

## Section 3: Guided Reading and Review

# Budget Deficits and the National Debt



### 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 \_\_\_\_\_  
\_\_\_\_\_