Deficits, surpluses, and the national debt assignment

Business

Surpluses, and the National Debt l. From Deficits to Debt A. Predicting the Deficit- What factors affect the accuracy of the deficit projection? ; The way expenditures are reported and changes in the economy B. Deficits Add to the Debt- What is the only way the annual budget can lower the federal debt? - By generating surplus C. A Growing Public Debt- Why do most economists tend to disregard trust fund balances? – Because trust fund balances represent money the government owes to itself D.

Public vs.. Private Debt- How much of the public debt is owed by foreigners? – 15 to 20 percent updated Statistics Below: About 35% Now! II. Impact of the National Debt A. Transferring Purchasing Power- What happens to the purchasing power of individuals as a consequence of the national debt? – it diminishes B. Reducing Economic Incentives- How can government spending reduce economic incentive? – If It appears to spend money In a way that taxpayers would consider careless C.

Crowding Out- What is the crowding-out effect? – When there is heavy government borrowing, it drives up the interest rates and causes private borrowers to be “ crowded out” of the market because they are unable to afford the higher Interest rates. D. Redistributing income- How can national debt and the tax structure affect the distribution of Income? – When the government taxes the high-income population and then spends the collected revenue on the poor, Income Is redistributed; the verse is also true.

Ill. Reducing Deficits and the Debt A. Legislative Failures- What was the 1990 Budget Enforcement Act’s main feature? – a “ pay-as-you-go” provision helped to account for the 1998 budget surplus? – the fact that the individual income tax became more progressive C. Reducing Spending- What is the connection between entitlements and mandatory spending in the federal budget? – Entitlements are considered “ mandatory spending”; however, Congress can choose to revise them.