

# You Decide: Will the National Debt Sink Us?

By Dr. Mike Walden: When I take questions after the scores of presentations I make across the state each year, there is one question I can always count on – what is the country going to do about the national debt? I certainly understand the concern with the national debt now over \$20 trillion, and no end in sight. Indeed, the Congressional Budget Office (CBO) forecasts the national debt will rise to over \$90 trillion by 2047!

There are many questions associated with the national debt, including why it continues to rise, whether each of us will ever receive a bill for our share, if the debt needs to be repaid and what its true cost is. In twelve questions and answers, I'll try to give you details on the national debt that will let you decide what its real impacts are.

- What causes the national debt? The national debt rises when the federal government spends more in a year than it collects in revenue and is forced to borrow the shortfall. The annual increase in the debt is called the "deficit." The accumulation of all past borrowing that has not been repaid is termed the "national debt."
- How is the debt financed? The federal government issues "Treasury securities," and the Treasury securities are bought by investors. The Treasury securities come in various terms, from 3 months to 30 years. Holders of Treasury securities receive periodic interest payments, and the original purchase price is repaid to the holder at the end of the term. However, existing Treasury securities can be bought and sold before their term expires.
- Why would anyone buy debt from the federal government? The federal government has never missed an interest payment on its debt. Federal government debt is considered very low risk and is sought after by investors around the world. Individuals can buy federal government debt (Treasury securities) directly or indirectly through mutual funds which hold federal debt.
- \$20 trillion in debt now, \$90 trillion later – won't that bankrupt us? The key to affording debt is the "carrying costs" – the interest costs on the debt and their impact on the debt holder's budget. Even as the national debt doubled in the last decade, since interest rates fell during that time period, interest payments on the debt as a percent of national income have barely budged, hovering between one percent and two percent.
- But aren't interest rates rising now? Won't this mean the "carrying costs" of the debt will begin to rise? Yes they will. The CBO projects interest costs on the national debt will jump under two percent today to six percent of national income in 2047.
- Will that make the debt unaffordable? The debt will still be affordable, but its costs will become more obvious. The real cost of the debt is what else could be done with the money spent financing the debt. These costs rise when the carrying costs of the debt rise.
- Won't there be a day when each person is presented with a bill representing their part of the national debt – and people will have to pay up? No. Unlike personal debt which is tied to an individual, the national debt is the debt of the country, and so as long as the country exists, the debt doesn't have to be completely repaid. Again, what is important is the ability of today's generation and future generations to pay the carrying costs of the debt.
- Is there a risk that foreign holders of the national debt will someday demand payment in full? No. Foreigners currently own about a third of the national debt. Each of the Treasury securities owned by foreigners has a term, or due-date, and debt holders can't demand full payment before that date. However, foreign owners, just like domestic owners, of the debt can sell their debt at any time to a willing buyer.
- Doesn't a rising national debt necessarily increase inflation? No. There is only a direct link between the debt and inflation if the Federal Reserve creates money to purchase portions of the national debt. In the last ten years, inflation rates have been at historic lows. Even the recent inflation rate of between two and a half percent and three percent is below the post-World War II average.
- Can the national debt at least be contained? Certainly. Additions to the national debt can be reduced or eliminated by some combination of higher federal taxes and fees and reduced growth in spending. Such an approach is possible, but often politically difficult.
- What kind of changes in federal spending have been recommended to contain the debt? Any spending program could be curtailed, but the fastest growing federal programs now and into the future have been programs like Medicare, Medicaid and Social Security. Medicare and Medicaid spending is being driven by an aging population and advances in medical treatment. Social Security is currently self-financed, but by the mid 2030's the program will likely require borrowing to meet payment obligations. Proposals to alter these programs are always controversial.
- So can the government continue to just borrow, borrow and borrow? Actually it can, but as the carrying costs of the debt go up, there is less money available for other things, like education, transportation, homeland security, etc. And some economists think more government borrowing leads to less private borrowing and slower economic progress.

We've been able to sleepwalk through our rising national debt in recent years due to borrowing rates being at basement levels. Now, with rising rates and rising debt, the costs of the national debt will become more apparent. Will we make changes? You decide!

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### Tips for Buying NCAA Tournament Tickets

With March madness upon us, many fans are looking for tickets to the games. There are countless ways for consumers to find tickets and connect with online marketplaces, ticket sellers, and resellers. Unfortunately, some of them are rip-offs. Last year, Better Business Bureau received over 300 reports on BBB Scam Tracker ([BBB.org/scam-tracker](http://BBB.org/scam-tracker)) about ticket scams related to sporting events, concerts, theatre, and more. Countless more go unreported.

BBB is warning consumers to be smart when searching for and purchasing tickets, to ensure they are purchasing from a trustworthy source. BBB and the National Association of Ticket Brokers are working to raise awareness and educate fans about the smartest ways to buy tickets on the secondary resale market.

Here are some tips, whether you are looking for tickets for a game or any other event:

- Purchase from the venue. Whenever possible, use the official ticket sales agent for the venue. Many now offer secondary sales options, as well.
- Consider your source. Know the difference between a professional ticket broker (a legitimate and accredited reseller), a ticket scalper (an unregulated and unlicensed ticket seller), and a scammer selling fraudulent tickets.
- Check out the seller/broker. Look them up on [bbb.org](http://bbb.org) to learn what other customers have experienced. Check to see if they are a member of the National Association of Ticket Brokers. NATB members offer a 200% purchase guarantee on tickets. Look up the seller on [VerifiedTicketSource.com](http://VerifiedTicketSource.com) to confirm you are buying from an NATB-member resale company.
- Buy only from trusted vendors. Buy online only from vendors you know and trust. Look for the lock symbol in the web address to indicate a secure purchasing system. Don't click through from emails or online ads; a common scam trick is to create a web address that is similar to a well-known company.
- Know the refund policy. You should only purchase tickets from a ticket reseller that provides clear details about the terms of the transaction. Sellers should disclose to the purchaser, prior to purchase, the location of the seats represented by the tickets, either orally or by reference to a seating chart; and, if the tickets are not available for immediate access to the purchaser, disclose when the tickets will ship or be available for pick up.
- Use payment methods that come with protection. Always use a credit card so you have some recourse if the tickets are not as promised. Debit cards, wire transfer or cash transactions are risky; if the tickets are fraudulent, you won't be able to get your money back.
- Be wary of advertisements. When you search the web for online tickets, advertisements for cheap tickets will often appear. Use good judgment; some of these ads are going to be scams, especially if the prices are low.
- If you're unsure, verify your tickets. Pay a visit to the arena where the event will be held. Present your ticket to "Will Call" (customer service) and they can verify if your ticket is legitimate.



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