

Activity 3 The Mystery of the Politicians Who Can't Say No

Directions. Read the *Handy Dandy Guide* and the mystery. Read the clues assigned to your group. Be careful. While all the clues are correct, only some are *useful* in solving the mystery. Decide which clues are most relevant to solving the mystery. Use the clues and one or more of the ideas from the *Handy Dandy Guide* to figure out a solution to the mystery. Write your solution.

Handy Dandy Guide

1. People *choose*.
2. People's choices involve *costs*.
3. People respond to *incentives* in predictable ways.
4. People create *economic systems* that influence individual choices and incentives.
5. People gain when they *trade* voluntarily.
6. People's choices have consequences that lie in the *future*.

The Mystery

During the 1980s, the U.S. federal government approved spending levels that created huge federal budget deficits. Most economists agree that these large deficits caused many economic problems, pushing inflation and interest rates up.

Why would government leaders approve levels of spending that they know hurt the economy?

The Clues

1. Most politicians who hold elected office want to be re-elected; they have an obvious incentive to seek votes.
2. Politicians are rewarded by interest groups and voters when they bring federal spending projects—roads, dams, business contracts—to their home district or state.
3. To win the presidency, a candidate must win a majority of votes in the Electoral College.
4. In seeking votes and campaign funds, politicians face competition.
5. During their campaigns, politicians often depend upon glittering generalities, earnestly but vaguely insisting, for example, that they believe in a system of fair taxes, or fiscal responsibility.
6. People between ages 18 to 24 are the least likely to vote.
7. The average U.S. federal deficit in the 1980s was about \$170 billion.
8. The U.S. federal debt as of 1999 was \$6 trillion.
9. Interest groups—dairy farmers, steel producers, trial lawyers, and so on—that help to raise campaign funds for politicians also make special efforts to inform politicians about their special problems.

Record your solution and explain it briefly here:
