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# What Should America Do about the National Debt?

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Segment Length: 3:04 minutes; 3:31 minutes

## **Videos:**

“Robert Reich: Austerity 101”

<https://www.youtube.com/watch?v=-LlbW5SHGGA>

“\$20,000,000,000,000 in Debt and Rising”

<https://www.youtube.com/watch?v=hW7rJbftQh4>

## **Guide:**

The questions below will help students achieve a better understanding of the arguments made on either side of a contentious topic. Because these questions often touch upon statements made briefly in the videos, we recommend reading the questions before watching each video.

Students are encouraged to take notes during the videos, and it may be helpful for students to break into groups, each taking responsibility for only a few questions, before coming together for discussion.

## **Analysis Questions:**

1. In the first video Robert Reich says deficits are meaningless unless put in the context of gross domestic product. Why might absolute numbers be misleading?
2. Robert Reich argues that as long as deficit as a ratio of GDP drops from year to year, the United States can more easily pay off its debt. If the deficit to GDP ratio were to drop, what would happen to total debt? What would happen to the rate at which our debt is increasing? What is the difference between debt to GDP ratio and deficit to GDP ratio?
3. Looking above at question #2, how might someone like John Stossel argue that the trend in debt to GDP ratio is more important than the trend in deficit to GDP ratio?
4. Robert Reich contends that deficit spending grows the economy when unemployment is high. Why would unemployment make a difference? How could deficit spending during high unemployment create jobs?
5. Look above at question #4 and think about how Congress will finance deficit spending to answer the following question: What is the cost of using deficit spending to decrease unemployment? What does John Stossel have to say about minting?
6. According to Robert Reich spending cuts in times of high unemployment make the deficit more problematic. What is his argument?

7. Deficit spending on investments like education and infrastructure, if returns exceed costs, are good, says Robert Reich. How might the concept of opportunity cost be applied to this situation? (Hint: Deficit spending is often financed by printing currency, which causes inflation. What alternative spending -- and whose -- is foregone by financing deficit spending?)
8. According to John Stossel, why do Democrats and most Republicans like debt?