

# SESSION 13: Revenues, Outlays, & Debt of the Federal Government

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## Session Description

Students will learn that the federal government receives income from taxes and other sources and provides goods, services, and transfer payments. In addition, students will learn key concepts and terms regarding the federal budget.

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## Talking Points

1. The typical sources of revenue for the federal government are personal income taxes, Social Security taxes, Medicare taxes, unemployment taxes, corporate income taxes, and other taxes (custom duties, excise taxes, tariffs, and so on), and borrowing. To see the previous year's revenue, go to <http://www.usgovernmentrevenue.com/breakdown>.
2. Typically, the main spending (outlays) of the federal government are Social Security and Medicare payments, national defense and foreign aid, social programs, physical/human/community development, net interest on debt, law enforcement, and general government. To see the previous year's spending, go to [http://www.usfederalbudget.us/federal\\_budget\\_actual](http://www.usfederalbudget.us/federal_budget_actual).
3. If government revenue is greater than its outlays, the government has a budget surplus.
4. If government revenue is less than its outlays, the government has a budget deficit.
5. If the government has a deficit, it must borrow funds (i.e., increase its debt).
6. The debt of the federal government (public debt) is the total amount owed by the federal government as a result of its current and past borrowing.
7. The main historical causes for accumulated public debt have been
  - a. wars,
  - b. unanticipated downturns in the economy (recessions),
  - c. tax cuts with no offsetting cuts in outlays, and
  - d. increases in outlays with no offsetting increases in revenues.
8. Foreign investors hold just less than one-third of U.S. public debt, which represents a loss of wealth as interest payments leave the country.

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9. Private debt of households, corporations, and small businesses is much larger than the public debt of the federal government.
10. For every debt in an economy, someone else has a credit—an IOU—a valuable asset.
11. If a borrower defaults—that is, is unable to pay their loan—the lender loses wealth (the IOU becomes worthless).

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## Session 13: Standards and Benchmarks

### Arkansas Economic Standards

**Strand:** National Economy

*Content Standard 6: Students will analyze monetary and fiscal policies for a variety of economic conditions.*

- NE.6.E.4 Determine the relationship between the national debt and the federal budget (e.g., balanced, surplus, deficit)

### Common Core State Standards

- CCSS.ELA-Literacy.RH.9-10.1 Cite specific textual evidence to support analysis of primary and secondary sources, attending to such features as the date and origin of the information.
- CCSS.ELA-Literacy.RH.9-10.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary of how key events or ideas develop over the course of the text.
- CCSS.ELA-Literacy.RH.9-10.4 Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social, or economic aspects of history/social science.
- CCSS.ELA-Literacy.RH.9-10.6 Compare the point of view of two or more authors for how they treat the same or similar topics, including which details they include and emphasize in their respective accounts.
- CCSS.ELA-Literacy.SL.9-10.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–10 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
- CCSS.ELA-Literacy.SL.9-10.1d Respond thoughtfully to diverse perspectives, summarize points of agreement and disagreement, and, when warranted, qualify or justify their own views and understanding and make new connections in light of the evidence and reasoning presented.
- CCSS.ELA-Literacy.L.9-10.4 Determine or clarify the meaning of unknown and multiple-meaning words and phrases based on *grades 9–10 reading and content*, choosing flexibly from a range of strategies.
- CCSS.ELA-Literacy.L.9-10.6 Acquire and use accurately general academic and domain-specific words and phrases, sufficient for reading, writing, speaking, and listening at the college and career readiness level; demonstrate independence in gathering vocabulary knowledge when considering a word or phrase important to comprehension or expression.
- CCSS.ELA-Literacy.RH.11-12.1 Cite specific textual evidence to support analysis of primary and secondary sources, connecting insights gained from specific details to an understanding of the text as a whole.

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- CCSS.ELA-Literacy.RH.11-12.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.
- CCSS.ELA-Literacy.RH.11-12.6 Evaluate authors' differing points of view on the same historical event or issue by assessing the authors' claims, reasoning, and evidence.
- CCSS.ELA-Literacy.SL.11-12.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 11-12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
- CCSS.ELA-Literacy.SL.11-12.1d Respond thoughtfully to diverse perspectives; synthesize comments, claims, and evidence made on all sides of an issue; resolve contradictions when possible; and determine what additional information or research is required to deepen the investigation or complete the task.
- CCSS.ELA-Literacy.L.11-12.4 Determine or clarify the meaning of unknown and multiple-meaning words and phrases based on *grades 11–12 reading and content*, choosing flexibly from a range of strategies.
- CCSS.ELA-Literacy.L.11-12.6 Acquire and use accurately general academic and domain-specific words and phrases, sufficient for reading, writing, speaking, and listening at the college and career readiness level; demonstrate independence in gathering vocabulary knowledge when considering a word or phrase important to comprehension or expression.

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## Session 13: Resources

1.   Handout 13A: Calculating Government Surpluses, Deficits, and Debt (with Answer Key)
  - a. Use with any of the government debt and deficit lessons.
2.   Visual 13A: A Brief History of U.S. Public Debt
3. Capstone: Exemplary Lessons for High School Economics (*Virtual Economics*® 4.5)
  - a. Lesson 36: Should We Worry About the National Debt?
4. Focus: Understanding Economics in Civics and Government (*Virtual Economics*® 4.5)
  - a. Lesson 5: Government Spending
5. *The Budget and Economic Outlook: 2015 to 2025* (Congressional Budget Office)
  - a. Revenues, Outlays, Deficits, Surpluses, and Debt Held by the Public Since 1965; <http://www.cbo.gov/sites/default/files/cbofiles/attachments/49892-Outlook2015.pdf>. Go to Appendix G, Table G-1 on document pages 158 and 159.
6.  Lesson 13.1: Where Will You Cut the Budget?
7. The Penny Game (Concord Coalition); <http://www.concordcoalition.org/act/tools/penny-game>
8. Lesson: National Budget Simulation (Econedlink); <http://www.econedlink.org/lessons/index.php?lid=306&type=student>
9. Data Practice Using FRED® (Federal Reserve Bank of St. Louis)
  - a. Lesson: Debt and Deficit; <http://research.stlouisfed.org/pageone-economics/>.
    - i. In the right-hand column under “Data Practice Using FRED®,” choose “Debt and Deficit.”
    - ii. Print one copy for each student or instruct students to access online.

⑤ **Handout 13A: Calculating Government Surpluses, Deficits, and Debt**

Directions: Calculate the budget surplus or deficit for each year below. Assume that any deficit requires the government to borrow an amount equal to the deficit and that any surplus is exclusively used to reduce the debt.

**NOTE: Figures are hypothetical and in billions of dollars.**

Year	Revenue	Outlays	Surplus (+) or deficit (-)	Debt
Prior to 2003 .....				50
2003	100	90	_____	_____
2004	110	115	_____	_____
2005	125	125	_____	_____
2006	120	130	_____	_____
2007	130	135	_____	_____
2008	150	145	_____	_____
2009	155	170	_____	_____

### © Handout 13A: Calculating Government Surpluses, Deficits, and Debt— Answer Key

Directions: Calculate the budget surplus or deficit for each year below. Assume that any deficit requires the government to borrow an amount equal to the deficit and that any surplus is exclusively used to reduce the debt.

**NOTE: Figures are hypothetical and in billions of dollars.**

Year	Revenue	Outlays	Surplus (+) or deficit (-)	Debt
Prior to 2003 .....				<b>50</b>
<b>2003</b>	100	90	+10	40
<b>2004</b>	110	115	-5	45
<b>2005</b>	125	125	0	45
<b>2006</b>	120	130	-10	55
<b>2007</b>	130	135	-5	60
<b>2008</b>	150	145	+5	55
<b>2009</b>	155	170	-15	70

### © Visual 13A: A Brief History of U.S. Public Debt

#### U.S. Debt in Given Years from Historical Events

Year	Public debt	Budget status	Event
1791	\$75M	Deficit	Revolutionary War
1816	127M	Deficit	War of 1812
1837	0	Balanced	Jackson administration
1860	64M	Deficit	War with Mexico
1866	2.7B	Deficit	Civil War
1915	3.0B	Deficit	50 Years of relative prudence
1919	27.4B	Deficit	World War I
1930	16.2B	Deficit	Roaring Twenties
1940	43.0B	Deficit	Great Depression
1946	269.4B	Deficit	World War II
1960	290.2B	Deficit	Korean War
1980	930.2B	Deficit	Vietnam War/War on Poverty
1983	1.4T	Deficit	1981-82 Recession
1988	2.6T	Deficit	Tax cuts
2000	5.7T	Surplus	Surplus (debt decreased)
2010	14T	Deficit	Tax cuts, wars, bailouts, and stimulus

NOTE: M, million; B, billion; T, trillion. To see the current national debt, go to the National Debt Clock at [http://www.brillig.com/debt\\_clock/](http://www.brillig.com/debt_clock/).



## Lesson 13.1: Where Will You Cut the Budget?

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### Objective

Students will choose which areas of the federal budget to cut and defend their choices.

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### Time Required

One to three class periods

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### Materials

- Handout 1, one copy for each student
  - Signs matching A to J on Handout 1
  - Tape
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### Preparation

- Prepare signs
  - Post signs around the room
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### Procedure

Note: Use this lesson after “**Lesson 5: Government Spending**” in *Virtual Economics*® 4.5: Focus: Understanding Economics in Civics and Government.

1. Distribute *Handout 1: Where Will You Cut the Budget?*
  2. Allow students the opportunity to read through the spending categories and ask questions. Direct the students to rank the categories according to the directions on Handout 1.
  3. Ask the students to move and stand under the sign that indicates what category they would cut first from the federal budget. Encourage students to share why they made this choice.
  4. Have the students move to their second choice and share. Do this several times.
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5. Have the students return to their first choice. Divide the students into small groups based on this choice.
6. Assign each group to conduct research about what would happen if funding were cut from the particular category they chose, specifically who would benefit and who would lose. Instruct the groups to prepare an argument to share with the class defending their choice.

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## Closure

7. Invite groups to share their arguments.
8. Option: Invite students to debate their arguments.

**Lesson 13.1, Handout 1: Where Will You Cut the Budget?**

Directions: Assume you are a member of Congress. You must recommend budget cuts. Consider the spending categories below and rank them in order of importance (designated by the letters), with 10 being the last item to cut. Be prepared to defend your decisions:

- A. National defense
- B. International affairs
- C. General science, space, and technology
- D. Energy
- E. Environmental protection
- F. Transportation
- G. Education, training, employment, and social services
- H. Social Security
- I. Health care and Medicare
- J. Veterans benefits

<p><b>Cut first:</b></p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p><b>Cut last:</b></p> <p>10. _____</p>	
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