

## Activity 7: Budget Surplus and Budget Deficit

This activity focuses on the U.S. government's budget, and you will use FRED® to find data that pertain to it. FRED® is a great and simple tool for finding, viewing, and manipulating official data.

1. Go to <https://fred.stlouisfed.org/> and sign in to your personal FRED® account.
2. In the search bar, type in "surplus deficit." One of the first few results should be **Federal government budget surplus or deficit**. Click on this. This is calculated by subtracting the federal government's fiscal year expenditures from its receipts. What is the current reported amount and date?
3. During periods of recession, what typically happens to this indicator? What happened during the 2007-09 recession?
4. Let's put the government deficit into context. Click the orange EDIT GRAPH button and select the ADD LINE tab. In the search box, type in "surplus deficit." One of the first few options should be **Federal Surplus or Deficit as Percent of Gross Domestic Product**. This is the ratio arrived at using the following formula:  $\text{Total federal government receipts} - \text{Total federal government expenditures} / \text{GDP}$ . Click on that, and then click the **Add data series** button. Next, click the FORMAT tab and for LINE 2, under **Y-Axis position**, select **Right**. Finally, edit the date range to begin on 1952-01-01.
5. Describe any pattern you observe. What is the historical norm for how big the deficit has been compared to GDP?
6. What happened to the federal budget deficit during the 2007-09 recession? Why do you think that is?

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### Tools for Teaching with FRED®

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7. Save the graph to your FRED® account: Find the **Account Tools** button under the graph and click it. Select **Save Graph**. Select an **Observation Range**. The middle choice—**Always chart from YYYY-00-00 to the last value available**—will ensure that your graph updates whenever new data are added to the series. Type in a title and click **Save Graph**. You may create a **Category** folder first, if you wish, and save the graph in the folder.
8. Dashboard option: Finish by adding the completed graph to your FRED® dashboard. Click the **Account Tools** button under the graph and select **Add to Dashboard**. Select your dashboard and in the **Graph Name** box, type “Activity 7-Budget Surplus and Budget Deficit.” Select an **Observation Range**. Click **Add to Dashboard**. For additional instructions, see Activity 1.