

Hour 3

The United States – Strengths and Challenges



Major Issues for the US Economy

1. Debts and deficits

2. The effect of automation

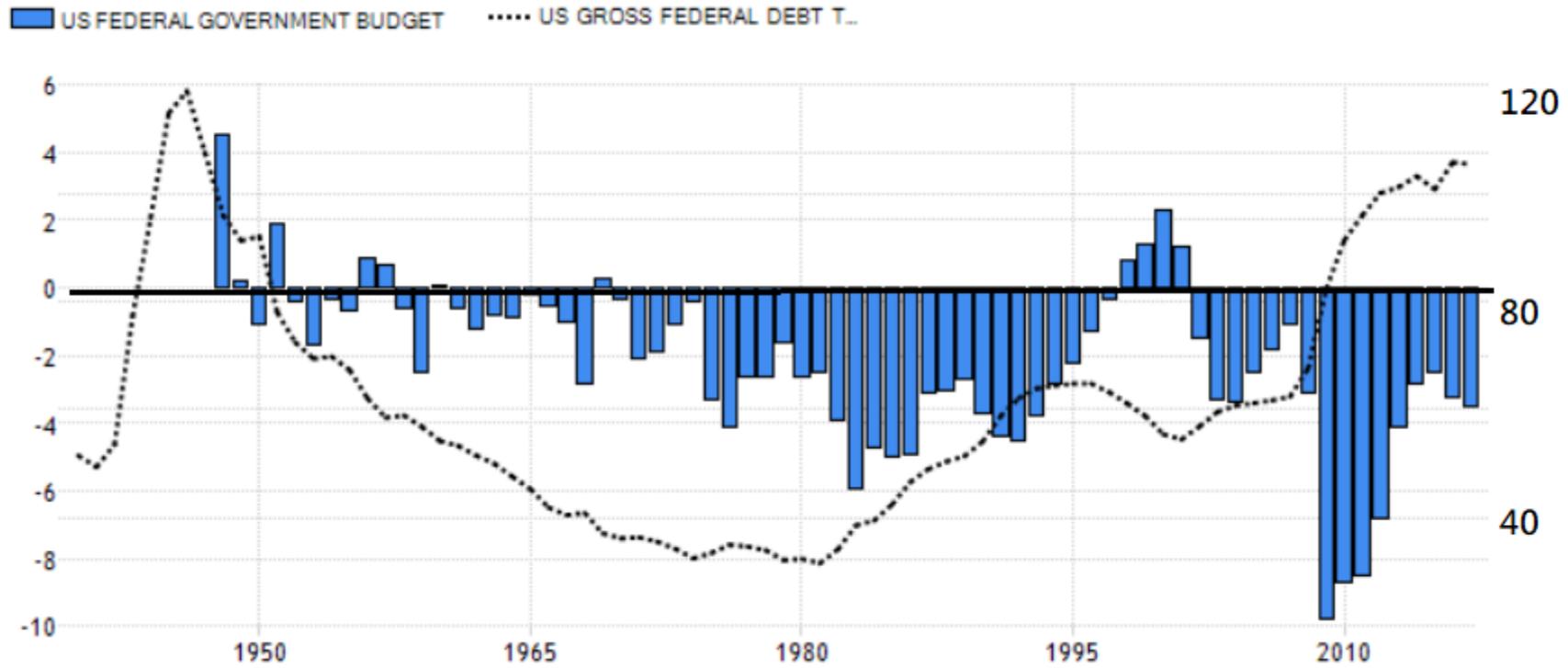
3. Interest rate and Fed balance sheet normalizations

4. Trade issues*

5. Social security viability

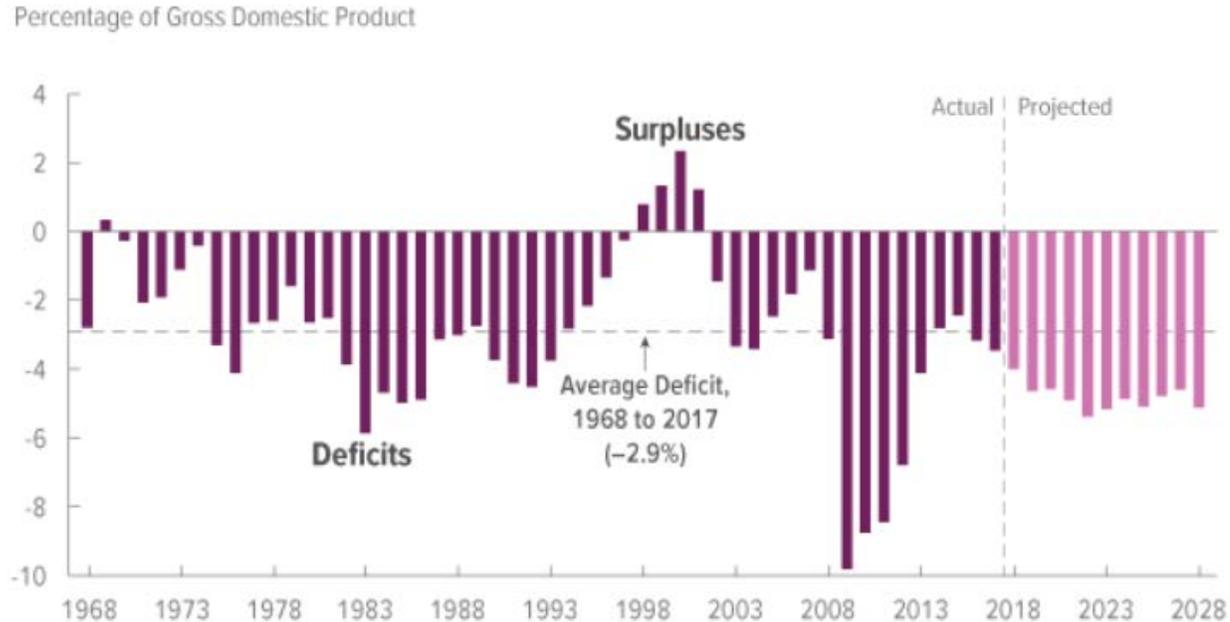
6. Immigration Problems

1. Debts and Deficits



Total Deficits or Surpluses

Deficits as a percentage of gross domestic product are projected to increase over the next few years and then largely stabilize. They exceed their 50-year average throughout the 2018–2028 period.

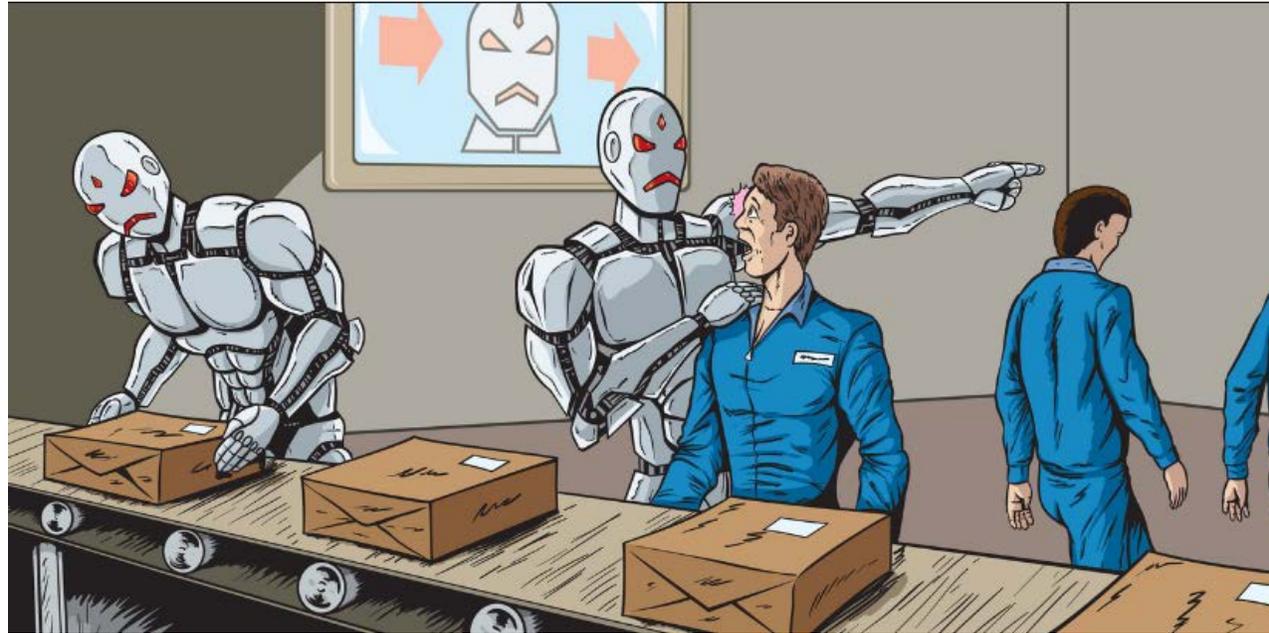


Factors Affecting Deficit

- Government Spending/GDP (+)
- Tax Rates (-)
- Rate of Base Money Created (-)
- Growth Rate of the Economy (-)
- The Level of the Real Interest Rate (+)
- The Velocity of Money (+)

Big Debts put Excessive Burdens on Future Generations, Crowd Out Private Debt, Create an Incentive for the Government to Inflate, Create Waste by Generating Too Much Spending Now, Make Wars more Likely

2. The Effect of Automation



(See Mishel and Bivens (2017))

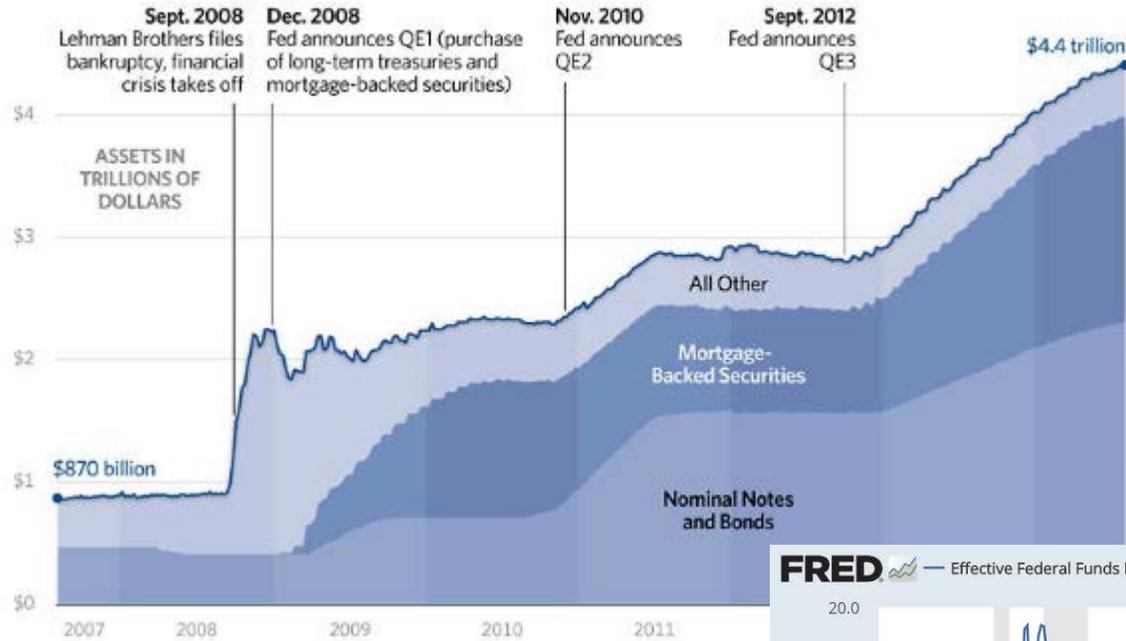
<https://www.epi.org/publication/the-zombie-robot-argument-lurches-on-there-is-no-evidence-that-automation-leads-to-joblessness-or-inequality/>

<https://www.youtube.com/watch?v=swB7lvct8d8>

Martin Ford TedX Talk roughly 14 minutes

3. Interest rate and Fed balance sheet normalizations

Federal Reserve Assets: Key Dates



Selling off bonds causes interest rates to rise and can choke off the global economy and raise the value of the US dollar. Can crash the housing markets also.



4. Trade Issues*

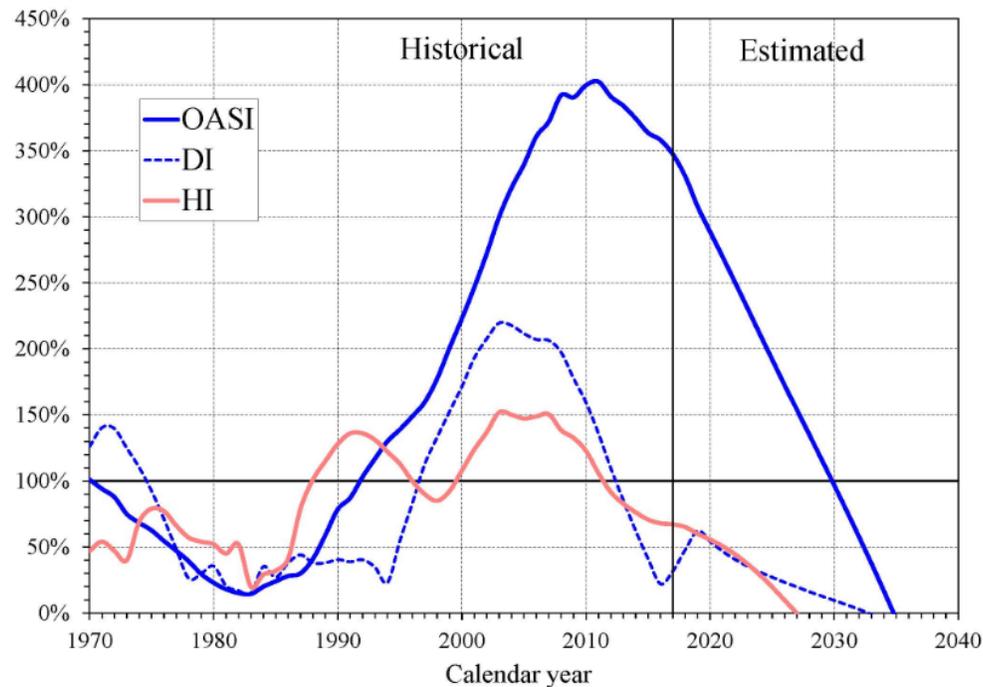
US raising tariffs on steel and aluminum, response from other countries, withdrawal from TPP, renegotiating KORUS FTA, renegotiating NAFTA, is protection good for the US? Will this lead to freer markets in the future?

This topic will be covered in one of the
Group Presentations on Day 2

5. Social Security and Health Care

The Trustees project that the combined DI and OASI trust funds will be depleted in 2034. The Trustees project that the HI Trust Fund will be depleted in 2026. The SMI fund will remain solvent for the future.

Chart E—OASI, DI, and HI Trust Fund Ratios
[Asset reserves as a percentage of annual cost]



Some Policies

- Raise payroll taxes
- Lower Benefits
- Reduce Inflation Adjustments
- Raise Retirement Age
- Increase Co-Payments
- Improve Preventative Care

6. Immigration Problems

<https://fas.org/sgp/crs/homesec/R45020.pdf>

- Legal Immigration, Illegal Immigration, Refugees, and Asylum
- Illegal Children and Separations, Executive Order
- DACA
- Sanctuary Cities
- Wall Funding
- The Future of ICE

Summary of Hour 3

1. US polarized politically into red (Rep) and blue (Dem). Coasts and industrial heartland is blue while central US is red. US citizens are unprepared for health care and retirement. Government cannot help. Washington and politics has become too important.
2. US deficits and debt are rising. People are unconcerned. Enormous costs on future generations.
3. Automation threatens many job categories, both unskilled and skilled. AI is improving rapidly and will soon be able to learn and make judgments. What will work be like in the future? Calls for a Universal Basic Income, but this seems unreasonable.
4. The Fed must normalize its balance sheet. This means reducing bank reserves by selling government securities, etc. Significant danger that interest rates will rise, risk will increase and asset values will collapse. Raising interest rates by selling bonds will put pressure on other countries to do the same.
5. Trade will be discussed by Group 1.
6. Social Security composed of three large trusts- retirement, disability, and health care. Social security is not financially viable. Trust funds will be completely depleted in 2030. Average retirement payment by Social Security is \$1400 month.
7. 47 million immigrants, 11 million illegal, 1 million immigrants legally enter US, DACA DAPA programs introduced by Obama, major issue is what to do with illegal children and illegals who have lived and worked in US long time, political issue of granting amnesty.

Next up after lunch: The Euro
Area – Strengths and
Challenges