

YouTube Title: "Citizens Against Government Waste 2010 Commercial"

<http://www.youtube.com/watch?v=CC8jAd84VyQ>

Video Length: 1:00 minute

Chapter 18: Theory Versus Reality, p. 386

Topic: Policy Tools, p. 387

Key Terms: Budget deficits, deficit spending, fiscal policy, John Maynard Keynes

Learning Objective 1: The tools of macro policy.

Chapter 11: Fiscal Policy, p. 228

Topic: Fiscal Stimulus, p. 230

Key Terms: Budget deficits, deficit spending, fiscal policy, John Maynard Keynes

Learning Objective 2: The desired scope and the tools of fiscal stimulus.

Summary

Citizens Against Government Waste produced this commercial to show the danger of financing a national lifestyle beyond our means by selling debt instruments to foreign countries.

Economic Application

John Maynard Keynes was convinced that government intervention is necessary to achieve macroeconomic goals, particularly full employment. He advocated aggressive use of fiscal policy and deficit spending to minimize the swings of the business cycle. Chronic budget deficits and expanding national debt, fueled by Keynesianism and an expansion of government entitlement programs, has created deficit worries.

Multiple-Choice Question

Foreigners choose to hold U.S. government debt (treasury bonds) for all but which ONE of the following reasons?

- a) They are relatively secure.
- b) To earn interest.
- c) To boost U.S. exports.
- d) The acceptability of dollar-denominated assets in world trade.

Discussion Question

Should the budget be balanced every year?