A. As You Read

As you read Section 3, complete the following sentences.

1. When the government increases the amount of money in circulation to cover large deficits, inflation results because ____________________________.

2. Wise federal borrowing allows the government to ____________________________.

3. The national debt will grow each year that ____________________________.

4. The national debt is owned by ____________________________.

5. Historically, national debt as a percentage of GDP rises during ____________________________.

6. The two problems of a national debt are that ____________________________.

7. The opportunity cost of servicing the debt is that ____________________________.

8. Today, many economists think the role of the federal government in the economy should be ____________________________.

B. Reviewing Key Terms

Define the following terms.

9. budget surplus ____________________________

10. hyperinflation ____________________________

11. national debt ____________________________

12. Treasury bill ____________________________