

Suggested answers (longer readings)

Reading 1: Overall State of the Economy

Questions on the unemployment rate:

- How does the increase in unemployment compare to the Great Recession of 2008?
(The increase for the Covid-19 recession was much more rapid.)
- How quickly has unemployment recovered compared to the Great Recession of 2008?
(The recovery has been markedly quick, although the recovery has slowed in last few months.)
- Has unemployment completely recovered since the beginning of the pandemic?
(It is still well above the pre-pandemic unemployment rate.)

Questions on GDP:

- Is the size of the economy as measured by real GDP above or below real potential GDP (real potential GDP is an estimate of the capacity of the economy)?
(The economy is below potential.)
- How quickly has real GDP recovered compared to the Great Recession of 2008?
(The recovery has been more rapid, but real GDP is still below its potential level.)

Questions on the labor force participation rate:

- What has been the overall trend of labor force participation (defined as the percentage of the working age population who are in the labor force)? What do you think is the reason for the trend?
(The overall trend has been down, most likely due to an aging workforce.)
- What has happened to labor force participation since the beginning of the pandemic?
(It has decreased. While it rebounded after the initial drop, the labor force participation rate has stagnated, indicating that perhaps some workers have permanently left the work force.)

Reading 2: Impact on Businesses, People, State and Local Governments

Questions on businesses:

- How are business closures measured in this graph? What kind of businesses are generally on Yelp?

(Businesses on Yelp tend to be restaurants and other services. The business closure graph shows the number of businesses that were open in March, but have since closed.)

- What is the trend in the total number of businesses that are closed?

(It begins high, but decreases for a time as some business reopened. However, the trend is again up.)

- What is the trend in the total number of businesses that are permanently closed?

(More businesses have been permanently closing.)

Questions on households:

- Are symptoms of anxiety disorder or depressive disorder higher or lower than before the pandemic?

(Certainly well above the cited pre-pandemic comparison level.)

- Have the symptoms increased or decreased since April when the recent surveys began?

(While symptoms decreased for a time, recently symptoms have increased.)

Questions on local and state government:

- The graph measures the change in the number state and local government employees. What has happened to state and local government employment since the beginning of the pandemic?

(A large number of jobs were initially lost. Some rehiring occurred after the initial loss of jobs.)

- Overall, are there more or less state and local employees than before the pandemic? (Estimate if more jobs have been lost than gained during the pandemic based on the changes given in the graph.)

(While some rehiring has occurred, the graph indicates losses well outweigh the gains.)

Reading 3: Crowding out and interest rates

Questions on crowding out:

- How does the federal government borrow funds?
(The Treasury Department issues bills, bonds and notes.)
- What might happen to interest rates if federal government borrowing increases?
(They might rise.)
- What is meant by crowding out?
(As government borrows and interest rates rise, business will borrow less for investment. Government borrowing crowds out private investment.)
- Because businesses borrow funds to fund expansions and improvements what will happen to economic growth if interest rates rise significantly?
(Growth would slow if investment slows.)
- How can you tell if crowding out is a problem?
(If interest rates rise rapidly in response to government borrowing, then this could cause crowding out.)

Question on historic interest rates:

- Have interest rates (measured in the graph by the interest rates for businesses and federal government) increased or decreased over the last 40 years? Over the last 20 years?
(Interest rates have decreased overall for the last 40 years – 1980.)
- Would you describe current interest rates as relatively high or relatively low?
(Interest rates are at historic lows.)

Questions on future interest rates:

- According to the Congressional Budget Office, are interest rates forecasted to increase or decrease?
(Increase to about 3%.)
- Based on your knowledge of historical interest rates, will interest rates in the next 10 years be historically high or low?
(3% would still be a historically low interest rate.)

Reading 4: Opportunity Cost of Interest

Questions on interest payments in the federal budget:

- Is interest a large portion of the federal government's budget?

(No, it is small.)

- Did total spending increase from 2019 to 2020? Why?

(Yes, the CARES Act was a large part of the increase in spending.)

Question on government programs:

- What government programs account for a large portion of the federal budget?

(Social Security, Medicare, Medicaid and defense represent large portions of the budget.)

Questions on interest payments relative to the size of the economy:

- Historically speaking, is the total amount of interest paid on the national debt as a percentage of GDP high or low?

(It is relatively low compared to the 1980s.)

- What is the trend for the total amount of interest paid on the national debt recently?

(Recently the trend has been up due to increased deficits due to the Great Recession and the Covid-19 recession.)

Reading 5: How Big is the Debt and Deficit?

Questions on deficit:

- Recessions are shown by the shaded portions of the graph. What generally happens to the federal budget in times of recession?

(Governments tend to run deficits or run larger deficits during recessions due to increased spending and lower revenues.)

- When was the last time the U.S. federal government ran a surplus?

(In the late 1990s.)

Questions on the national debt:

- During the Great Recession 2008 and the current recession, what has happened to the national debt?

(The debt has increased due to increased spending and decreased revenues.)

- Why did the national debt decrease in the late 1990s? (Hint: Look at deficit graph on previous page.)

(A budget surplus means the national debt is paid down.)

- Why did the national debt as a percentage of GDP decrease in the last measurement (what happened to GDP)?

(GDP rebounded so that the debt as a percentage of GDP decreased. As the economy grows, national debt as a percentage of GDP will fall.)

Questions on CARES Act:

- What are some of the components of the CARES Act? (You can go to the NPR article for more details than provided by the graphic.)

(Any of things listed in graphic.)

- Who is helped by the CARES Act?

(Again, any of the entities listed are helped.)

Reading 6: Projections of the Future

Questions on future deficits:

- Based on the projected deficits by the CBO, will the CARES Act stimulus have continued impacts on the deficit?

(While the CARES Act results in a large one-time deficit, the overall projection is not changed in the long term.)

Questions on future debt levels:

- Based on the projected debt by the CBO, will the CARES Act stimulus have continued impacts on the debt?

(While the CARES Act pushes the debt up, the trend flattens out, so that ultimately the impact is a one-time increase through 2030.)

Question on government programs:

- Identify the impact of the CARES Act in the figures.

(Under mandatory spending, other category for 2020.)

- The United States is projected to have increasing long-term deficits. What spending programs are increasing over time? Why do you think these are projected to increase?

(Social Security and major health programs are rising due to the aging of the population.)

- The United States is projected to have increasing long-term deficits. What sources of revenue have been trending downward over time? Why do you think these have been decreasing?

(Corporate taxes and other revenues have been decreasing as taxes have been cut. Payroll taxes will fall as people retire.)