TEN TRILLION AND COUNTING

1. What is a budget deficit?

2. What is total national debt?

3. What are some reasons why the budget deficit and nonbudgeted spending have been adding more than $500 billion to the national debt in recent years?

4. Name three countries that loan money to the U.S. government. What instruments do they receive to guarantee their loans?

5. On several occasions, a balanced budget amendment has been proposed as law but not passed by Congress. What would be the advantages and disadvantages of having such a law?

6. What was PAYGO? What happened to that policy, and how did it impact the budget deficit?

7. According to Greg Ip of The Economist, President Bush's economic policy of cutting taxes and spending through borrowing was "politically smart" rather than "economically smart." Do you agree or disagree? Explain.

8. How did the U.S. government pay for the wars in Afghanistan and Iraq?

9. What impact did spending for the wars in Iraq and Afghanistan have on the budget deficit?

10. When compared to other countries, to what extent is the U.S. debt compared as a percentage of GDP something to be concerned about? Why? (Note: The following link ranks countries according to their debt-to-GDP percentages. The U.S. percentage is 60.8, putting it at number 23 out of the 126 countries listed. Countries with higher debt percentages include Japan, Italy, Norway, France and Canada.)

11. With increased foreign purchases of U.S. government debt by central banks of foreign countries such as China, what are the political and financial risks if these countries stop buying this debt?

12. Most economists agree that both tax cuts and additional spending are needed to stimulate the economy in a time of recession. In what ways does each of these policies stimulate the economy?

13. How are Republicans in Congress responding to President Obama's proposed stimulus package? Why are they responding this way?

14. According to the program, entitlement programs such as Medicare and Medicaid represent the biggest threat to the U.S. budget deficit. What reforms do you suggest to help avoid an unsustainable increase to the debt?