I will be leaving campus as soon as I receive the last project report and will, most likely, be unavailable for contact after that time.

Guidelines for your response:

- All responses must be double-spaced, 12-point font, with 1-inch margins; absolutely, no headers, headings, page numbers, titles, etc.
- Do not reproduce the scenario (below) as part of your response
- You may work anywhere you like, but you may not collaborate with anyone
- You are not expected to solve the problem -- that is not the point of the exam -- so do not invest time in doing research about the problem (I provided a single PDF with graphics as background information); what is stated below is sufficient to develop a response
-Tell me how you would use creativity to go about solving the problem -- I stress, do not suggest a solution -- draw on as many relevant concepts as you can; a truly comprehensive response will draw heavily on various readings and on other materials/concepts I provided in class

THE PROBLEM

Every year of your life, the United States (federal) government has spent more money than it has received in revenues. On a year-to-year basis, when the government spends more than it receives, this is known as a deficit (more precisely, the federal deficit). To finance deficit spending, our government issues Treasury securities (basically IOUs to individual investors and corporations) and borrows money from foreign governments. Related to the deficit is something known as the U.S. National Debt, which represents the cumulative amount (total for all years of deficit spending plus interest) that our country owes. As I wrote this exam, the U.S. National Debt was getting close to $19 trillion. A little more than one third of our debt is owed to other countries. Presently, China, Japan, Great Britain, and various oil exporting countries (in that order) are our biggest lenders. According to Forbes, about 10 percent of our debt is owed to countries that are not friendly to the United States (e.g., China, Venezuela, Iran, Iraq).

The problem is complex. There are lots of reasons why we have this mounting national debt and it is not as simple as blaming it on “Bush’s war.” In fact, the National Debt has almost doubled since President Barack Obama took office. While military action is becoming more and more expensive, it is entitlements -- the money our government gives away in the form of payments to individuals and groups -- that is the biggest contributor to our debt. This is one reason why illegal immigrants have become such a hot topic during this election cycle. These individuals represent an incredible annual cost and they are not even citizens of the United States and many do not pay taxes of any kind. Nobody (no recipient) wants to be told “no,” and nobody (no government official) wants to say “no.” Even more than that, it is a power issue. As I routinely tell my Organizational Behavior classes, you only have power to the extent that someone is dependent on you. No dependence -- no power. This is why politicians will never solve the problem. They want to stay in power.

Should we be concerned? The answer, while definitely “yes,” is equally as complicated. The Bible tells us that “the borrower is servant to the lender” (Proverbs 22:7, KJV). What this means is countries that are our biggest lenders can dictate terms. If the Chinese economy suffers, their government can insist on re-payment or make other demands. Increasing debt can hurt our credit rating and make it more difficult to borrow in the future and cripple our economy. As the National Debt grows, so does the interest on that debt (currently more than $7,520 per American citizen). In a most extreme case, imagine if China or Japan suddenly demanded their money. The government would have to come up with some way to repay. That would probably involve printing a lot of new money -- creating hyper-inflation (Germany experienced this after World War I and it was a leading cause of World War II) -- or they might suddenly start taxing individuals at an extreme rate (note: if the debt were split across every American citizen, we would each owe more than $205,000).

We definitely have a problem. Your expertise in creativity is needed. Can you tell me why? What are your recommendations?