

Dr. Michael Walden – NC State University
Economic Update

1. Do you foresee any IRS/State Tax changes related to teleworking across the US or in foreign countries?

Answer: Yes, this will be a hot topic if remote working reaches the 50% level, as some expect.

2. In your opinion, what amount of additional borrowings do we need to avoid a deeper fall/crash in the next six months?

Answer: I think the \$1 trillion amount Congress is now considering is just the right amount.

3. Given the current national debt, projected deficits in S. Security and Medicare in the next 5 to 10 years, can the US realistically address its structural deficit challenges?

Answer: Public debt is different than private debt in that it can continually be rolled over. There are two costs – the interest payments, and what we are giving up if the funds had been used in another way. In my new book *Real Solutions: Common Sense Answers for Solving Our Most Pressing Problems*, I identify the responsible way to use public debt, and I also present a way to reduce current debt levels.

4. If unemployment is not measured through unemployment applications, who surveys for the unemployment stats and who gets surveyed?

Answer: The federal government conducts monthly surveys, using a stratified random sample approach – that is, using a statistically proper sample capturing all groups of workers.

5. Why has the stock market reached new highs while employment and GDP has declined?

Answer: GDP did drop in the second quarter but has strongly rebounded in the third quarter. Stock markets are forward looking, meaning they are trying to foresee the future – not current – economy. Collectively, the market's recent gains suggest optimism about next year's economy.

6. Will the technology sector finally start recognizing the value in serving rural populations?

Answer: Rural economic development is being held back by the lack of reliable, high speed internet. Rather than expecting cable to be the mechanism for providing service, watch for a new technology using low-orbiting satellites (800 miles up, rather than 20,000 miles for current satellite providers). Elon Musk – of Tesla fame – is already testing this technology. Many futurists think this is the way everyone will eventually receive internet service. It could be available in five years.

7. One economic theory that has made headlines recently is Modern Monetary Theory, or MMT. As an economist, what is your opinion on it? Do you believe it to be economically viable, or is it considered by most economists to be less viable, but rather politically expedient?

Answer: MMT's most important contribution is to remind us that borrowing for public purposes can be very wise, because public investments can have a high rate of return. A good example is public infrastructure projects (roads are examples), where annual investment returns have been estimated to be over 20%. However, we need to keep in mind that public

borrowing competes with private borrowing, so we do not want public borrowing to crowd-out private borrowing.

- 8.** Do you ever envision a time when our Federal Govt will ever get back to a reasonable debt load?

Answer: It is possible with the correct structural changes – see Chapter 13 of my book, Real Solutions.