Harmon/Econ: Unit 6 Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Period: \_\_\_\_\_

***“I.O.U*.S.A”**

One Nation. Under Stress. In Debt.

**GDP(Gross Domestic Product)-** *value of all the finished goods and services produced within a country's borders in a specific time period*

**Deficit-** *situation in which liabilities exceed assets, expenditures exceed income, imports exceed exports, or losses exceed profits* (Family Budget analogy—you’re spending more than what you have)

**Comptroller General**-- *head of the Government Accountability Office (GAO), and is ultimately responsible for the fiscal activities of the U.S. government*

**National Debt**- *the total amount of money that a country's government has borrowed, by various means.*

1. At the time of filming, what was the National Debt and what is its percentage of GDP?

2. What are the (4) deficits that are going to be described in the video?

**Chapter 1-Budget Deficit**

3. What was the only time in US History that America had no debt?

4. What war caused us to get back into debt and nearly bankrupted the U.S.?

**Federal Reserve Bank-** carry *out the monetary policy of the “Fed” and regulate other member banks* (Analogy—Bank for the US government)

5. During WWII, how much debt did the United States have?

6. What year was the income tax created?

**Supply Side Economics-**   *theory that bolstering an economy's ability to supply more goods is the most effective way to stimulate economic growth* (Analogy—Less taxes means people buy more stuff or invest)

**Laffer Curve-** *a hypothetical or possible, relationship between federal income tax rates and tax revenues.*

**Fiscal policy-***use of government spending and revenue collection measures to influence the economy.*

7. What are the two ways to balance the federal budget?

8. What was the 2008 Federal Budget deficit?

9. Besides “Everything Else”, what are the top (3) spending categories in the Federal Budget in the next (20)

years?

**Medicare-** *health program to subsidize the cost of medical care for people over 65*

**Medicaid-** *health program to help low income families with the cost medical care*

10. What did Thomas Jefferson say about debt?

11. What affect does the Federal Government “spending more than what they make” have on future

generations?

**Recession-** *significant decline in activity across the economy, lasting more than a few months*

12. In the Clinton era, what happened to our debt?

13. When was the national debt clock turned off?

14. Why was the national debt clock turned off?

**Chapter 2-Savings Deficit**

**Monetary policy-** *how a central bank or other agency governs the supply of money and interest rates in an economy in order to influence output, employment, and prices.*

15. What has been the trend on personal savings since the 1960’s for Americans?

16. How high were interest rates in the 70s?

17. What are the “Fed” (Federal Reserve) two main policy goals?

18. What is the (1) thing you can do to help with the savings deficit?

**Chapter 3- Trade Deficit**

19. What’s a Trade deficit?

20. Where does the US rank in the World Trade Imbalance and how much of an imbalance do we have?

21. Which countries are our top 5 trade deficits with?

**Bond-** *debt instrument where investor loans money to an entity for a period of time*

22. How does the Federal Government borrow money?

23. As of 2007, what % of the US debt is bought by foreign countries?

**Nuclear Option-** *China deciding to cash in US bonds and not buy our debt*

24. What are our main exports to China?

25. What 3 countries hold most of the US debt?

26. What is fiscal warfare?

27. What effect does owing other countries have on US foreign policy*? (Hint:”Borrower is slave to the lender”)*

**Chapter 4-Leadership Deficit**

28. As of the year 2000, how much was the US debt?

29. Between 2000 and 2003, what (3) events/policies grew the debt?

30. What was the result of these events from 2000-2003?

**Secretary of Treasury-** *principal economic advisor to President & helps formulate economic policy*

31. Why was Paul O’Neil fired as Secretary of Treasury?

32. What (3) things led to fall of the Roman Empire as described by David Walker?

33. List some of the examples of government waste?

34. How much ( %) would the Average Household have pay in taxes in the year 2040 to deal with the US debt?

**Final Thoughts**

35. List (3) of the Solutions to this problem given at the end of the documentary.

***“The ultimate test of a moral society is the kind of world it leaves to its children.”***

**--Deitrich Bonhoeffer**