GUIDED READING Activity 10-3

For use with textbook pages 277–283

DEFICITS, SURPLUSES, AND THE NATIONAL DEBT

OUTLINING

Directions: *Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary.*

I. From Deficits to Debt

   A. Predicting the Deficit—What factors affect the accuracy of the deficit projection?

   _____

   B. Deficits Add to the Debt—What is the only way the annual budget can lower the federal debt?

   _____

   C. A Growing Public Debt—Why do most economists tend to disregard trust fund balances?

   _____

   D. Public vs. Private Debt—How much of the public debt is owed by foreigners?

   _____

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?

   _____

   B. Reducing Economic Incentives—How can government spending reduce economic incentive?

   _____

   C. Crowding Out—What is the crowding-out effect?

   _____

   _____

   D. Redistributing Income—How can national debt and the tax structure affect the distribution of income?

   _____

III. Reducing Deficits and the Debt

   A. Legislative Failures—What was the 1990 Budget Enforcement Act's main feature?

   _____

   B. Raising Revenues—What feature of the Omnibus Budget Reconciliation Act of 1993 helped to account for the 1998 budget surplus?

   _____

   C. Reducing Spending—What is the connection between entitlements and mandatory spending in the federal budget?

   _____