



# Tawni Hunt Ferrarini


**AUTHOR - PROFESSOR - DEVELOPER  
- EVENTS**




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# Common Sense Economics: What everyone should know about wealth and prosperity.

- 12 key elements of economics
  - Elements explain why some nations (states, regions, and districts) prosper
  - Economics of government
  - Personal finance
- 



Helping others understand the differences  
between government and markets



*Government Failure*  
*Political Versus the Market Process*  
*Special Interest and Political Allocation*  
*Political Incentives and Short-Sightedness*








# Common Sense Economics Way of Engaging Multimedia Learners

- ▶ Read from the Common Sense Economics book
- ▶ Watch LearnLiberty.org's [“Economics: How Big is the U.S. Debt?”](#) with A. Davies and other videos
- ▶ Listen to [“CSE 3.4 Politics and Foreign Trade by Dwight Lee \(audio 7:46\)”](#) and other podcasts
- ▶ Do

**You now have \$75!**



Spending \$\$ on item generates which emotion??

-10 Upset	-5 Dissatisfied	0 Neutral	+5 Happy	+10 Ecstatic
				

Cart 1

	Cart 1	Price	Value
1.	Pantene Pro-V shampoo - 13 oz.	\$3	-10*-5*0*+5*+10
2.	Avatar on DVD	\$15	-10*-5*0*+5*+10
3.	Any laundry detergent - 24 oz.	\$5	-10*-5*0*+5*+10
4.	Johnson's baby formula - 26 oz.	\$8	-10*-5*0*+5*+10
5.	Fixodent denture cleanser	\$6	-10*-5*0*+5*+10
6.	Skittles candy - king size	\$1	-10*-5*0*+5*+10
7.	Tampax tampons - 1 box (24 ct)	\$7	-10*-5*0*+5*+10
8.	Electric beard trimmer	\$24	-10*-5*0*+5*+10
9.	Kellogg's Frosted Flakes cereal - 1 box	\$3	-10*-5*0*+5*+10
10.	Almonds (6 oz. can)	\$3	-10*-5*0*+5*+10
	TOTALS:	\$75	

Cart 2

	Cart 2	Price	Value
1.	Crest Toothpaste - 3 oz.	\$2	-10*-5*0*+5*+10
2.	Titanic on DVD	\$14	-10*-5*0*+5*+10
3.	Downy fabric softener - 20 oz.	\$3	-10*-5*0*+5*+10
4.	Huggies diapers - jumbo pack (31 ct.)	\$13	-10*-5*0*+5*+10
5.	Adjustable heating pad	\$26	-10*-5*0*+5*+10
6.	Snickers candy bar - king size	\$1	-10*-5*0*+5*+10
7.	Revlon lipstick - one tube	\$6	-10*-5*0*+5*+10
8.	Protein bars - 1 box (6 ct.)	\$6	-10*-5*0*+5*+10
9.	Kellogg's Strawberry Pop-Tarts - 1 box	\$3	-10*-5*0*+5*+10
10.	Gum 1 regular pack (15 ct.)	\$1	-10*-5*0*+5*+10
	TOTALS:	\$75	



# How can we choose between cart 1 and cart 2?

- Tradition
- Contest
- Drawing
- Equal share
- Command and control
- Voting
- Individuals in a market economy with secure property rights



# Voting by a simple majority

- Based on the highest positive value (+) or lowest negative value (-), let's have a show of hands for Cart 1.
- Now, Cart 2.
- The winner is??????????
- CART 2!!!!



Anyone have two  
carts, both with  
negative values?

➡ Voting for the  
lesser of two  
evils



# Responsible and accountable individual and decision- making

Personal value  $>$  price, purchase or pass.  
Personal value  $<$  price, pass.



# Common Sense Economics in Action

## SPEND UP TO \$75 OF YOUR OWN WAGES AND SALARIES

Y/N?		Price (in \$)	Value (0, 5, 10)
	Pantene Pro-V shampoo – 13 oz.	\$3	
	<i>Avatar</i> on DVD	\$15	
	Any laundry detergent – 24 oz.	\$5	
	Johnson's baby formula – 26 oz.	\$8	
	Fixodent denture cleanser	\$6	
	Skittles candy – king size	\$1	
	<u>Tampax</u> tampons – 1 box (24 ct)	\$7	
	Electric beard trimmer	\$24	
	Kellogg's Frosted Flakes cereal – 1 box	\$3	
	Almonds – 6 oz. can	\$3	

Cart 2		Price (in \$)	Value (0, 5, 10)
Y/N?	Crest Toothpaste – 3 oz.	\$2	
	<i>Titanic</i> on DVD	\$14	
	Downy fabric softener – 20 oz.	\$3	
	Huggies diapers – jumbo pack (31 ct.)	\$13	
	Adjustable heating pad	\$26	
	Snickers candy bar – king size	\$1	
	Revlon lipstick – one tube	\$6	
	Protein bars – 1 box (6 ct.)	\$6	
	Kellogg's Strawberry Pop-Tarts – 1 box	\$3	
	Extra sugar free gum – 1 pack (15 ct.)	\$1	


**Total invoice for all purchased goods:** \_\_\_\_\_

**Total value:** \_\_\_\_\_

**Total amount "saved":** \_\_\_\_\_



When individuals spend their earned income, they are:

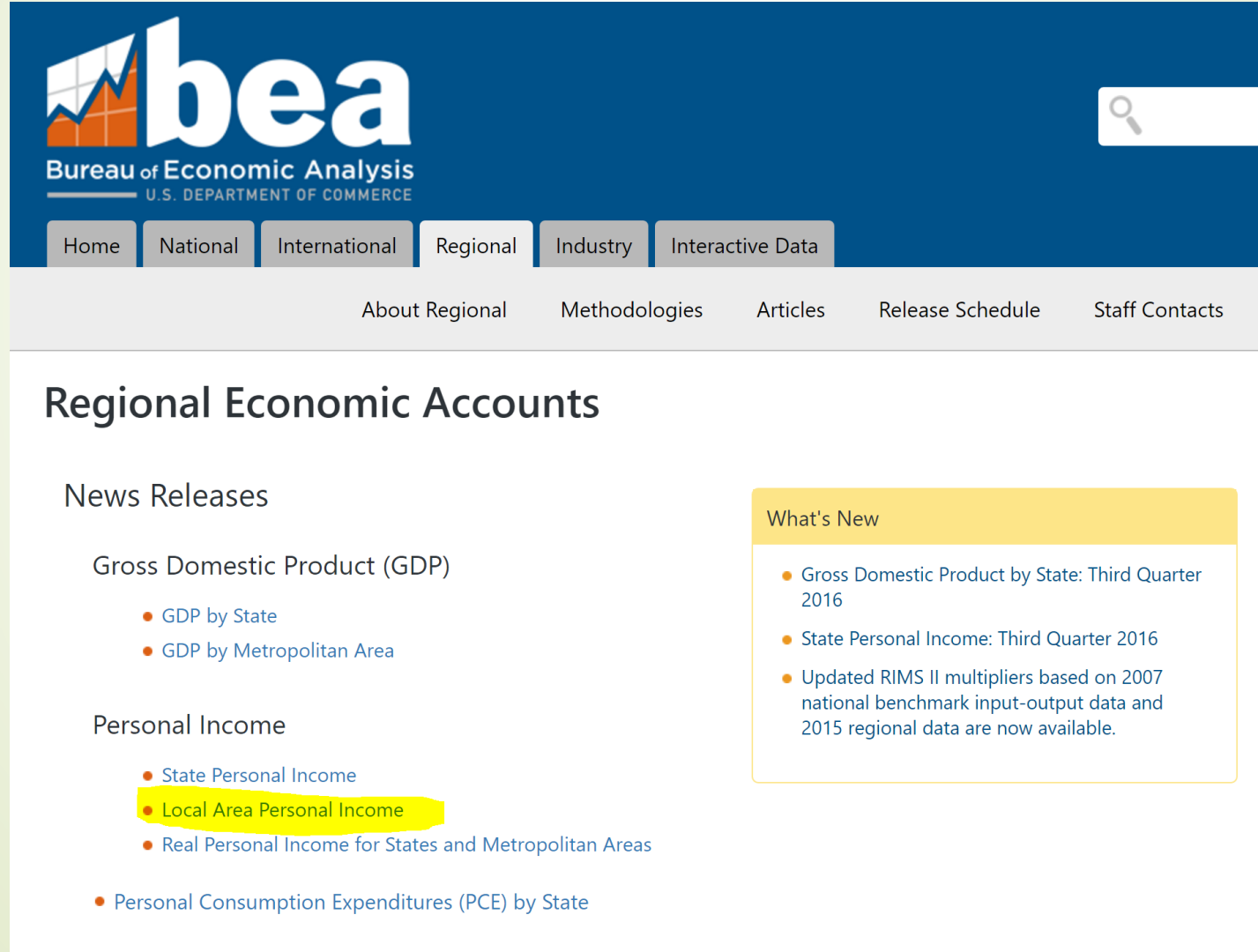
- ▶ More purposeful in spending;
  - ▶ More likely to save (and invest);
  - ▶ Actively participants in growing their economics and helping others prosper.
- 

# Your life's journey

- Government sponsored program
- Personal path influenced by personal income and choices
  - Health, wealth, and happiness



Search “BEA local area personal income”



The screenshot shows the BEA website interface. At the top left is the BEA logo with the text "Bureau of Economic Analysis" and "U.S. DEPARTMENT OF COMMERCE". To the right of the logo is a search bar with a magnifying glass icon. Below the logo is a navigation menu with buttons for "Home", "National", "International", "Regional", "Industry", and "Interactive Data". Below this menu is a secondary navigation bar with links for "About Regional", "Methodologies", "Articles", "Release Schedule", and "Staff Contacts". The main content area is titled "Regional Economic Accounts" and features a "News Releases" section. Under "News Releases", there are two sub-sections: "Gross Domestic Product (GDP)" and "Personal Income". The "Personal Income" section has a yellow highlight under the link "Local Area Personal Income". To the right of the "News Releases" section is a "What's New" box with a yellow header, containing three bullet points: "Gross Domestic Product by State: Third Quarter 2016", "State Personal Income: Third Quarter 2016", and "Updated RIMS II multipliers based on 2007 national benchmark input-output data and 2015 regional data are now available."

**bea**  
Bureau of Economic Analysis  
U.S. DEPARTMENT OF COMMERCE

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## Regional Economic Accounts

### News Releases

#### Gross Domestic Product (GDP)

- GDP by State
- GDP by Metropolitan Area

#### Personal Income

- State Personal Income
- Local Area Personal Income**
- Real Personal Income for States and Metropolitan Areas

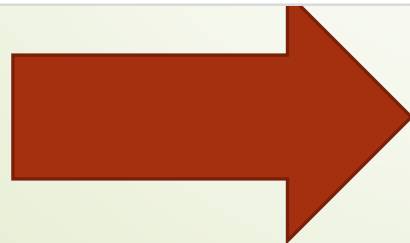
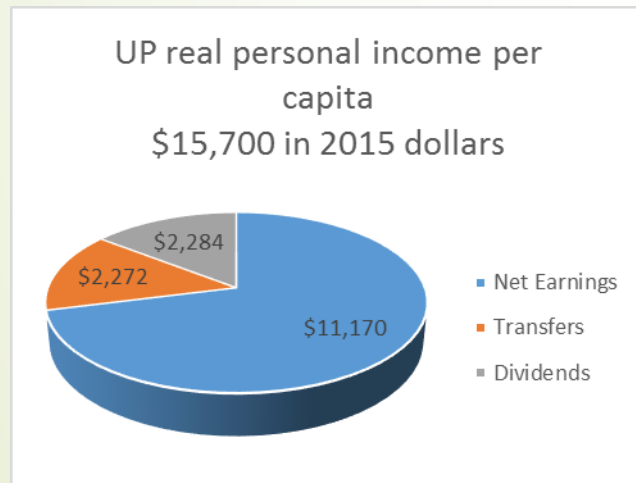
- Personal Consumption Expenditures (PCE) by State

#### What's New

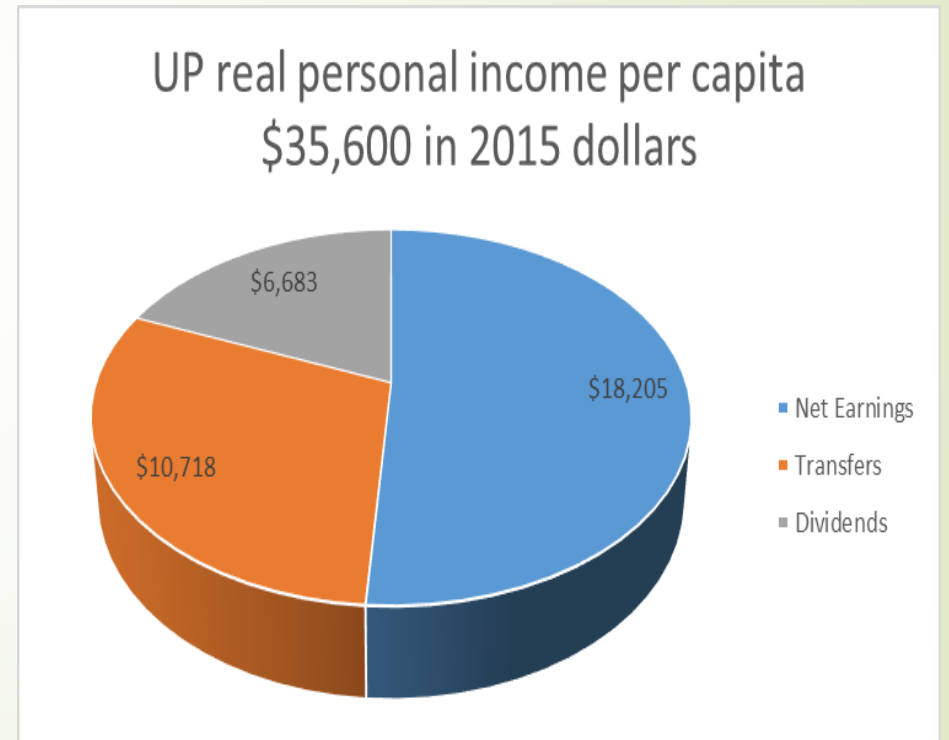
- Gross Domestic Product by State: Third Quarter 2016
- State Personal Income: Third Quarter 2016
- Updated RIMS II multipliers based on 2007 national benchmark input-output data and 2015 regional data are now available.

# UP personal income more than doubles

1970: \$15,700 in 2015 dollars (BEA)



2015: \$35,600 in 2015 dollars (BEA) (127%↑)





# Personal income breakdown into 3 categories, BEA



Active income (wages and salaries)



Transfers (public assistance funded by taxpayers in borrowed dollars)



Dividend, interest, and rent



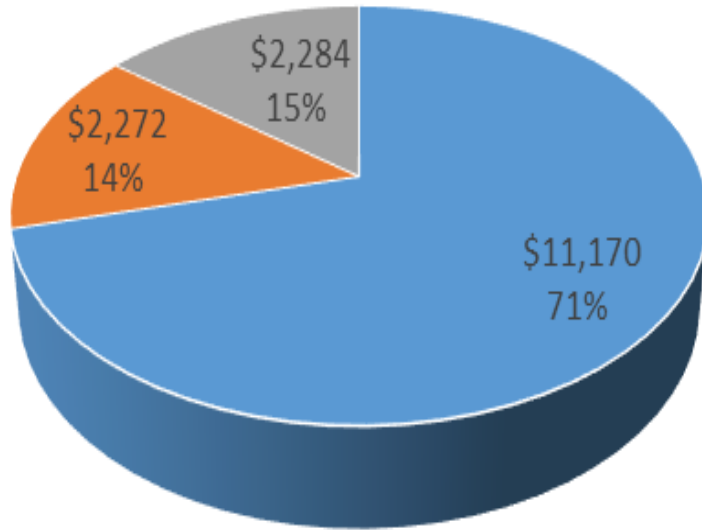


# Drilling down signals change in composition: Active income slips

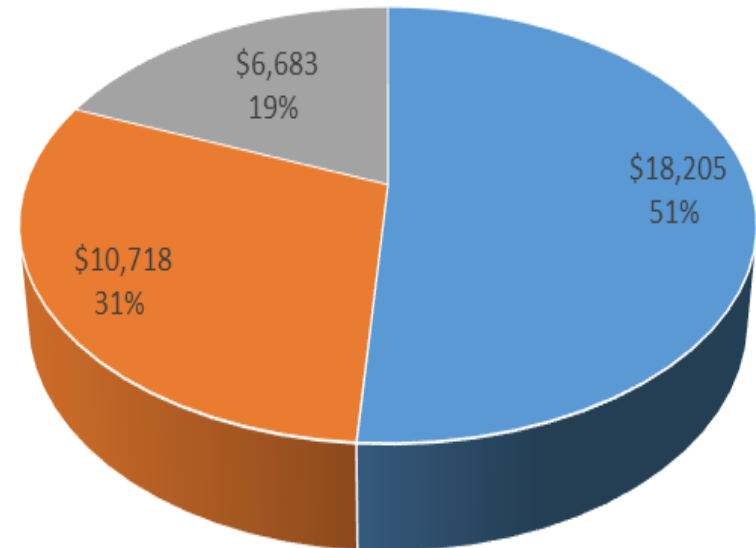
1970: 71% wages and salaries

2015: 51% wages and salaries

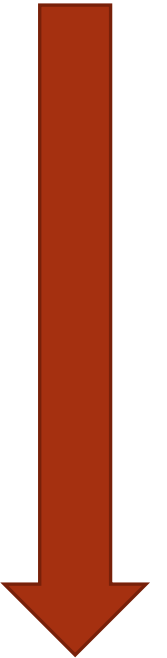
UP real personal income per capita  
\$15,700 in 2015 dollars



UP real personal income per capita  
\$35,600 in 2015 dollars



- Net Earnings
- Transfers
- Dividends

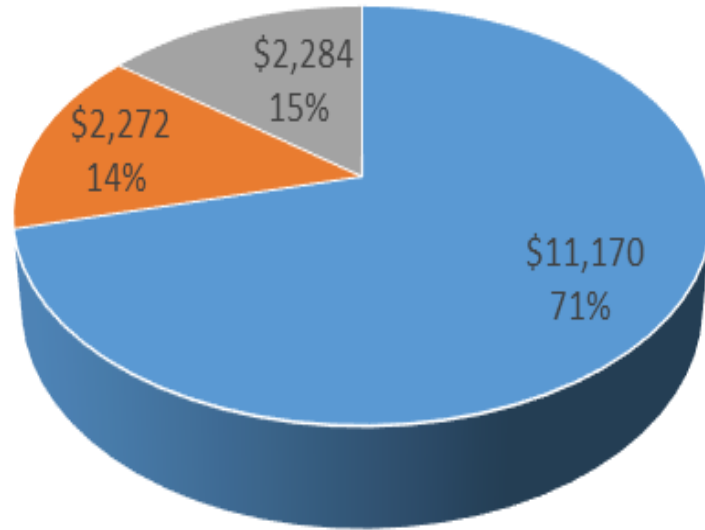


# Drilling down signals change in composition: Public assistance grows

1970: 14% government programs

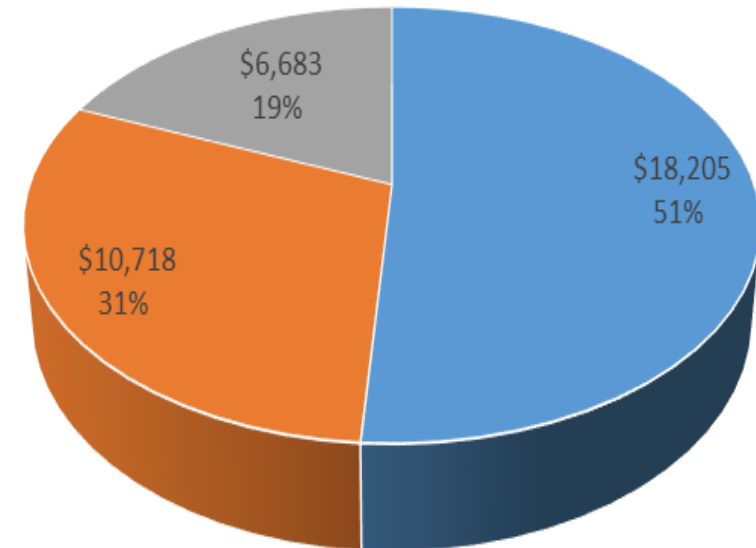
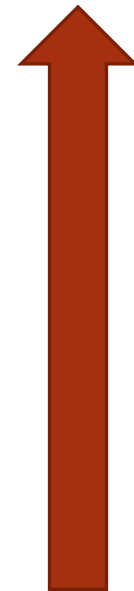
2015: 31% government programs

UP real personal income per capita  
\$15,700 in 2015 dollars



- Net Earnings
- Transfers
- Dividends

UP real personal income per capita  
\$35,600 in 2015 dollars

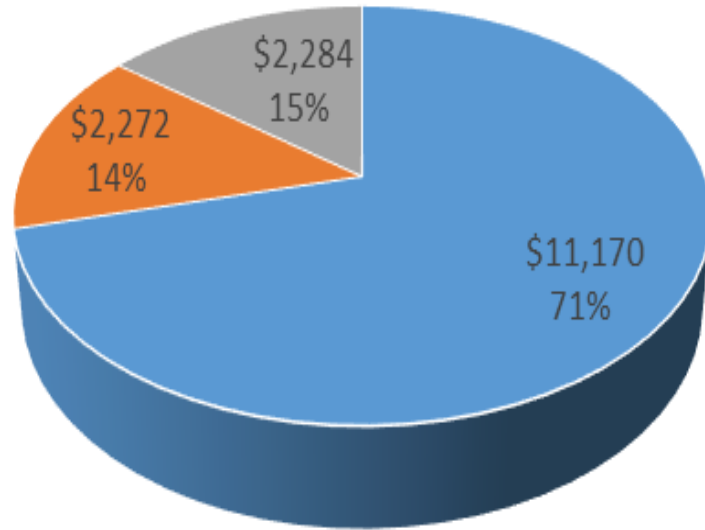


# Drilling down signals change in composition: Dividend, interest, and rent nudge up

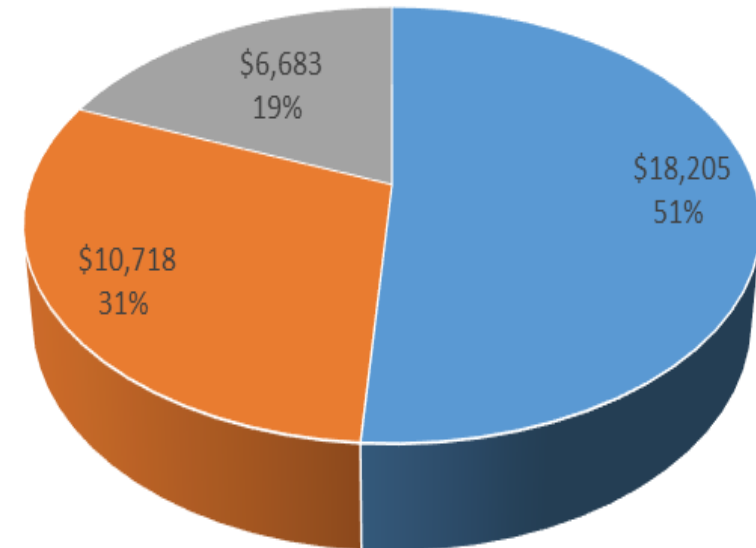
1970: 15%  
dividend/rental income

2015: 19%  
dividend/rental income

UP real personal income per capita  
\$15,700 in 2015 dollars



UP real personal income per capita  
\$35,600 in 2015 dollars



- Net Earnings
- Transfers
- Dividends

## Similar trends in the State of Michigan

State of Michigan	1970	2015
Labor	79%	Drops to 61% (↓)
Transfers	09%	Rises to 22% (↑)
Dividend and rental income	13% (rounding)	Rises to 17% (↑)

## Similar trends in the United States

United States	1970 \$20,600	2015 \$48,000
Labor	76%	64% ↓
Transfers	09%	17% ↑
Dividend and rental income	15%	19% ↑



# US Debt Clock.org

State Debt Clocks

World Debt Clocks



Get the iPhone App



Debt Clock Time Machine



## US NATIONAL DEBT

**\$19,969,487,141,914**

DEBT PER CITIZEN  
**\$61,546**

DEBT PER TAXPAYER  
**\$166,778**

US FEDERAL SPENDING ↑ 129%  
**\$3,916,078,428,002**

US FEDERAL BUDGET DEFICIT  
**\$591,344,387,329**

US FEDERAL TAX REVENUE ↑ 80%  
**\$3,324,734,040,673**

REVENUE PER CITIZEN  
**\$10,247**

REVENUE PER TAXPAYER  
**\$27,769**

INCOME TAX REVENUE  
**\$1,591,315,038,874**

PAYROLL TAX REVENUE  
**\$1,125,763,389,128**

CORPORATE TAX REVENUE  
**\$307,058,033,477**

TOTAL STATE REVENUE  
**\$1,990,321,870,301**

LOCAL REVENUE  
**\$1,355,326,463,246**

REVENUE PER CITIZEN  
**\$10,312**

REVENUE PER TAXPAYER  
**\$16,624**

STATE DEBT  
**\$1,201,138,069,942**

LOCAL DEBT  
**\$1,918,227,225,952**

## Largest Budget Items

MEDICARE/MEDICAID

**\$1,135,140,938,444**

SOCIAL SECURITY

**\$921,427,292,296**

DEFENSE/WAR

**\$583,369,258,819**

INCOME SECURITY

**\$302,655,612,671**

NET INTEREST ON DEBT

**\$255,394,130,309**

FEDERAL PENSIONS

**\$272,663,903,168**

US GROSS DOMESTIC PRODUCT ↑ 106%  
**\$18,893,535,469,787**

TOTAL FEDERAL/STATE/LOCAL SPENDING  
**\$6,748,515,983,903**

GROSS DEBT TO GDP RATIO  
**105.69%**

REVENUE TO GDP RATIO  
**35.306%**

SPENDING TO GDP RATIO  
**35.718%**

US TOTAL INTEREST PAID

**\$2,478,042,422,417**

INTEREST PER CITIZEN

**\$7,637**

US TOTAL DEBT ↑ 162%  
**\$66,836,416,774,881**

TOTAL DEBT PER CITIZEN

**\$205,988**

TOTAL DEBT PER FAMILY

**\$808,224**

SAVINGS PER FAMILY

**\$10,153**

TOTAL PERSONAL DEBT ↑ 134%  
**\$18,193,647,738,835**

MORTGAGE DEBT

**\$14,393,096,477,965**

STUDENT LOAN DEBT

**\$1,425,901,840,423**

CREDIT CARD DEBT

**\$1,015,004,222,340**

PERSONAL DEBT PER CIT.  
**\$56,069**

## Money Creation

MONETARY BASE 2017 ↑ 478%  
**\$3,505,181,644,366**

M2 MONEY SUPPLY 2017 ↑ 187%  
**\$13,422,896,352,382**

TREASURY SECURITIES 2017 ↑ 1,226%  
**\$1,442,451,401,628**

CURRENCY AND CREDIT DERIVATIVES 2017 ↑ 581%  
**\$604,333,101,788,127**

MONETARY BASE 2000  
**\$607,051,730,461**

M2 MONEY SUPPLY 2000  
**\$4,684,776,193,545**

TREASURY SECURITIES 2000  
**\$108,694,801,625**

CURRENCY AND CREDIT DERIVATIVES 2000  
**\$88,707,458,373,130**

## Trade Numbers

US DEBT HELD BY FOREIGN COUNTRIES  
**\$5,913,202,726,698**

US TRADE DEFICIT  
**\$737,152,372,493**

US TRADE DEFICIT - CHINA  
**\$343,989,080,348**

US IMPORTED OIL  
**\$151,624,382,461**

IMPORTED OIL - OPEC  
**\$53,083,867,503**

SMALL BUSINESS ASSETS  
**\$11,370,539,821,586**

CORPORATION ASSETS  
**\$24,023,932,933,824**

HOUSEHOLD ASSETS  
**\$92,343,862,172,318**

TOTAL NATIONAL ASSETS  
**\$127,738,334,927,731**

ASSETS PER CITIZEN  
**\$393,681**

US FEDERAL BUDGET DEFICIT (GAAP)  
**\$5,632,232,688,350**

SOCIAL SECURITY LIABILITY  
**\$15,686,257,943,183**

MEDICARE LIABILITY  
**\$27,729,371,079,456**

US UNFUNDED LIABILITIES (GAAP)  
**\$104,994,613,025,146**

LIABILITY PER TAXPAYER  
**\$876,797**

US POPULATION 324,471,974	US WORK FORCE NOW 152,291,593	OFFICIAL UNEMPLOYED 7,494,461	DOLLAR SUPPLY ADDED 2017 \$947,602,434,404
US INCOME TAXPAYERS 119,736,739	US WORK FORCE 2000* 155,301,705	ACTUAL UNEMPLOYED 14,604,362	DOLLAR SUPPLY ADDED 1913 \$652,423,351
PRIVATE SECTOR JOBS 120,058,148	NOT IN LABOR FORCE NOW 95,199,543	FULL-TIME WORKERS 124,382,338	DOLLAR TO CITIZEN RATIO NOW \$2,921 PER CIT.
SELF-EMPLOYED 9,027,015	NOT IN LABOR FORCE 2000* 79,380,838	PART-TIME WORKERS 27,936,717	DOLLAR TO CITIZEN RATIO 1913 \$6.70 PER CIT.
UNION WORKERS 15,229,159	MEDIAN INCOME NOW \$30,068	MEDIAN NEW HOME NOW \$309,936	DOLLAR TO NEW CIT. RATIO NOW \$416,984 PER CIT.
GOVERNMENT EMPLOYEES 23,535,834	MEDIAN INCOME 2000* \$28,909	MEDIAN NEW HOME 2000 \$161,695	DOLLAR TO NEW CIT. RATIO 1913 \$345.47 PER CIT.
MANUFACTURING JOBS NOW 12,255,314	BANKRUPTCIES 876,396	PRISON INMATES 1,915,949	DOLLAR TO OIL RATIO NOW \$27.89 PER BBL.
MANUFACTURING JOBS 2000* 17,268,380	FORECLOSURES 515,093	CONVICTED FELONS 6,758,678	DOLLAR TO OIL RATIO 1913 \$2.16 PER BBL.
US RETIREES 50,406,122	US VETERANS 21,091,322	PUBLIC SCHOOL STUDENTS 50,208,895	DOLLAR TO SILVER RATIO NOW \$982 PER OZ.
US DISABLED 10,609,815	US ARMED FORCES 1,328,210	CHARTER SCHOOL STUDENTS 3,850,419	DOLLAR TO SILVER RATIO 1913 \$2.65 PER OZ.
LIVING IN POVERTY 42,707,946	MEDICARE ENROLLEES 55,629,241	FOOD STAMP RECIPIENTS 42,674,871	DOLLAR TO GOLD RATIO NOW \$8,950 PER OZ.
WITHOUT INSURANCE 31,434,914	MEDICAID RECIPIENTS 73,826,009	TOTAL RECEIVING BENEFITS 163,271,743	DOLLAR TO GOLD RATIO 1913 \$28.79 PER OZ.



MORTGAGE/LOAN CALCULATOR



GOLD SUPPLY/DEMAND



HOME SALES



SOURCES



AUTO SALES



ABOUT



ENERGY OUTPUT



GOLD/PRECIOUS METALS



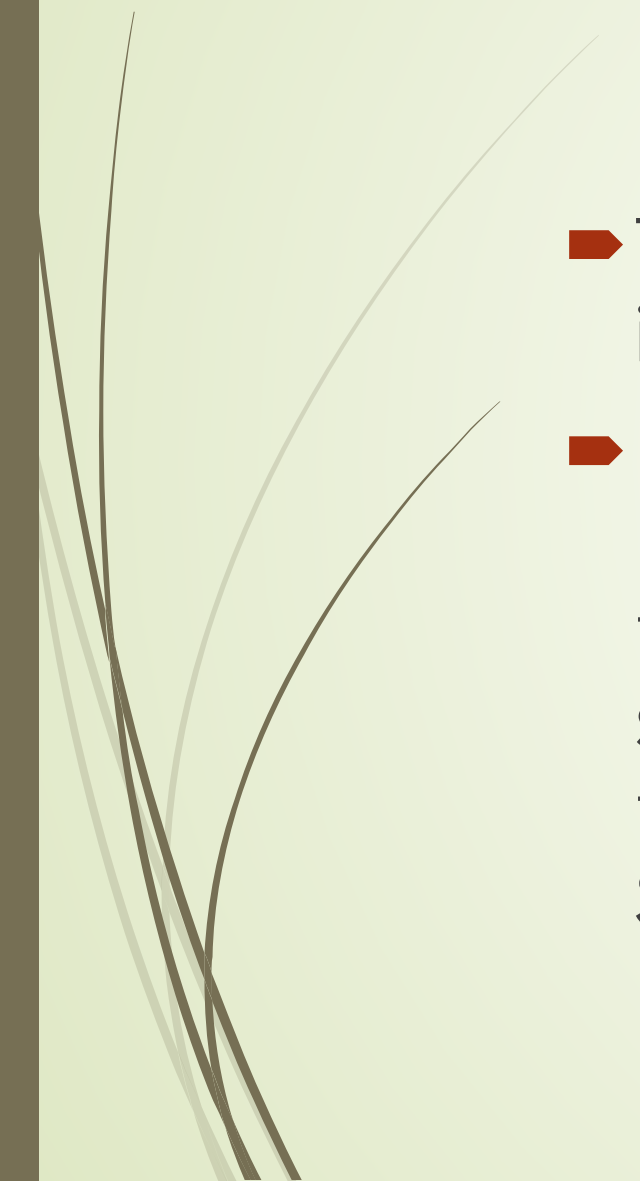
# Realities



- ▶ The act of providing public assistance increases the likelihood that individuals will turn to it. As a safety net, it serves a positive purpose in an economy and across time.
- ▶ As a hammock, government-sponsored programs pose challenges to the region.
- ▶ Businesses adjust plans to meet the needs of the growing population of people receiving funds through government programs.
- ▶ Some businesses, workers, entrepreneurs, and investors exit the region in pursuit of higher profit and income margins in markets that are not as dependent on government programs.
- ▶ Individuals living on public assistance for extended periods have difficulty maintaining an employment advantage, their savings and investments are limited, and their benefits take funds from other uses.
- ▶ Demand for public assistance outstrips the supply of government programs.



# Transformation of the individual

- The best economic revitalization program involves education.
  - Education helps individuals take steps toward moving into high paying, high skilled jobs that transform the region's resources into goods and services valued by others in their communities, throughout your state, throughout the United States, and around the globe.
- 





Stay in touch!

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Canvas.net “Common Sense  
Economics”