

Economics Ch. 10 Questions

Answer with complete sentences use the back of this paper if necessary.

1. In 1993, how much were governments in the U.S. spending per person?  $\$8488$  per capita  
p 238 OB
2. What makes up the "public sector" and the "private sector"?  
Federal, state, local gov't  
private individuals and privately owned businesses
3. List the two kinds of government spending.  
goods and services  
transfer payment
4. What are "transfer payments"?  
payment for which the govt receives neither goods nor services in return
5. Define "federal budget."  
annual plan outlining proposed expenditures and anticipated revenues
6. What are the two steps required to establish the federal budget.  
House and Senate must approve  
then the President signs it
7. List the top three specific federal government expenditures.  
social security, National Defense, Interest
8. What is a "balanced budget amendment."  
provision requiring that annual spending not exceed revenues
9. Define "deficit spending."  
annual govt spending in excess of taxes and other revenues
10. What was the projected deficit for 1994, according to our textbook? 264.0 Billion  
p. 253 OB
11. Using fig. 10.6, when did the U.S. have its largest deficit?  
10.4 2006 ~~2007~~
12. Define "federal debt."  
total amount borrowed from investors to finance deficit spending
13. How does the U.S. Treasury finance a deficit?  
By selling U.S. Treasury notes and other securities to the public
14. In what two ways is public debt different from private debt?  
279 We owe most of our National Debt to ourselves (Trust Funds) Private Debt owed to others. ② when govt borrows it issues new bonds to pay off old bonds
15. Foreign investors have historically owned 15% of our public debt. p 280
16. List the four important effects of the federal debt on the economy. Blue headings p 281  
Transferring Purchasing Power, Reducing Economic Incentives, Crowding out, Redistributing income.
17. What is the "crowding-out effect"?  
d/f
18. Define "balanced budget."  
d/f
19. List three laws that were passed to control the deficit. Balanced Budget Deficit Control Act of 1985 or Gramm-Rudman-Hollings (GRH); Budget Enforcement Act (BEA); Clinton Omnibus Budget Reconciliation Act of 1993
20. What are "entitlements"?  
d/f
21. Why do entitlements pose a problem for deficit reduction?  
They are classified as mandatory spending