

## **GOVERNMENT BORROWING LESSON:**

### ***BE A BUDGET HERO: STUDENT HANDOUT***

**Note to Students:** Review the following information, play the simulation online, then answer the questions at the end of this handout concerning the choices you made and the results of the simulation.

#### **Lesson Background:**

- ∞ Spending is part of fiscal policy. If you spend more than you have in your budget, it creates what is called a budget deficit. Total debt or surplus is the addition of the budget deficit or surplus from preceding years plus interest owed to anyone that is financing that debt.
- ∞ A trade-off involves giving up something in order to gain something else in return, as well as understanding the upside and downside to the choices that were made.
- ∞ Governments generate revenues to cover budgetary obligations through taxation. If tax income does not generate enough money to cover spending, governments need to borrow. This borrowing comes in the forms of bonds.
- ∞ Deficit spending can help minimize or end a recession. However, if a government has too much debt and needs to borrow too much, or people or countries stop lending the money, problems could include the need to pay more interest, inability to pay for important programs, inflation, lower growth rates and future tax increases.

#### **Lesson Instructions:**

- ∞ You are going to be in charge of running the U.S. government budget while you play this game.
- ∞ Go to the following Web site:  
[http://marketplace.publicradio.org/features/budget\\_hero/](http://marketplace.publicradio.org/features/budget_hero/).
- ∞ Click the link for "Get Briefed" to learn the game rules.
- ∞ Make sure you select badges in the game that represent your values. You win these badges by running the budget well.
- ∞ To make your budget choices, click on the buildings that represent the different budget categories. There you will see specific choice cards. You can drag cards you would like to choose that represent new spending or spending cuts over to the "Played Cards" column.
- ∞ As you play the simulation, answer the questions below to prepare for our class discussion.

1. A trade-off involves prioritizing some areas over others. What three badges did you prioritize over the others that reflect your values, and why?

2. What was the most important card you played for each of the following budget categories? (Click on the buildings to see the cards. Play the cards by dragging them to the column on the right that lists "Cards Played.")

a. Defense:

- b. Education:
- c. Science:
- d. Housing:
- e. Miscellaneous:
- f. Infrastructure:
- g. Health Care:
- h. Social Security:
- i. Interest on Debt:
- j. Taxes (Click the button for tax categories):

3. What were two important cards you played that added spending to the budget, and why did you decide it was important to spend more in these areas?

4. What were two important cards you played that cut spending by a lot of money? What made you choose these areas to cut spending?

5. What was your general policy when it came to raising or lowering taxes?
  
6. What are some potential risks with following your tax plan?
  
  
  
  
  
  
  
  
  
  
7. When done, click the button on the bottom right to see results of your budget. What was the percentage of debt to GDP in your budget?  
What was the percentage of debt to GDP in 2008?
  
  
  
  
  
  
  
  
  
  
8. Until what year did you delay the budget bust?
  
  
  
  
  
  
  
  
  
  
9. How many of your badges did you earn?
  
  
  
  
  
  
  
  
  
  
10. What specific decisions caused you to earn or not earn your badges?

11. What decisions would you make differently now that you have seen how the entire process works?

