Chapter 2 Economics and the Global Economy

Economics and You: Economic Activity

Directions Answer the questions below. Provide examples to solidify your responses.

1. Analyze Consumer Spending and Debt

A. How does spending more money than you make by maxing out your credit card create an unrealistic flow of money in the economy?

B. In cases of unmanageable debt, some consumers may declare bankruptcy or seek debt reduction services. How might these examples affect businesses and local, state, and federal governments?

2. Analyze Government Spending and Debt

A. Since the government is part of the economic flow of goods and services, research who loans the federal government money when it spends more than it gets in revenue. **B.** What effect does the payment of the loan with interest have on the economy?

3. Assume you are one of the President's economic advisors. Use your knowledge of the circular flow of economic activity, consumer and government spending, and leakage from taxes to decide how to handle the federal budget. Research the current federal budget. Prepare an outline of your recommendations and cite your sources in the outline.	Name	Date	Class
	circular flow of economic activity, from taxes to decide how to handle	consumer and governme the federal budget. Re	nent spending, and leakage esearch the current federal