

Deficit and Debt

In the news we hear a lot about the U.S.'s **MOUNTING DEBT** and budget deficits. What do those words mean and what's the big deal? Couldn't we just print some more money?

1. Take a shot at defining the words; revenue, expenses, deficit, and debt in relation to each other.

U.S. Federal revenue

U.S. Federal expenses

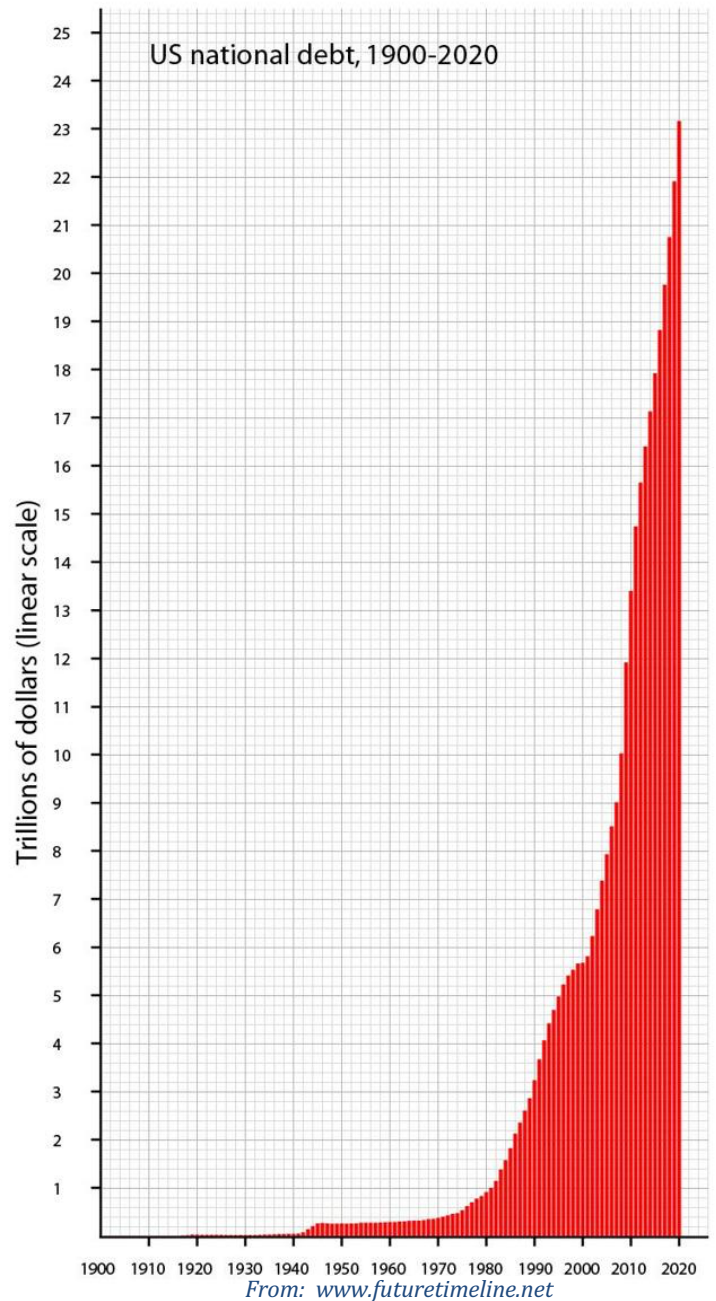
U.S. Federal deficit

U.S. Federal debt

September 30, 2021 was the end of the U.S. fiscal year of accounting. A budget year begins on October 1 and ends on September 30th of the following year.

The chart on the next page is a brief accounting of the 2021 U.S. revenues and expenses. Check it out.

2. What do you notice? What would you like to know more about?



The federal government pays for lots of services that we enjoy.

- We have a military and security forces.
- We give our seniors an income in retirement that they actually paid for by contributing to social security during their working years.
- We pay for health care or long-term care for people who are over the age of 65, disabled, indigent, or to give care to low-income children.
- We pay interest on the money that we've had to borrow to pay for all of these services in the past.
- We give benefits to veterans and retired federal employees.
- We pay for overseeing safe foods and drugs.
- We protect the environment.
- We invest in education, scientific and medical research.
- We pay for basic infrastructure such as roads, bridges, and airports.
- We contribute to humanitarian aid

3. How much was the total of the U.S. federal expenses for year 2021 so far?

On April 15th, your family probably talks about paying income tax ... because that's when income tax forms and payments are due.

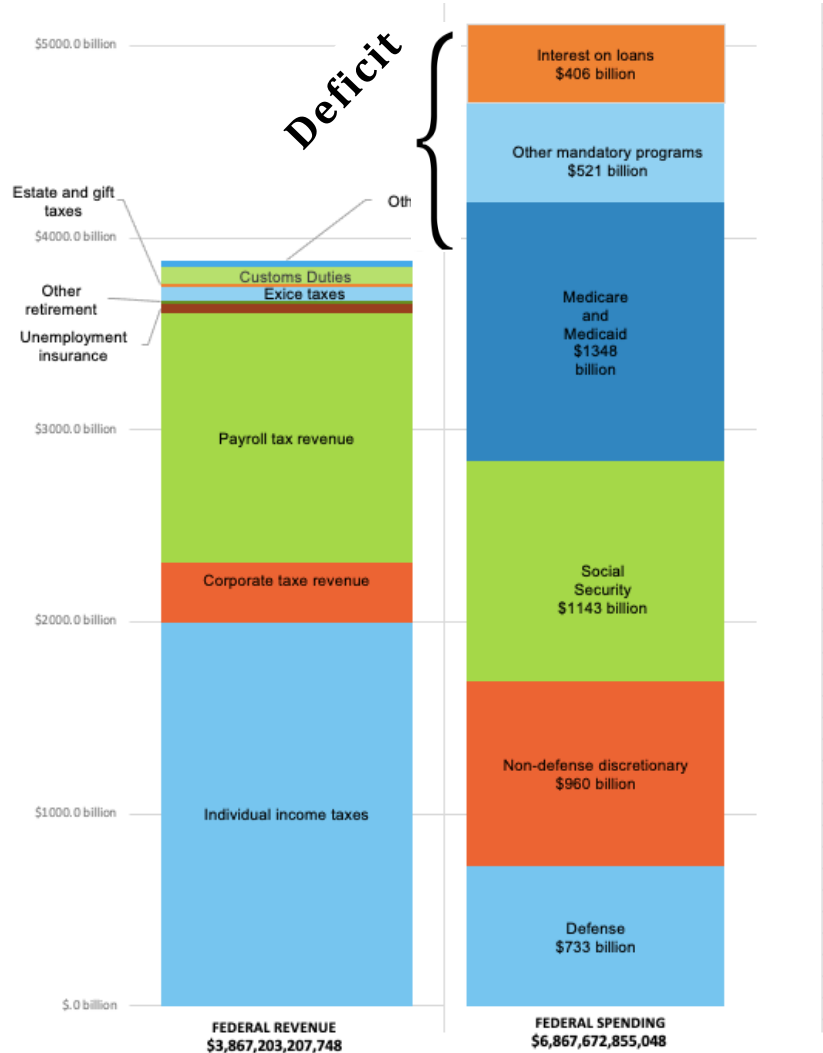
3. How much money does the Federal government collect in Individual Income Tax?

4. About what percent (just guess from the visual of our chart.) of the total government revenue do personal income taxes make up?

5. Businesses have to pay tax as well. How much do corporations pay in taxes?

Every working person has a percent of their income taken out of their paycheck as a contribution to the Social Security and other programs. These are called Payroll taxes.

6. How much does the Federal government receive from working people?



So, in our graphic on the previous page, the Federal government receives income from all of those sources: personal income taxes, payroll taxes, corporate taxes, excise taxes, estate taxes and other taxes.

7. From the graphic find what the Federal government's total income from those sources.

8. In the United States, our government spends more than it receives to supply us with services. How much does the government spend in total?

9. What is the difference between what our Federal expenses are and what our Federal income is?

10. What do you think National debt means?

Over the years the U.S. government has continued to spend more than we've collected for these services. On the first page is a graphic that demonstrates the continued growth of what we have borrowed in order to pay for our various Federal services. Use that first chart to answer the following question.

11. Between what ten-year span did the national debt grow the most?

The U. S. now has a national debt of almost **29 trillion dollars**.

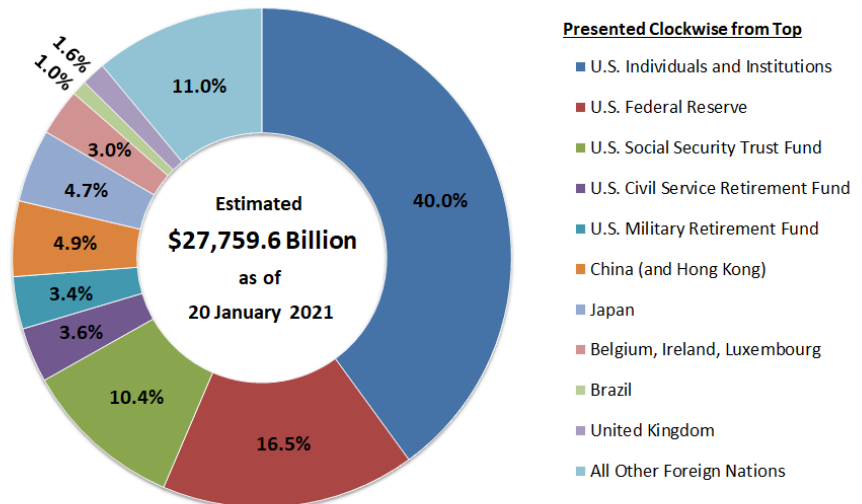
The pie chart on the right shows where we have borrowed money to pay this debt.

12. Create 2 different observations from this chart on the right that you will bring to class to add to the discussion.

13. Using the pie chart again, of that 28 trillion dollars debt, about what percent is borrowed from Foreign entities.

14. Name 5 countries that we seem to owe the most money to.

January 2021: To Whom Does the U.S. Government Owe Money?



Sources: U.S. Treasury Department, U.S. Federal Reserve (20 January 2021), Trust Funds (31 December 2020)
 Note: Foreign holdings based on preliminary estimates available as of 19 January 2021.

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The national debt is now at about \$28.8 trillion dollars. The population of the U.S. is about 333,400,000 people.

15. If each person in the U.S. (kids and babies too) were to contribute equally to pay off the national debt, about how much would each person need to pay?

Go back to our Deficit/Debt stacked bar graph in this activity.

16. How much does the U.S. government spend on interest for debt?

17. About what percent of our **last year's deficit** was **interest** on our national debt?

18. Now, try to explain the difference between deficit and debt?

19. Why do you suppose that we can't solve this problem by just printing more money?

Sources: https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo5.htm
<https://www.marketwatch.com/story/heres-who-owns-a-record-2121-trillion-of-us-debt-2018-08-21>
<https://www.census.gov/quickfacts/fact/table/US/PST045217>
<https://www.thebalance.com/current-u-s-federal-government-spending-3305763>
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