



# STUDY GUIDE

## NATIONAL DEBT: WHO CARES

### KEY TERMS:

national debt  
Baby Boomers

interest payment  
Social Security

Medicare  
competition

**NOTE-TAKING COLUMN:** Complete this section during the video. Include definitions and key terms.

What is the current national debt?

How big will the shortfall be for Social Security and Medicare over the next three decades?

How much larger, typically, are the benefits than what Medicare recipients paid into the system?

**CUE COLUMN:** Complete this section after the video.

In what way is the growing national debt such a problem?

What are the consequences of a growing national debt?

## DISCUSSION & REVIEW QUESTIONS:

- Towards the beginning of the video, Mr. Reidl notes that, “The national debt currently stands at \$22 trillion. That’s trillion with a T. Ten years ago it was \$10 trillion. Ten years from now it’s projected to be \$34 trillion. The interest payment on our debt is currently \$300 billion per year, heading towards a projected \$1 trillion within a decade. At that point, a fifth of all federal taxes paid will go towards the interest on the debt – not education, infrastructure, and defense – you know, the stuff government is supposed to do. And that’s with historically low interest rates. Imagine if those rates normalized. Well, maybe you don’t want to imagine it because that picture is very dark. In a better world, voters would be marching on Washington demanding that our politicians dig us out of this hole before we’re buried in it. In the real world... almost no one cares. But we should care.” Why do you think that so many people seem oblivious to the national debt and seem not to care about it? Why do you think that people, especially younger people, should care? Explain.
- Later in the video Mr. Reidl explains that the U.S. has, “...74 million Baby Boomers rolling into retirement age – 10,000 a day. On top of that, Medicare recipients typically receive benefits that are triple the size of the what they paid into the system. Without some serious adjustments, these programs are going to fail. This is not the fault of retirees. It is simple demographics and math. Paying all promised benefits would require either raising the payroll tax from it’s current 15.3% to 33%, or imposing a 34% national sales tax.” What factors do you think contribute towards Medicare recipients receiving so much more money than they paid into the system? Would you be willing to have the government take twice as much out of your paycheck and/or be willing to pay such a high sales tax on goods and services that you purchase in order to pay for Medicare recipient’s benefits? Why or why not?
- Mr. Reidl goes on to point out that, “...when America promises senior citizens benefits far exceeding what they paid into the system, we should not tell young working families that their taxes must be doubled or tripled. We should instead pare back those benefits to an affordable level. That’s only fair... and sensible, right?... People live a lot longer than they did when Social Security was first conceived. We need to gradually raise Social Security eligibility age to reflect that. It’s now 66. We need to get it to 68 and then 70.” Do you agree with Mr. Reidl that reducing benefits, rather than taxing young families, is a more equitable and sensible solution to helping pay down the national debt? Why or why not? What do you think of Mr. Reidl’s suggestion to raise the eligibility rate for Social Security benefits? Explain.
- Later in the video, Mr. Reidl suggests that the U.S., “...give seniors more options to shop around for the plans they want. More choice and competition would stabilize costs and give us a fighting chance to keep Medicare solvent.” In what ways might giving senior citizens more options for health plans be more beneficial for them? In what ways, specifically, would competition help to stabilize health care costs? Do you think that Medicare should remain solvent? Why or why not?
- At the end of the video, Mr. Reidl Rhetorically asks, “So, are any of these ideas [raising the Social Security eligibility age, encouraging competition for Medicare] being seriously discussed in the halls of government? We all know the answer to that question.” Why do you think that these issues are mostly being neglected by the government? What issues do you think should be prioritized above the national debt, if any? Explain.

## EXTEND THE LEARNING:

### CASE STUDY: Flemming v. Nestor

INSTRUCTIONS: Read the article “Supreme Court: No Right to Social Security,” then answer the questions that follow.

- Who was Ephram Nestor, and what was his reaction when the government stopped sending him Social Security checks? What was Mr. Nestor’s argument regarding why he should receive Social Security benefits? What was the outcome of the case, and what was the court’s reasoning? What happened to Mr. Nestor after he retired? What were the legal outcomes of the case? What can the government do, in terms of Social Security? How many deductions or exemptions are there for the FICA and Medicare taxes? What is a common belief in regards to FICA and Medicare taxes? Why does Washington dole out Social Security and Medicare benefits?
- Do you think that most people are aware that Social Security and Medicare, two of the largest contributors to the national debt, are programs that the government does not actually have to pay out or even continue? Prior to reading this article, were you aware that even though the government takes money out of your current and/or future paychecks, that the government does not ‘owe’ you any of it back and that you could potentially never get any of it back (but still have to pay into it)? Do you agree with the U.S. Supreme Court that the money taken out of paychecks for the government is not ‘property’ or ‘insurance’ to be given back to the payer later on as a benefit? Why or why not?
- Why do you think that the Left would rather waste time engaged in hearings, investigations, and pursuing impeachment of the president rather than address such pressing and dire issues as the national debt? Do you think that if the national debt got big enough that the government might decide to do away with Social Security or Medicare altogether? Why or why not? How would you propose that the national debt problem be solved, in both the short and long term? Explain.



# QUIZ

## NATIONAL DEBT: WHO CARES

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1. The national debt currently stands at \_\_\_\_\_.
  - a. 22 thousand dollars
  - b. 22 million dollars
  - c. 22 billion dollars
  - d. 22 trillion dollars
  
2. According to data from the Congressional Budget Office, how big a shortfall is projected for Social Security and Medicare over the next three decades?
  - a. 25 trillion dollars
  - b. 50 trillion dollars
  - c. 75 trillion dollars
  - d. 100 trillion dollars
  
3. 74 million Baby Boomers are rolling into retirement age—10,000 a day.
  - a. True
  - b. False
  
4. How much in benefits do current Medicare recipients typically receive?
  - a. About as much as they paid into the program.
  - b. Twice as much as they paid into the program.
  - c. Three times as much as they paid into the program.
  - d. Four times as much as they paid into the program.
  
5. \_\_\_\_\_ would stabilize costs and give us a fighting chance to keep Medicare solvent.
  - a. More choice and competition
  - b. Higher taxation
  - c. Lowering the eligibility age
  - d. All of the above.



# QUIZ - ANSWER KEY

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<https://www.newsmax.com/finance/patrickwatson/social-security-medicare-nestor-congress/2014/02/26/id/554807/>

# Supreme Court: No Right to Social Security

By Patrick Watson

Wednesday, 26 February 2014 07:30 AM

In a little-noticed decision, the U.S. Supreme Court ruled that Congress and the president could cut off your Social Security benefits any time they please.

The first victim was a man named Ephram Nestor.

Nestor paid Social Security taxes for 19 years and was already receiving benefits when the government stopped paying him. As you might imagine, Nestor was outraged and appealed all the way to the Supreme Court. He argued that, having paid all those taxes, the government owed him "his" Social Security benefits.

Nestor lost. So will you and me, if we live long enough.

Why was this not front-page news? It was — back in 1960 when the high court ruled in *Flemming vs. Nestor*. You can read the decision yourself online or at any law library.

The court's reasoning was quite simple: Social Security is not insurance. There is no contractual agreement between taxpayer and government, like there would be with an insurance policy. The fact that Nestor paid into the system was irrelevant. Congress can give, and Congress can take away.

This long-settled precedent is still in force today. As a strictly legal matter, Americans who spend a lifetime watching "FICA" reduce their paychecks are simply paying one more tax. The fact that you paid this tax creates no obligation on the government to give you anything in return.

Nestor's particular mistake was that he joined the U.S. Communist Party from 1933 to 1939. He then retired in the midst of Cold War anti-communist fever in 1955. He was deported from the United States in 1956.

The Social Security Act specifically says no benefits can go to anyone deported for being a communist, but Comrade Nestor may yet have the last laugh. He forced our highest court to rule that Social Security benefits are not "property." The Fifth Amendment's Takings clause does not apply.

The Constitution's Due Process clause does apply, but is little comfort. "Due process," in this context, simply means that Congress can change its mind anytime it wants.

The government can cancel the whole program tomorrow. They can stop paying benefits to retirees, but continue withholding taxes from workers. They can do whatever they want because we elected them. That's what due process means.

Now, realistically, no one needs to worry about Social Security disappearing. Congress knows better than to kick that hornet's nest. Nevertheless, the *Flemming vs. Nestor* decision ought to make us re-think the status of Social Security taxes and benefits.

Because FICA and Medicare liabilities start with your very first dollar earned, most Americans pay more on those taxes than on income tax. There are no deductions or exemptions. If you earn a living legally, you

pay the tax.

The common belief that FICA and Medicare taxes "earn" you some kind of benefit is completely false. They are simply a regressive wage income tax. This mechanism lets politicians tax the poor much more heavily than they admit.

On the other end of the bargain, people currently receiving Social Security benefits are not reaping the reward of a long working life. The benefits are a gift that Washington officials dole out because they believe they are politically expedient. In other contexts, we call such payments "welfare."

Am I saying retirees don't deserve their benefits? No. I am criticizing politicians who routinely portray Social Security as something that our "rule of law" long ago decided it is not. They are either lying or ignorant of the facts.

Like so many other aspects of our government, reality and perception are two different things. Congress likes it that way.