Foundation for Economic Education

DEBT AND DISCOURSE: BUILDING VIEWPOINT DIVERSITY AND CIVIL DISCOURSE WHILE LEARNING ABOUT THE NATIONAL DEBT





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JAMES REDELSHEIMER FOUNDATION FOR ECONOMIC EDUCATION

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James Redelsheimer, a Curriculum Development Officer at FEE, brings 20+ years of AP Economics teaching experience at Armstrong High School in Plymouth, Minnesota. He co-authored Barron's AP Economics, aiding countless students in AP exam preparation. James holds degrees from St. Olaf College and the University of St. Thomas, garnering recognition for his educational contributions. He's received notable awards like the 3M Economics Educator Excellence Award and the Thrivent Personal Finance Educator of the Year Award.



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US NATIONAL DEBT

\$35,006,051,804,990

DEBT PER CITIZEN

DEBT PER TAXPAYER \$103,834

\$267,404

US FEDERAL SPENDING (OFFICIAL)

\$6,831,216,229,515

US FEDERAL BUDGET DEFICIT (OFFICIAL)

\$1,865,968,125,511



US FEDERAL SPENDING (ACTUAL)

\$6,980,493,604,313

US FEDERAL BUDGET DEFICIT (ACTUAL)

\$2,015,245,522,331

US FEDERAL DEBT TO GDP RATIO

52.59% 1960 •

1980 •

34.63%

2000•

56.86%

NOW.

122.55%

Three Lessons

- 1. Elections & Fiscal Matters: By the Numbers!
- 2. Understanding the National Debt & Deficit: Graphic Conversations on the Fiscal Crisis
- 3. Solutions: The National Debt & Your Financial Future

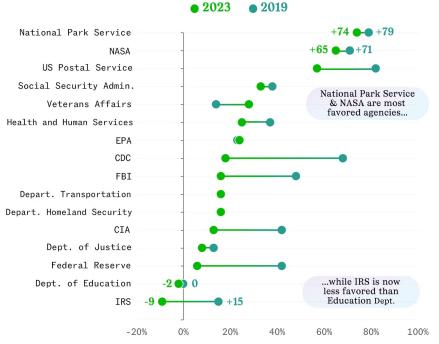
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Lesson #1 Elections & Fiscal Matters: By the Numbers!

IN THE PUBLIC EYE

Americans Still Like Parks And Dislike Taxes

% Net Favorable-Unfavorable Opinions of Each Federal Agency Among US Adults Surveyed*



*2023 sample size = 10,701 adults; 2019 = 2,004 | DHS and DOT not included in 2019 survey

Source: Pew Research Center

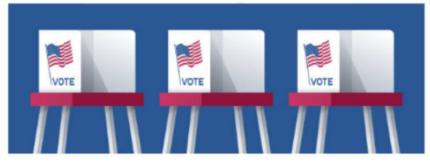


Instructions

- You'll receive either a number or a statement
- Goal is to find your "partner"
- When you think you have found your partner, move out of the group into the designated area (the front of the room)

Maximum salary subject to Social Security taxes per earner.

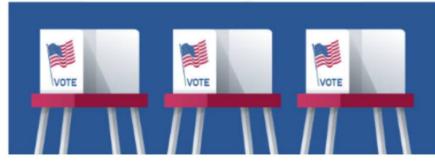
\$168,000



Maximum salary subject to Social Security taxes per earner.

Annual Social Security benefits for a two-earner couple with maximum earnings in the U.S. (\$168k/year)

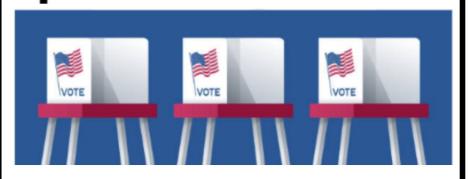
\$96,000



Annual Social Security benefits for a two-earner couple with maximum earnings in the U.S. (\$168k/year)

Social Security spending in 2023

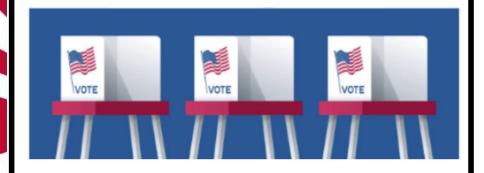
\$1.2 trillion



Social Security spending in 2023

Medicare/Medicaid spending; Medicare is a single-payer social health insurance program funded by FICA Payroll Tax contributions for citizens 65 and older

\$1.793 trillion



Medicare/Medicaid spending;
Medicare is a single-payer
social health insurance
program funded by FICA
Payroll Tax contributions for
citizens 65 and older

Lesson #2: **Understanding the National Debt & Deficit: Graphic Conversations**

DEBT VS. DEFICIT: WHAT'S THE DIFFERENCE?

A <u>fiscal deficit</u> A fiscal deficit is a shortfall in a government's income compared with its spending.

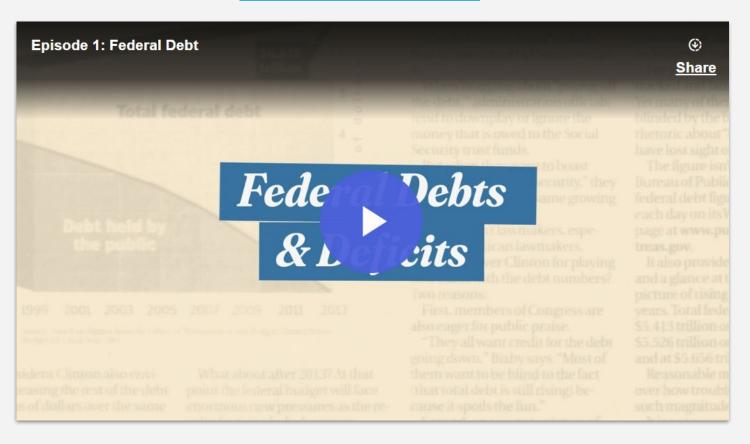
The <u>national debt</u> is the total amount of money that a country's government has borrowed.

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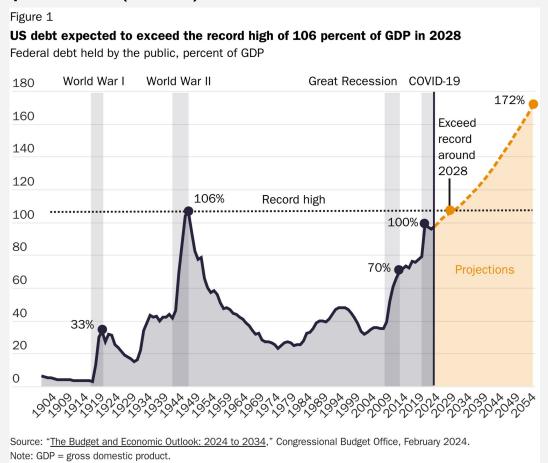
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Video on The Federal Debt

Click here for video link (3:32)



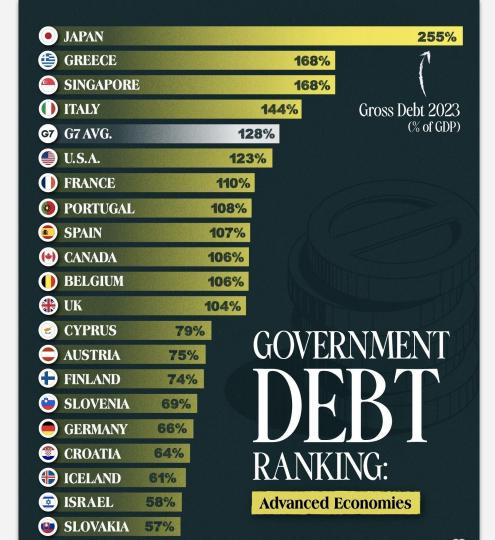
<u>Debt-to-GDP ratio</u>: metric comparing a country's public debt to its gross domestic product (GDP).



US Nominal GDP: 28.2 Trillion (Q1, 2024)







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22¢ Social Security 14¢
Health

13¢
National
Defense

13¢
Income
Security

Major programs incl. tood assistance and disability insurance 11¢ Net Interest

5¢ Veterans' Benefits & Services

2¢
Transportation

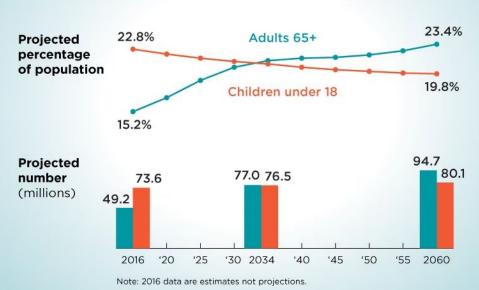
2¢

4¢

14 C Medicare



For the First Time in U.S. History Older Adults Are Projected to Outnumber Children by 2034





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The U.S. national debt is rising by \$1 trillion about every 100 days

PUBLISHED FRI, MAR 1 2024-11:47 AM EST | UPDATED MON, MAR 4 2024-11:58 AM EST





KEY POINTS

- The nation's debt now stands at nearly \$34.4 trillion, as of Wednesday.
- · Since June, the last two \$1 trillion jumps occurred in about 100 days.





TRENDING NOW



Trump says a TikTok ban would empower Meta, slams Facebook as 'enemy of the people'



If you and your partner use any of these 5 phrases regularly, your relationship is stronger than most

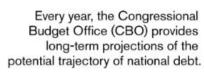


3 red flags recruiters look out for in job candidates: They're how you 'get blacklisted'



Oracle shares rise on better-than-expected quarterly earnings







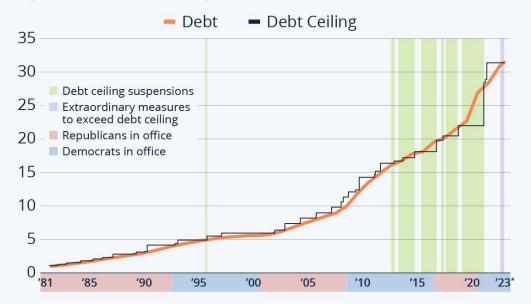
In light of the economic headwinds triggered by the COVID-19 pandemic, how is national debt expected to grow from now through 2050?



Decade	Gross debt at start of decade (USD billions)	Avg. Debt Held By Public Throughout Decade (% of GDP)	Major Events
1950	\$257	56.8%	Korean War
1960	\$286	37.3%	Vietnam War
1970	\$371	26.1%	Stagflation (inflation + high unemployment)
1980	\$908	33.7%	President Reagan's tax cuts
1990	\$3,233	44.7%	Gulf War
2000	\$5,674	36.6%	9/11 attacks & Global Financial Crisis
2010	\$13,562	72.4%	Debt ceiling is raised by Congress
2020	\$27,748	105.6%	COVID-19 pandemic
2030P	-	121.8%	
2040P	-	164.7%	
2050P	-	195.2%	-

U.S. Debt Rises Irrespective of Who Is in the White House

Debt ceiling and gross federal debt in the U.S. 1981-2023 (in trillion U.S. dollars)

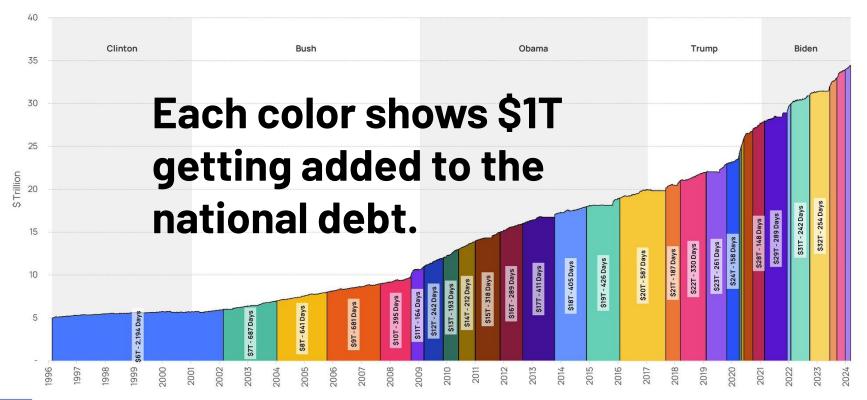


* As of May 8 Sources: Office of Management and Budget, Treasury Department





US National Debt





Video - Ticking Time Bomb: Social Security & Medicare Are Broke (4:41)

...



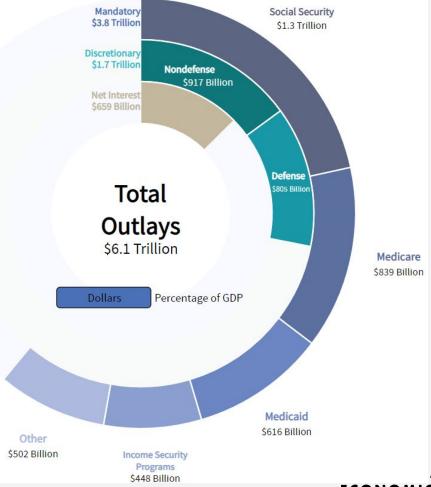
"No one will lay a hand on your Social and Security and Medicare!" says President Trump. They are a "rock solid guarantee!" says President Biden.

Both are dangerously wrong. Our retirement programs are going broke.

Here's why:

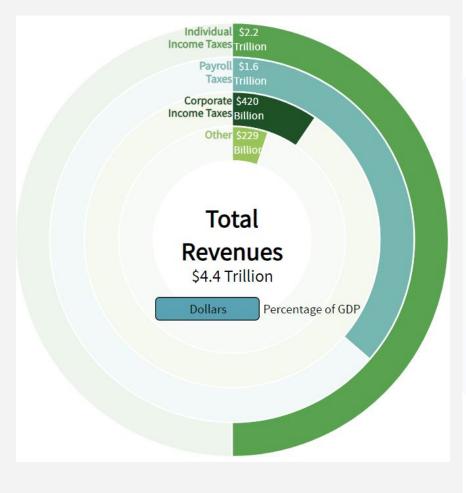


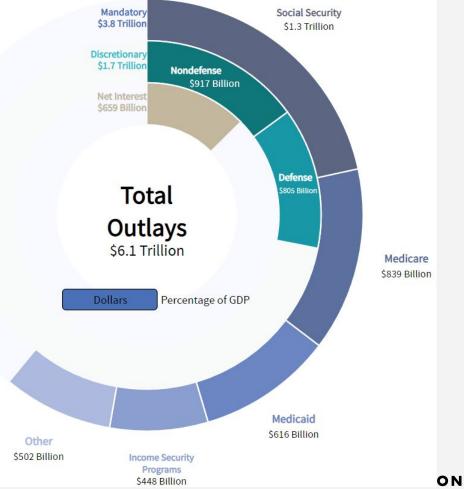
THE FEDERAL BUDGET IN FISCAL YEAR 2023



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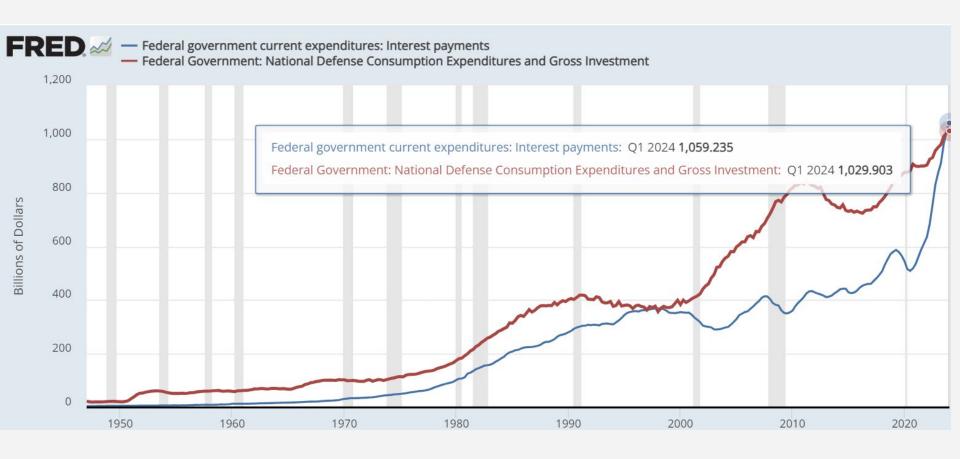
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US federal interest payments now exceed the defense budget



Other Terms to Know

<u>Outlays</u>: The actual spending of government funds, typically categorized into various sectors like defense, education, and healthcare.

Revenues: The income received by the government, mainly from taxes and other fees, which is used to fund its activities and services.

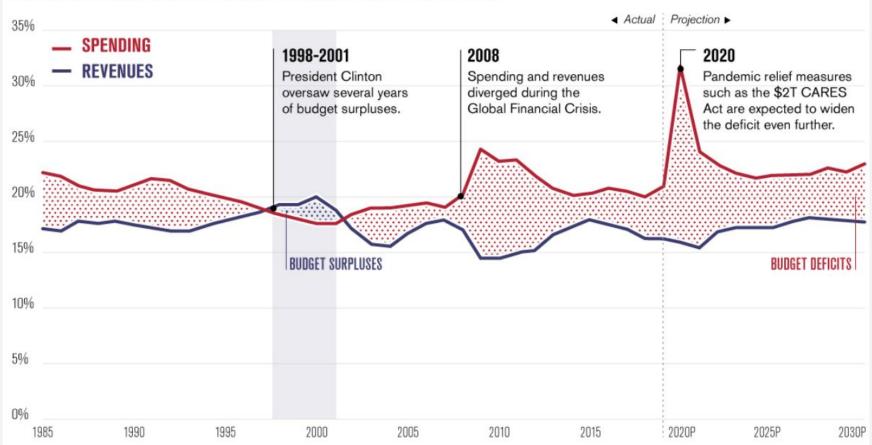
Non-discretionary / mandatory spending: Expenditures mandated by law, like Social Security, Medicare, and national debt interest, do not require annual congressional approval.

<u>Discretionary spending:</u> Decided annually by Congress through the appropriations process, covering areas like defense, education, and transportation.



FEDERAL SPENDING AND REVENUES (% OF GDP)

Budget deficits occur when the federal government spends more than it earns. This excess spending is intended to grow the economy and is financed by borrowing.



A Trillion Dollars Visualized

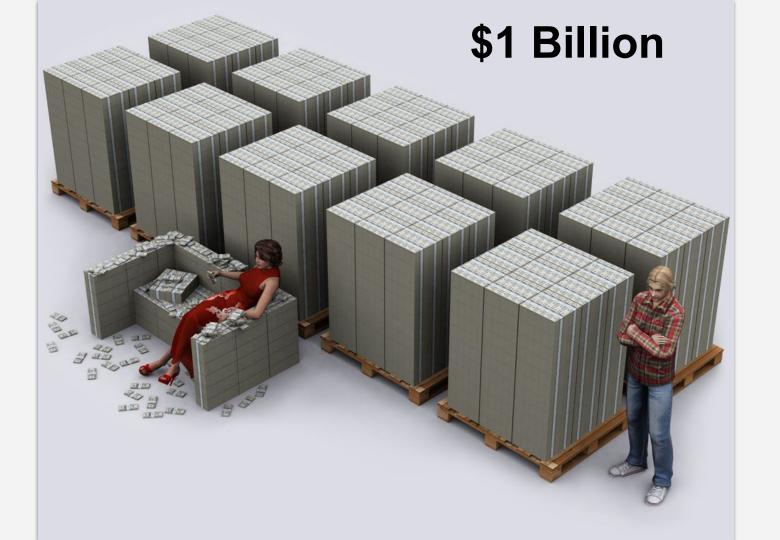






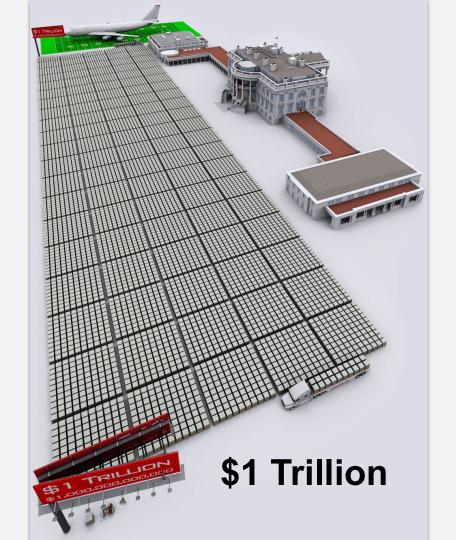
\$100 Million Dollar Pallet

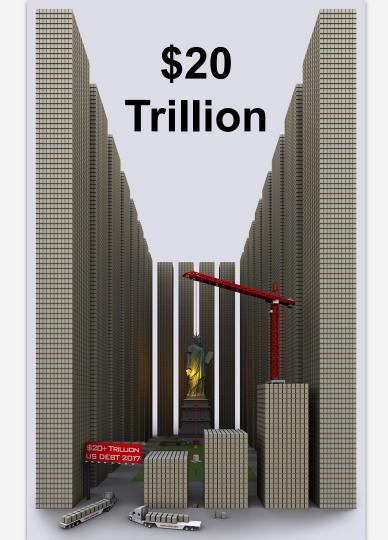




ARE YOU READY FOR A TRILLION DOLLARS?







Graphic Conversations

Learn About the National Debt & Deficit!

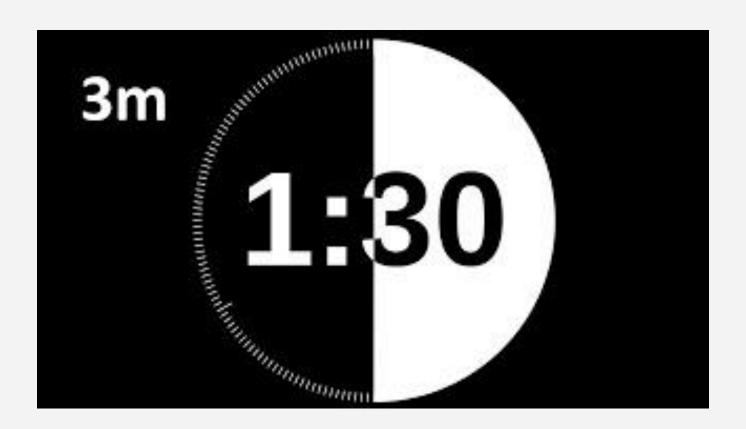


1. With a partner visit the 10 visuals one at a time.

2. Rotate every 3 minutes

3. Try to discuss each question and make notes on the handout

Graphic Conversations





22¢ Social Security

Medicare

14¢
Health

13¢
National
Defense

13¢
Income
Security

Major programs incl. food assistance and disability insurance 11¢ Net Interest

5¢ Veterans' Benefits & Services 2¢
Transportation

2¢

4¢



Visual #3: If You Paid Taxes, You Likely Paid...

How could reallocating funds reflect a

	Which of these category comparisons do	Which investments are likely to yield the most
	you find most troubling?	significant benefits for individual well-being?
ı		

Which categories are most important for

different balance between security and future economic growth? humanitarian concerns?



Lesson #3: Solutions: The National Debt & Your Financial Future



Teachers: See instructions here.

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Solutions: The National Debt & Your Financial Future

Introduction: In this lesson plan students will explore and evaluate different proposals to address the national debt and deficit. Students will be divided into groups to explore specific policy solutions, and discuss and evaluate their feasibility, impacts, and potential consequences. Each student will initially study a proposal in depth and then share their insights in a cross-group setting, enhancing their critical thinking and communication skills. By the end of the activity, students will collaboratively rank the solutions based on multiple criteria, and reflect on how these policies could affect their financial future and the economic stability of the country.

Teachers: See instructions here.



SOLUTIONS: DISCUSSION AND RANKING

Tax Reform

The U.S. tax system is currently complex and often considered unfair. It's filled with or activities. These tax breaks can weaken the economy by causing market distortions. Many experts suggest that removing these tax breaks could streamline the tax system, helping the economy grow, making taxes simpler and fairer, and reducing the national deficit.

Tax Reform

Retirement

As baby boomers (those born between 1946-1964) retire and life expectancies increase, vital programs for older Americans like Social Security face growing financial pressures. Social Security, funded by payroll taxes from workers, is the primary federal program supporting retirees, It's crucial for millions but is projected to face a shortfall. By 2033, the program's trust fund might run out, leading to a potential 23% cut in benefits unless changes are made. This situation is due to an aging population where fewer workers are supporting more retirees, making the program's finances unsustainable in the long run.

Population Changes Healthcare Reform

The United States devotes a significant portion of its economy—18 percent in 2021—to healthcare, which is nearly three times what other advanced nations spend. Despite this high expenditure, the U.S. often does not achieve better health outcomes. Experts identify excessive waste in the system as a major factor. estimating that 25% of healthcare spending is on unnecessary or ineffective services. Addressing these inefficiencies is crucial not only for improving health outcomes but also for allowing more investment in other economic sectors.

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National Security Solutions

In a rapidly evolving global landscape, the United States faces significant national various tax breaks such as loopholes, deductions, and credits that benefit certain groups Ir Pric security challenges. Yet, the burgeoning national debt poses a direct threat to the lankin country's economic and global standing. Addressing these challenges requires p priori reevaluating defense spending, which is one of the largest components of the est prio federal budget. Smart, strategic reforms can ensure national security while improving fiscal sustainability.

Population Changes

The U.S. is experiencing a significant drop in fertility rates, reaching a 44-year low, which poses risks to economic, fiscal, and social stability. This decline in population can worsen national debt issues as fewer working individuals must support more beneficiaries in federal programs like Social Security and Medicare. Policymakers are tasked with crafting strategies that align short-term and long-term economic needs with current and projected population trends.

Budgeting Process Reforms

Federal budgeting primarily focuses on the upcoming fiscal year, which often overlooks long-term fiscal challenges. While political consensus is necessary for fiscal policy, several reforms could enhance responsible budgeting and improve accountability. These reforms aim to add a long-term perspective, set clear fiscal targets, and strengthen enforcement measures.

Fiscal Commission

The United States faces escalating federal deficits and unsustainable entitlement spending, prompting some legislators to propose a fiscal commission similar to the Base Realignment and Closure (BRAC) commissions. These commissions were successful in streamlining military base closures by minimizing political interference and enhancing federal spending efficiency. This new fiscal commission would aim to similarly tackle entitlement reform and reduce national debt through an independent, expert-led panel.



1. **Rankings:** Why did you rank the solutions the way you did? What factors were most important to you in deciding which solutions are best for managing national debt and deficits?



2. **Trade-offs and Opportunity Costs:** What are some trade-offs involved in reducing the national debt? Consider what the government and individuals might need to give up to implement a solution, how opportunity cost applies, and the possible long-term consequences of these trade-offs.



3. **Feasibility and Realism**: Considering political and economic realities, which solutions do you think are most feasible to implement? Why do some solutions seem more achievable than others?



4. **Long-term vs. Short-term:** How do each of the solutions address immediate versus long-term challenges associated with national debt and deficits? Are there solutions that seem to balance these considerations better than others?

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5. **Comparative Analysis**: Which solution do you think would have the most significant positive impact on the country's economic stability? Why? Contrast this with the solution you think might be less effective or potentially harmful.



6. **Personal Perspective**: How do these issues of national debt and deficit reform affect you or will affect you in the future? What role do you think your generation should play in addressing these fiscal challenges?

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What are some key insights you've gained from your peers during today's discussions, and how have these discussions influenced or changed your perspectives on managing the national debt and fiscal deficits?





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Summit Video



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Econ 101: Taylor's Version

A student workbook filled with 30 grab and go Taylor Swift filled assignments for high school Economics students.

Free





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Course

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Free





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Course

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