**

 SK/P03.01) Antony Davies [Duquesne U.], INDEPENDENT REVIEW, Spring 2016, p. 622+, Gale Cengage Learning, Expanded Academic ASAP. First, the greater the public debt is, the easier it is for politicians to claim much ado about nothing. In early 2012 and in response to growing voter concern about the deficit, President Barack Obama proposed a budget that contained $300 million in cuts to community block grants. Opponents argued that cuts should come from elsewhere because community block grants serve the neediest Americans. Whether to cut this $300 million from the budget dominated the news for the better part of a month. And therein lies the danger of such massive debts (and spending). To any reasonable person, $300 million sounds like a tremendous amount of money. Yet federal spending is so great that the government blows through $300 million every forty-two minutes. The government spent more money while politicians were talking about the problem than the proposed cuts themselves.

 SK/P03.02) Jared Bernstein [Sr. Fellow, Center on Budget and Policy Priorities], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Third, and most importantly from my perspective, the reason to worry about growing structural debt is not interest rate crowd-out, slower growth, and more burdensome debt service. It's that our politicians will use it as an excuse to fail to meet the challenges we know we face, including our aging demographics, poverty and inequality, climate change, and geo-political threats.

**2.**

 SK/P03.03) Mickey D. Levy [Chief Economist, Berenberg Capital Markets LLC], THE CATO JOURNAL, Winter 2018, p. 171+, Gale Cengage Learning, Expanded Academic ASAP. Many acknowledge the risks of rising debt for future economic performance, but in reality the burdens of the government's finances are already affecting current economic performance and the government's allocation of national resources. Witness how the persistent increases in entitlement programs and concerns about high government debt squeeze current spending on infrastructure, research and development, and other activities that would enhance economic performance.

 SK/P03.04) Matt Welch [Editor at Large], REASON, October 2016, p. 20+, Gale Cengage Learning, Expanded Academic ASAP. "Now, let's talk about the debt," the former president [Bill Clinton] said. "Today, interest rates are low, lower than the rate of inflation. People are practically paying us to borrow money, to hold their money for them. But it will become a big problem when the economy grows and interest rates start to rise. We've got to deal with this big long-term debt problem or it will deal with us. It will gobble up a bigger and bigger percentage of the federal budget we'd rather spend on education and health care and science and technology....We've got to deal with it."

**SK/P04.**

**1.**

 SK/P04.01) Mickey D. Levy [Chief Economist, Berenberg Capital Markets LLC], THE CATO JOURNAL, Winter 2018, p. 171+, Gale Cengage Learning, Expanded Academic ASAP. Monetary and fiscal policies have both have gone off track. Excessively easy monetary policy, marked by a massive increase in the Federal Reserve's balance sheet and sustained negative real interest rates, has failed to stimulate faster economic growths but has distorted financial behavior and involves sizable risks. Fiscal policies have resulted in an unhealthy rise in government debt, and projections of dramatic further increases heap burdens on future generations and involve incalculable risks.

 SK/P04.02) Michael J. Boskin [Professor of Economics, Stanford U.], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Kicking the can down the road to deal with debt many years later risks far worse consequences: greater economic disruption and unnecessarily severe human suffering.

 SK/P04.03) Ludger Schuknecht [Federal Ministry of Finance, Germany], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The simple truth is that we cannot forever live beyond our means. Good times must be used to pay down debt. At some point, you have to bite the bullet. I believe this time is now.

 SK/P04.04) Veronique De Rugy [Sr. Research Fellow, Mercatus Center, George Mason U.], REASON, June 2018, p. 10+, Gale Cengage Learning, Expanded Academic ASAP. We obviously don't have a full picture yet of spending during Donald Trump's tenure. But with Washington unified under GOP rule since January 2017, congressional Republicans have been blowing money at levels congressional Democrats could only dream of. They quickly lifted the spending caps associated with sequestration--the only even modestly effective expenditure limit still in place--to grow the already bloated Pentagon budget even more. Indeed, the purported party of limited government shamelessly increased discretionary spending by $300 billion over two years. Led by a president who doesn't appear to understand basic economics and who insists that the long-term drivers of America's unsustainable national debt--Social Security and Medicare--can't be touched, the mainstream GOP has proven that the grumbling about big government under Obama was mere political posturing.

**2.**

 SK/P04.05) Michael J. Boskin [Professor of Economics, Stanford U.], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. I recently analyzed the long-run implications of the projected worsening of the U.S. fiscal position, using alternative estimates of the effects of debt on growth, from International Monetary Fund and academic studies to a simple production function, with government debt eventually crowding out tangible capital. The result: the entitlement cost-driven rise in debt, if not controlled, will cut the gains in the standards of living by two-thirds in a generation.

**SK/P05.**

**1.**

 SK/P05.01) Antony Davies [Duquesne U.], INDEPENDENT REVIEW, Spring 2016, p. 622+, Gale Cengage Learning, Expanded Academic ASAP. As of 2015, the federal government is paying an average of 2.4 percent interest on its outstanding debt. Counting just the money owed to the public and the intragovernmental debt, each percentage point increase in interest rates costs the federal government an additional $180 billion annually. The historical average interest rate the federal government has paid on its debt is 6 percent. As Tanner notes, if interest rates merely rise to their historical average, the federal government's annual interest expense will exceed $1 trillion annually. The federal government cannot afford this extremely large expense.

**2.**

 SK/P05.02) Ludger Schuknecht [Federal Ministry of Finance, Germany], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. This debt overhang is a severe risk for future growth and could become the breeding ground for new crises. It reduces a country's resilience and severely limits governments' fiscal policy room for maneuver in the face of adverse shocks. Moreover, too-high debt is mirrored by the risk of asset price bubbles, which could turn into a systemic risk as we have all painfully learned in the past.

 SK/P05.03) Matt Welch [Editor at Large], REASON, October 2016, p. 20+, Gale Cengage Learning, Expanded Academic ASAP. "Large and growing federal debt over the coming decades would hurt the economy and constrain future budget policy," the CBO warned. "The amount of debt that is projected... would reduce national saving and income in the long term; increase the government's interest costs, putting more pressure on the rest of the budget; limit lawmakers' ability to respond to unforeseen events; and increase the likelihood of a fiscal crisis."

 SK/P05.04) 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. If increased growth and migration are unlikely to save the United States from a fiscal crisis, and the political will doesn't exist to cut spending or increase taxes enough in order to avert a fiscal crisis, then signs point in the direction of a fiscal crisis in the future. Although impossible to predict the timing precisely, the crisis will come before all of the bills are due. Once debt holders begin realizing that there is no way the U.S. government will be able to meet all of its debt and entitlement obligations and start requiring greater risk premiums on government bonds, the crisis will come on quite quickly, as it did in Greece.

 SK/P05.05) Loretta J. Mester [President & CEO, Federal Reserve Bank of Cleveland], THE CATO JOURNAL, Spring-Summer 2018, p. 399+, Gale Cengage Learning, Expanded Academic ASAP. The extent to which such an increase [in federal debt-to-GDP ratio], per se, will crowd out productive investments and lower economic growth is debatable. But the sovereign debt crisis in Europe over 2009-12 shows that high debt levels can pose severe problems if investors lose faith in the ability of governments to service their debts, generating spikes in what had previously been viewed as risk-free rates.

**3.**

 SK/P05.06) Robert Litan [Adjunct Sr. Fellow, Council on Foreign Relations], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. The late Herb Stein famously remarked that if something can't go on forever, it won't. That statement implies that at some point, countries, like people, can lose the ability to roll over their debts or borrow more money, and will suffer a "lender's strike," with calamitous economic results: a financial crisis and a deep recession or depression. But that is not the only way that rising debt relative to GDP can hurt an economy and its citizens.

**4.**

 SK/P05.07) Thomas Breneiser, NATIONAL REVIEW, April 16, 2018, p. 2, Gale Cengage Learning, Expanded Academic ASAP. The bottom line of the above information is that the projected bankruptcy of Social Security is due not to Baby Boomers' living longer and healthier lives, but rather to the government's using our retirement fund as a general fix for other budgetary problems. Congress needs to act immediately to add the Federal Old-Age and the Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund to the general budget, return the Social Security Retirement Trust Fund to being a pure retirement program, and repay to it the $5.1 trillion loan.

 SK/P05.08) Antony Davies [Duquesne U.], INDEPENDENT REVIEW, Spring 2016, p. 622+, Gale Cengage Learning, Expanded Academic ASAP. Tanner [author of Going for Broke: Deficits, Debt, and the Entitlement Crisis] paints a correctly bleak and well-documented picture of the impending federal bankruptcy. To his credit, he follows this picture with an honest and thorough summary of counterarguments, including both the ridiculous (government debt isn't really debt because we owe the money to ourselves) and the reasonable (debt is bad sometimes, just not now). He also provides a superb summary of the major contributors to the debt crisis, including Social Security, Medicare, and the Affordable Care Act, and demonstrates throughout a remarkable ability to make the mind-numbing details of these entitlements interesting and clear.

**SK/P06.**

**1.**

 SK/P06.01) Robert Litan [Adjunct Sr. Fellow, Council on Foreign Relations], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. One of my mentors, the late Charlie Schultze, also a former CEA chair like Herb, famously analogized countries' debt problems to having termites eating away their woodwork. In this analogy, the economy doesn't suffer a sudden loss of funds, but instead mounting debt lifts interest rates, which impairs investment and thus long-term growth.

 SK/P06.02) W. Bowman Cutter [Director, Economic Policy Initiative, Roosevelt Institute], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Third, as the costs of our public debt rise--the interest costs--with no intent, plan, or will to do anything, our debt will be perceived as higher-risk, raising interest costs for the whole economy. Fourth, in a crisis, we will have less and less fiscal room to bail ourselves out. I do not see the slightest real concern about all of this anywhere in our politics. And for what it's worth, I don't think these trends take us to a crisis. Their effect is more that of the frog in the pot of slowly heated water. We will see slowly declining rates of real growth--if roughly 1.5 percent to 2 percent economic growth is now close to our speed limit; down from 2.5 percent to 3 percent twenty years ago. I suspect we'll be looking at 1 percent to 1.5 percent as the ceiling in another twenty years. And that sets conditions for an even higher and uglier level of public anger with the way things are, or will be then, than we've seen in recent years.

**2.**

 SK/P06.03) Donald B. Marron [Director of Economic Policy Initiatives, Urban Institute], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Second, nominal economic growth won't do enough to soften rising debt burdens. Nominal growth was the key to reducing America's last comparable debt burden after World War II. Today, our aging workforce, modest productivity gains, and restrained inflation limit nominal growth.

 SK/P06.04) Ludger Schuknecht [Federal Ministry of Finance, Germany], THE INTERNATIONAL ECONOMY, Spring 2017, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. More growth via more spending may reduce debt in computer-based models, but hardly in reality where political economy and capacity constraints limit the positive growth impact of more spending. On the contrary, public expenditure ratios are already very high (up to 56 percent of GDP) so that a general reduction in government spending is necessary in many industrialized economies.

**3.**

 SK/P06.05) Mickey D. Levy [Chief Economist, Berenberg Capital Markets LLC], THE CATO JOURNAL, Winter 2018, p. 171+, Gale Cengage Learning, Expanded Academic ASAP. I fully understand the frustrations stemming from the underperformance of the economy in recent years--the sizeable pockets of persistently high unemployment and low wages facing many working-age people, and weak trends in business investment and productivity that underlie disappointingly slow growth. We all want better performance. But the issue is how to achieve it. Neither the Fed's sustained monetary ease nor high deficit spending addresses structural challenges facing labor markets, business caution in expansion and investing, weak productivity, and other critical issues. This is particularly apparent with the unemployment rate at 4.3 percent, below standard estimates of its "natural rate" (so-called full employment).

**4.**

 SK/P06.06) James F. Freeley III [U. of Massachusetts Law School], UMASS LAW REVIEW, Spring 2016, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. The federal government must address its debt problem if it hopes to restore confidence in the economy. It is clear that the deficits and national debt cannot be solved immediately. If interest rates rise, the interest payments needed to service the national debt will increase, resulting in additional budgetary pressures. Once corporate America believes that the federal government is addressing this problem, it should be more willing to make the necessary investments in order to support economic growth. If higher growth returns, tax receipts will increase, which will help the government solve its long-term debt problem.

 SK/P06.07) Patrick M. Garry [Professor of Law], MODERN AGE, Winter 2016, p. 7+, Gale Cengage Learning, Expanded Academic ASAP. The progressive attempt to spur economic growth and prosperity through government spending has not worked. Such spending has increased so much that the federal debt held by the public, as a share of GDP, grew to nearly 80 percent in 2014. But, as demonstrated by the decline in median household incomes, government spending does not produce economic growth. This is a lesson that has long been known because the multiplier for government spending is less than one, which means that a dollar of government spending produces less than a dollar of economic growth.

**SK/P07.**

**1.**

 SK/P07.01) Zachary Karabell [Head of Global Strategy, Envestnet], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. But the world's financial and political infrastructure remains dependent on the old model, in which GDP growth was all-important, and so lower costs, deflation, and slower economic expansion will continue to concern policymakers and central bankers. If there are no straightforward ways of measuring the gains from lower costs and only ways of measuring the harms of lower growth, then the world's governments and economic institutions will continue to emphasize an unduly pessimistic view of the global economy and will continue to make policy prescriptions based on the misguided pursuit of economic growth for its own sake.

**2.**

 SK/P07.02) Zachary Karabell [Head of Global Strategy, Envestnet], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. A world where growth is lower but where more people than ever before have access to life's essentials is hardly a dire scenario. In fact, it is just the opposite. The world may be reaching the limits of growth, but it has not begun to reach the limits of prosperity.

 SK/P07.03) Zachary Karabell [Head of Global Strategy, Envestnet], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. Today, the limits of growth should provoke considerably less anxiety. Growth is not the sole pathway to prosperity, even if it has long been the primary one. Slower growth need not entail the breakdown of capitalism and consumption.

 SK/P07.04) Zachary Karabell [Head of Global Strategy, Envestnet], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. Although global economic and political institutions tend to focus on maximizing GDP growth, a future in which economic growth remains low would not be nearly as bad as most people assume--provided that the cost of living also continues to fall

**3.**

[**Editor’s Note:** This Subpoint contradicts Brief #P02, Subpoint 4 and Brief #P09, Subpoint 3.]

 SK/P07.05) Zachary Karabell [Head of Global Strategy, Envestnet], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. For almost three decades, since Japan's immense property and asset bubbles burst in 1991 and growth suddenly decelerated, pundits from across the political spectrum have used the country as a cautionary example of what can befall economies that become ensnared in the trap of large amounts of government debt, zero inflation, and little to no growth. Search the Internet for "Japan syndrome" or "lost decade," and you'll find scores of articles and papers addressing the country's purported malaise and the lessons it offers to other societies hoping to avoid its fate. But the reality is that there is nothing really wrong with Japan. It may have negative real interest rates, an undervalued currency, a debt-to-GDP ratio approaching 250 percent, and an average annual GDP growth rate over the last decade of less than one percent. Yet it is also one of the richest and most stable countries in the world.

 SK/P07.06) Zachary Karabell [Head of Global Strategy, Envestnet], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. Economic stagnation, in short, has had little impact on the Japanese public's high quality of life. This realization has led to a wave of new thinking in Japan that emphasizes a "degrowth," or post-growth, model and focuses on well-being rather than income or output. The massive success of the Japanese author Marie Kondo's books on how to pare down one's belongings to the essentials, rather than accumulate more and more stuff in a fruitless attempt to generate happiness, encapsulates the emerging Japanese model. And the fact that her book has sold more than two million copies worldwide suggests that the message is popular far beyond Japan's shores.

**SK/P08.**

**1.**

 SK/P08.01) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. Before discussing specific policies to spur economic growth, we need to address a preliminary question: Economic growth for whom? The traditional answer is "economic growth for the country as a whole." That answer stems from a view that growth in total output and income will generate growth in incomes for most people. But that view has been wrong in the past few decades: The rising tide has not lifted most people's boats very much.

 SK/P08.02) Douglas W. Elmendorf [Visiting Fellow, Brookings Institution], BUSINESS ECONOMICS, October 2015, p. 162+, Gale Cengage Learning, Expanded Academic ASAP. Between 1979 and 2011, real gross domestic product (GDP) per person increased 67 percent. CBO (2014a) has published estimates of the growth in market incomes--that is, incomes before taking account of taxes and transfers--for different groups over that same period, as shown in Figure 1. CBO estimated that market incomes rose 16 percent in the bottom quintile of the distribution, 9 percent in the middle quintile, and 77 percent in the top quintile. Within that top quintile, market incomes grew about 60 percent for the people not in the top percentile and 174 percent in the top percentile. We should not put too much weight on those specific numbers because measuring income growth is difficult, and even though CBO's methodology resolves some of the problems in other time series, measurement issues remain. Still, it is clear that the market incomes of people across most of the income distribution have benefited very little from the growth of total output and income in the past few decades.

 SK/P08.03) Douglas W. Elmendorf [Dean, School of Government, Harvard U.], BUSINESS ECONOMICS, July 2017, p. 149+, Gale Cengage Learning, Expanded Academic ASAP. And if one abandons distribution-neutrality, one needs to check whether the policy is boosting incomes of lower- and middle-income people. Those people would probably benefit to some extent if economic growth picked up, but a key lesson of the past few decades is that a rising tide does not necessarily lift all boats very much at all. Therefore, if tax reform lowered the tax rate on capital income, it could raise economic growth but would also shift the tax burden down the income distribution; taken together, those effects would probably make worse off the people who have benefited the least from economic gains in this country over the past few decades and whose economic plight has rightfully received more attention over the last year.

**2.**

 SK/P08.04) J.D. Vance [Yale U. Law School], NATIONAL REVIEW, September 2, 2013, p. 31, Gale Cengage Learning, Expanded Academic ASAP. As liberals obsess over economic inequality, conservatives focus too much on economic growth. Economic growth and mobility are not the same. In some cases, they're not even related. Columbus, for example, is flush with growth, but it appears that most of the new, high-paying jobs go to newcomers to the city. Children born there are significantly less mobile than those from Pittsburgh, which Newsweek in 2001 dubbed one of America's "dying cities." It's tempting to reach for an easy solution--to argue that if only there were more or better jobs, economic mobility would take care of itself. But the Chetty study cautions otherwise. Even (and sometimes especially) in our fastest-growing cities, economic mobility is hard to come by.

 SK/P08.05) J.D. Vance [Yale U. Law School], NATIONAL REVIEW, September 2, 2013, p. 31, Gale Cengage Learning, Expanded Academic ASAP. Think back to 2005: The economy was humming, household wealth was growing, unemployment was low, and consumer confidence was high. George W. Bush's America was pretty great. Few among us would rather live in today's world of slow growth and grim jobs numbers. But the chances that a person in the bottom fifth would rise to the top fifth were about the same then as they are today--in many parts of the country, dismal. The crisis of opportunity is an altogether different crisis from our passing economic troubles. We should not assume that a solution to one is a solution to the other: It hasn't been in the past, and it probably won't be in the future.

 SK/P08.06) Patrick M. Garry [Professor of Law], MODERN AGE, Winter 2016, p. 7+, Gale Cengage Learning, Expanded Academic ASAP. A study published by the National Bureau of Economic Research found that the widening income gap has not translated into a lowered economic mobility--in fact, there is a 0.6 percent higher chance for a child born in 1986 to move from the bottom 20 percent of household income to the top 20 percent than for a child born in 1971. Nonetheless, the study did conclude that the rate of upward mobility has essentially flattened in recent years, despite periods of economic growth and an expansion of welfare programs.

**SK/P09.**

**1.**

 SK/P09.01) Anne O. Krueger [Professor of International Economics, Johns Hopkins U.], THE INTERNATIONAL ECONOMY, Summer 2017, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. In the United States, it seems clear that there are a number of spheres--overkill with regulation, the swiss cheese nature and high rate of corporate profits taxes among them--which slow growth. In the face of problems such as these, plus the slowdown in population growth and political uncertainty, U.S. growth actually looks fairly healthy.

**2.**

 SK/P09.02) Zachary Karabell [Head of Global Strategy, Envestnet], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. In the stagnant 1970s, a chorus of prognosticators who harbored deep skepticism about the value of capitalism and economic growth issued dire warnings about the future. A group of experts called the Club of Rome, for instance, published a 1972 report titled The Limits to Growth, which projected several scenarios of economic and environmental collapse. Their forecasts proved incorrect, of course, and global growth picked up in the 1980s.

**3. =**

[**Editor’s Note:** This Subpoint contradicts Brief #P07, Subpoint 3.]

 SK/P09.03) Richard N. Cooper [Professor of International Economics, Harvard U.], THE INTERNATIONAL ECONOMY, Summer 2017, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. There is one respect in which Japan provides a warning: saving continues to exceed public and private investment by a good margin. If this phenomenon were to become general--and we see it strongly in other countries such as Germany, the Netherlands, Sweden, and Switzerland--it would lead to a period of secular stagnation in the world economy. But while not robust, economic growth seems now to be adequate in the United States and Europe, not to mention China and India, to avoid that possible outcome.

 SK/P09.04) Austan Goolsbee [Professor of Economics, U. of Chicago], THE INTERNATIONAL ECONOMY, Summer 2017, p. 6+, Gale Cengage Learning, Expanded Academic ASAP. But in the United States (so long as there is not a radical disruption to immigration), the Japanese experience of taking twelve years before level of GDP returned to the earlier peak just has not been repeated, and it seems quite unlikely to be repeated going forward.

**4.**

 SK/P09.05) Zachary Karabell [Head of Global Strategy, Envestnet], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. But GDP growth is no longer an especially useful way of measuring the health of modern economies. Many of the most important developments in the modern economy contribute little to official GDP figures. Browsing on Wikipedia, watching videos on YouTube, and searching for information on Google add value to people's lives, but because these are digital goods that have zero price, official GDP figures will consistently downplay their impact. Improvements in efficiency, which reduce costs, have a negative impact on GDP. Consider solar panels: their installation boosts GDP initially, but thereafter the savings in oil or gas will reduce GDP.

 SK/P09.06) James Pethokoukis [American Enterprise Institute], COMMENTARY, October 2016, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. There is a clear disconnect between economic growth and the job market, which is a bit of a conundrum in the economics world. One reason Goldman thinks the job market is a more informative way of gauging the economy is that it thinks official GDP and productivity numbers miss a lot of economic activity. Perhaps metrics devised for America's 1930s "steel-and-wheat" economy, in the words of economic historian Joel Mokyr, are inadequate for one in which information technology and communications are of growing importance.

 SK/P09.07) James Pethokoukis [American Enterprise Institute], COMMENTARY, October 2016, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. There are two serious measurement problems here, according to Goldman. First, government statisticians might be missing productivity advances in software ranging from inventory-management systems to video games such as Grand Theft Auto. Second, even though free digital content and products--from Google maps and searches to social networks such as Facebook and Twitter--provide real value to consumers, their positive impact is hard to figure into GDP. As the bank's economic team recently wrote in a research note: "The combined equity market capitalization of Alphabet/Google and Facebook alone has grown to $900 billion, nearly 5 percent of the S&P 500. There is something rather unsatisfactory about effectively excluding the output of some of the U.S. economy's most successful firms from the U.S. government's highest-profile measure of economic activity."

 SK/P09.08) James Pethokoukis [American Enterprise Institute], COMMENTARY, October 2016, p. 12+, Gale Cengage Learning, Expanded Academic ASAP. Adding it all up, Goldman thinks real GDP growth may be anywhere from 0.4 to 0.7 percentage points higher than the story told by the official numbers. So maybe we actually have something closer to a Three Percent Economy than a Two Percent Economy. "Our results imply the true pace of increase in living standards may not have weakened as much as suggested by the sharp slowdown" in the official productivity and inflation data, Goldman notes.

**SK/P10.**

**1.**

 SK/P10.01) Patrick M. Garry [Professor of Law], MODERN AGE, Winter 2016, p. 7+, Gale Cengage Learning, Expanded Academic ASAP. For decades following World War II, the U.S. economy grew at an average annual rate of 3.3 percent. But the recent growth rates are much lower: a negative 2.8 percent in 2009; 2.5 for 2010; 1.8 in 2011; 2.8 for 2012; and 1.9 in 2013. Recent economic policy has essentially relied on three approaches: a huge boost in government spending, which was supposed to create new jobs; a tax on the wealthy, which was supposed to address the growing inequality; and a reliance on the Federal Reserve zero-interest-rate policy, which hasn't increased median family income but instead fueled a record stock market and significantly added to the wealth of the already-wealthy, who have significant stock holdings and whose incomes are less reliant on wage levels than are the incomes of middle- and working-class people.

**2.**

 SK/P10.02) Douglas W. Elmendorf [Dean, School of Government, Harvard U.], BUSINESS ECONOMICS, July 2017, p. 149+, Gale Cengage Learning, Expanded Academic ASAP. Tax reform can certainly boost economic growth. But let me offer a caution about how much extra growth we can reasonably expect. When Dave Camp, the then-chairman of the House Ways and Means Committee, and his staff produced a very thorough tax reform bill a few years ago, the staff of the Joint Committee on Taxation (JCT) estimated that the legislation would raise the level of gross domestic product (GDP) by 1% or so after a decade. That is just a tenth of a percentage point on annual growth.

 SK/P10.03) INVESTMENT NEWS, January 8, 2018, p. 6, Gale Cengage Learning, Expanded Academic ASAP. The so-called Christmas gift given to the country by President Donald J. Trump and his Republican colleagues -- the tax reform law -- might be enjoyable in the short run, but it could prove to be nothing more than a lump of coal to many Americans over time. The corporate and individual income tax cuts offered by the bill, signed into law by Mr. Trump on Dec. 22, might give the economy a short-term boost. But the positive effect is unlikely to last, and will contribute to greater budget deficits over the next 10 years, as the Republicans pretty much conceded throughout the drafting and passing of the bill.

**3.**

 SK/P10.04) INVESTMENT NEWS, January 8, 2018, p. 6, Gale Cengage Learning, Expanded Academic ASAP. The Congressional Budget Office estimates the income tax cuts would boost the deficit by $1.5 trillion over 10 years, and that doesn't even take into account the effect of rising interest rates on the already tremendous national debt of more than $20 trillion. The interest payments on that are estimated in the 2018 federal budget to total $332 billion, but will likely be higher as the Federal Reserve pushes up rates to prevent the economy from overheating.

**4.**

 SK/P10.05) Zachary Karabell [Head of Global Strategy, Envestnet], FOREIGN AFFAIRS, March-April 2016, pNA, Gale Cengage Learning, Expanded Academic ASAP. The view that growth is stagnating leads to a crisis mentality that makes policymakers adopt measures designed to boost growth: stimulus spending, tax cuts, investments in higher education. Some of these may be beneficial, but they can also crowd out other actions that may be more beneficial: investing in greater efficiency, developing a leaner bureaucracy, and, above all, establishing and securing a baseline minimum standard of living. A society that followed these steps would be better off in the long run.

**SK/P11**

**1.**

 SK/P11.01) Ping Xu [U. of Rhode Island], THE JOURNAL OF SOCIAL, POLITICAL AND ECONOMIC STUDIES, Summer 2016, p. 3+, Gale Cengage Learning, Expanded Academic ASAP. Furthermore, scholars like Bartels (2005, 2009) express concerns that the rising income inequality in the United States is due to the uneven spread of the benefits of economic growth across income groups. Considering that the gains of economic growth disproportionately benefit the top-income group, we can speculate a positive linear relationship between economic development and income inequality after the 1970s in the United States.

 SK/P11.02) Robert Whaples [Wake Forest U.], JOURNAL OF SOUTHERN HISTORY, February 2018, p. 144+, Gale Cengage Learning, Expanded Academic ASAP. The authors [Peter H. Lindert & Jeffrey G. Williamson, authors of Unequal Gains: American Growth and Inequality Since 1700] conclude that the waxing and waning of inequality amid sometimes slow and other times rapid economic growth shows that grand theories that attempt to explain historical trends in inequality, such as the theory Thomas Piketty advocates in Capital in the Twenty-First Century (Cambridge, Mass., 2014), cannot tell us the whole story. Instead, it is crucial to look at the nitty-gritty details of each period to understand historical trends.

 SK/P11.03) John Hollis [George Mason U.], STATES NEWS SERVICE, November 6, 2018, pNA, Gale Cengage Learning, Expanded Academic ASAP. During a thoughtful, hour-long discussion moderated by Mason President Eungel Cabrera, Holbert L. Harris Chair of Economics Tyler Cowen and Pulitzer Prize-winning economics columnist and Robinson Professor of Public Affairs Steven Pearlstein each acknowledged the link in capitalism between fairness, equality and economic growth. "If you want more fairness and equality, you're going to have less growth," said Pearlstein, who writes for The Washington Post. "If you want more growth, you have less fairness. There's an absolute trade-off."

**2.**

 SK/P11.04) Diane Coyle [Professor of Economics, U. of Manchester], FINANCE & DEVELOPMENT, March 2017, p. 16+, Gale Cengage Learning, Expanded Academic ASAP. The environmental price of economic growth is becoming clearer--and higher. The smog over Beijing or New Delhi, the impact of pollution on public health and productivity in any major city, and the costs of more frequent flooding for which countries are still ill-prepared are all illustrations of the gap between GDP growth and economic welfare.