

General Instructions:

- Have the students read the book chapter before meeting to discuss its principles.
- There is no handout for group members. Use the group study questions at the end of each chapter in the book as the basis for the discussion.
- The section below provides the location of answers (page and paragraph in the book), the answers themselves (in brief), and the goal of each question.

Chapter 9 Group Study Questions Discussion Key

1. Explain the difference between yearly government budget deficits and the total national debt.
 - a. Answer location: Page 94, paragraphs 3-4.
 - b. Answer in brief: A deficit is a yearly shortage in the government's budget. The total amount of yearly deficits creates the national debt, the sum of what the nation owes.
 - c. Goal of the question: To help the student understand the difference between these two terms.
2. Describe how the government borrows money.
 - a. Answer location: Page 95, paragraph 2 through page 96, paragraph 1
 - b. Answer in brief: The government borrows money by issuing bonds through the Department of the Treasury.
 - c. Goal of the question: To help the student understand how the government borrows.
3. Answer the following questions about Sammy Spender: a) How much does Sammy make a year, and how much in total does he owe? b) How much does Sammy spend each year? c) How much does Sammy spend on interest each year? d) At his present rate of spending and borrowing, how much will Sammy owe in 10 years? e) What do you expect to happen to Sammy sometime in the future from a financial perspective? f) How does Sammy's situation relate to the U.S. government?
 - a. Answer location: Page 97, paragraph 2 through page 98, paragraph 3.
 - b. Answer in brief: a) \$100,000 and \$900,000, b) \$134,000, c) \$18,000, d) \$1.22 million, e) his life will be destroyed, f) Sammy's financials are representative of

- the U.S. government's present financial condition.
- c. Goal of the question: To help the student understand the size and scope of U.S. debt.
4. Discuss some of the ways economists explain away the size of the U.S. debt. What are the weaknesses in these views?
- a. Answer location: Page 98, paragraph 4 through page 102, paragraph 1.
 - b. Answer in brief:
 - i. The debt is compared to the size of the U.S. economy; the weakness of this approach is that the debt has been larger than the economy since 2013, and the size of the economy has nothing to do with the government's ability to repay its debts.
 - ii. The debt held by other U.S. government departments is considered a lesser concern than that held by third parties; the weakness in this approach is that debts to government departments still represent real debts that must be paid back.
 - iii. Because the government is a sovereign, it can simply default on its loans; the weakness here is that defaulting on part of or the entirety of our debt would destroy the government and the economy.
 - c. Goal of the question: To introduce the student to the popular ways U.S. debt levels are explained away and the weakness of each of these arguments.
5. Which of the quotes from the Founding Fathers about debt was most interesting to you? Why?
- a. Answer location: Page 102, paragraph 2 through page 104, paragraph 3.
 - b. Answer in brief: Quotes are provided from Thomas Jefferson, Alexander Hamilton, John Adams, and George Washington.
 - c. Goal of the question: To acquaint the student with the warnings of the Founding Fathers regarding debt.
6. Describe the "simple plan for repaying the debt" discussed in the chapter.
- a. Answer location: Page 104, paragraph 4 through page 105, paragraph 6.
 - b. Answer in brief: The simple plan for repaying the debt is 1) balance the budget over 10 years, 2) create a budget surplus of \$500 billion over the following 10 years, 3) maintain a \$500 billion surplus each year until the debt is paid off, and 4) build savings of one year of GDP over the next 20 to 30 years.
 - c. Goal of the question: To provide the student with a simple way to approach getting the nation out of debt.
7. Why will there be pressure on the government to increase spending in the future because of the Social Security Act?

- a. Answer location: Page 105, paragraph 7 through page 106, paragraph 2.
 - b. Answer in brief: The Social Security Act requires the government to pay citizens retirement benefits after a certain age. The cost of this program is expected to be around \$14 trillion over the next 75 years.
 - c. Goal of the question: To help the student see the problems with legally mandated spending where the national debt is concerned.
8. Explain how there is a practical limit to how much tax income the government can collect in a free society. What does this mean for repaying the debt?
 - a. Answer location: Page 106, paragraph 3 through page 107, paragraph 2.
 - b. Answer in brief: In a free society, when taxes are raised too much, individuals stop working or taking the risks required to generate additional wealth. This creates a limit on how much money the government can raise in taxes.
 - c. Goal of the question: To help the student see that tax increases cannot produce enough income to repay our debts quickly.
9. What did the chapter mean when it said that America had a “lack of political and social will” to address the coming debt crisis?
 - a. Answer location: Page 107, paragraphs 3-5.
 - b. Answer in brief: The political leaders in the U.S. are focused on fighting with their political foes, not addressing the nation’s problems. Moreover, people want more from their government in terms of spending, not less. These factors will make it extremely unlikely that the debt problem will be addressed before it is too late.
 - c. Goal of the question: To help the student understand the political and social barriers to overcoming our debt problem.
10. Do you think this quote from the chapter is correct? Why or why not? “It is highly unlikely we will do anything to address the debt crisis we have on our hands. The barriers are too high and deeply imbedded to be overcome. The people of the nation, and those responsible for her governance, will not acknowledge or act on this issue until it is too late.”
 - a. Answer location: Page 107, paragraph 5.
 - b. Answer in brief: There is no right or wrong answer here.
 - c. Goal of the question: To get the student to come to terms with where the nation is headed relative to its debt problem.