

Notes — Week 11

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Period 3

1. National Debt

- Debt — An accumulation of deficits
- Deficit — The amount gained or owed in a certain amount of time (usually an annual number) that represents the difference in income and spending
 - Trade Deficit — When imports are greater than exports
 - Budget Deficit — When spending exceeds income
- National Debt — Too much spending, not enough income
- Entitlement — Something received from the government when one qualifies for it (*i.e.* social security, food stamps, etc)
- “Crowding Out” — Government spending increases, which increases AD. This, in turn, increases the demand for loanable funds, which increases interest rate. The increase in interest rates decreases AD, creating a cycle of “crowding out”
- Interest expenses crowd out other spending
- Composition of spending: investment v. consumption
- When investors become less confident, they are less willing to invest