

The National Deficit and Debt

Monday April 22nd, 2024 – Clinton Community Center

We heard from Joe Zitka and Jack Allen about the national debt and the deficit, and the impact of the deficit on the U.S. economy.

Joe Zitka, served as Business Department Coordinator at Pellissippi State and currently teaches economics and business classes. He has a bachelor's degree from Michigan State University and holds master's degrees from Wayne State University and Austin Peay State University.

Jack Allen is a retired president of Citizens National Bank in Athens, Tenn., has served as chair of the Economic Development Authority, Chamber of Commerce president, and chair of the Library Board, among other community organizations in Athens and McMinn County. After his wife died from ovarian cancer, he became the only male lobbyist for the National Ovarian Cancer Institute. Jack is currently running for U.S. House District 3 against Chuck Fleischmann. He is running with the values of truth and civility, and believes it is time to go to work and fix the problems of this country.

Joe Zitka began the talk with some good basic economics reminders, for instance that a “deficit” is when we spend more money than we take in, and “debt” is the accumulation of that deficit over time. He showed a breakdown of where the government's income comes from, with over



50% from income taxes as the largest component, and social security payroll taxes as the next largest. Zitka then went into where the income is spent – with social security (20%), healthcare (23%), and defense (12%) programs as the largest budget items. It was interesting to note that the interest on the national debt is 7% of the overall spending currently.

Using the example of a single dollar, Zitka gave us insight into exactly how extreme our 34 trillion dollar national debt is. The government took on substantial debt during WWII and then paid

it down steadily until the 1980s, when it began rising again. During the Clinton administration the debt was again paid down using a surplus budget. The debt rose sharply during the 2007-

2008 financial crisis and continued steadily rising through the COVID pandemic stimulus payments. Although the national debt is a worry, we are not as indebted as many other nations – UK, Greece, Japan have far more debt than the U.S.

To counter the deficit, and consequently the debt, is income. Our primary source of funds is individual income taxes and social security payroll tax payments. The income tax payments are down slightly from 2022, and the social security and corporate income taxes are up slightly in the same time period. Immigration is a big driver of the economy and a boost to taxes.

Medicare, specialized government trusts for highways and bank deposit insurance, civil service and military retirement programs have loaned the federal government nearly 22% of the debt, Bonds, such as T-Bills, also hold significant amounts of the government debt. Japan, China, the UK, and Belgium have also loaned significant amounts of money to the U.S.

Debt has the added burden of being inflationary, and a threat to the strength of the dollar. Our strength as a global exporter depends on a strong dollar.

Jack Allen also spoke on the deficit and resulting debt. He pointed out that a not insignificant portion of the COVID stimulus payments were made to people who invested the money rather than using it to purchase goods and services. As tax payers we should expect to get something in return for our debt payments -- creating more wealth for the wealthy is not a good use of the money. The tax cuts for the wealthy have compounded the problem by bringing in less income



and making a balanced budget even more difficult. Fair share income tax on the wealthy is reasonable, and was proven to not hurt business in the years prior to the late 1980s when the top tax rates were 65-94%.

Allen also echoed Zitka's comments about immigration, and pointed out that immigrants are often scapegoated as a negative factor for the economy. However, the percentage of immigrants in the U.S. is fairly constant over time and has been proven to be a positive force in the economy. A real effort should be put toward legalizing immigrants rather than penalizing them. Jack shared his concern about the increasing divide between the rich and the rest of America, and how that divide is not good for society or the economy overall. He pointed out that collectively we have plenty of money; however, currently the money is just going to the wrong places.