

**D5: The Federal Budget, Deficit and Debt**Group Activity**Federal Debt**

1. Here are some approximate values for the US in the fiscal year 2018 10/1/18 to 9/30/19.

Federal Budget (Spending): \$4.407 Trillion

Federal Revenue Estimate: \$3.422 Trillion

National Debt: \$21.803 Trillion

Interest on the National Debt for 2018: \$332.637 Billion

Gross Domestic Product: \$20.656 Trillion

Population: 329 Million people

a. Calculate the federal deficit for this fiscal year.

b. Calculate the Debt to GDP ratio as a percentage.

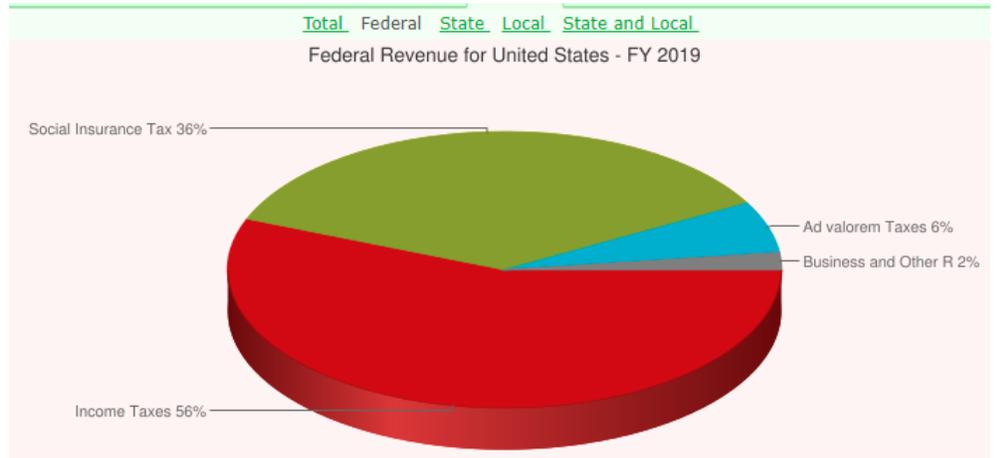
c. How much debt does the US have per person (per capita)?

d. How much interest is due on the National Debt per person?

e. Go to [www.usdebtclock.org](http://www.usdebtclock.org) and check it out.

**Federal Revenue**

2. Using the pie chart for Federal Revenue and the total from problem 1, calculate the dollar value of each revenue source.



[https://www.usgovernmentrevenue.com/year\\_revenue\\_2019USbf\\_20bs1n](https://www.usgovernmentrevenue.com/year_revenue_2019USbf_20bs1n)

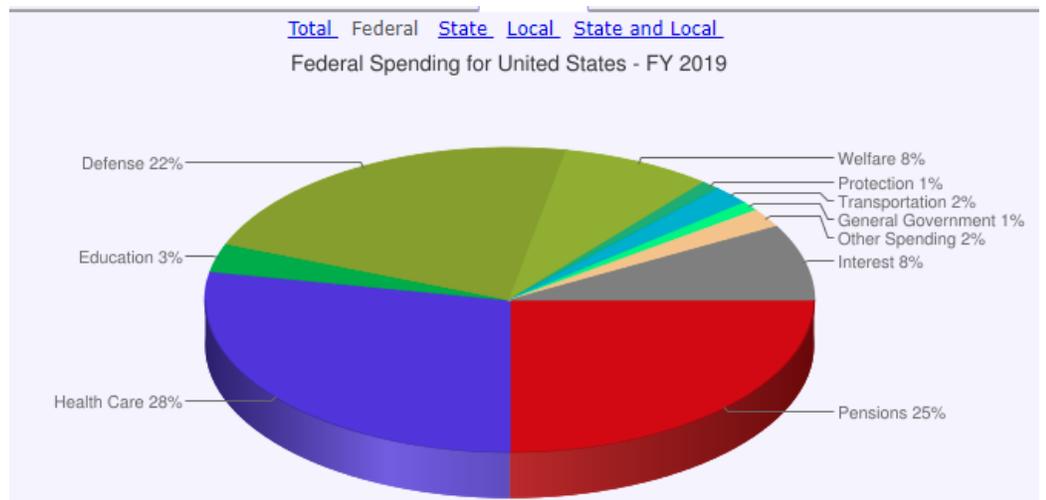
**Federal Spending**

3. Using the pie chart for the Federal Budget/Spending and the amount from problem 1, calculate the dollar value of the following items.

- a. Defense
- b. Social Security

c. Healthcare

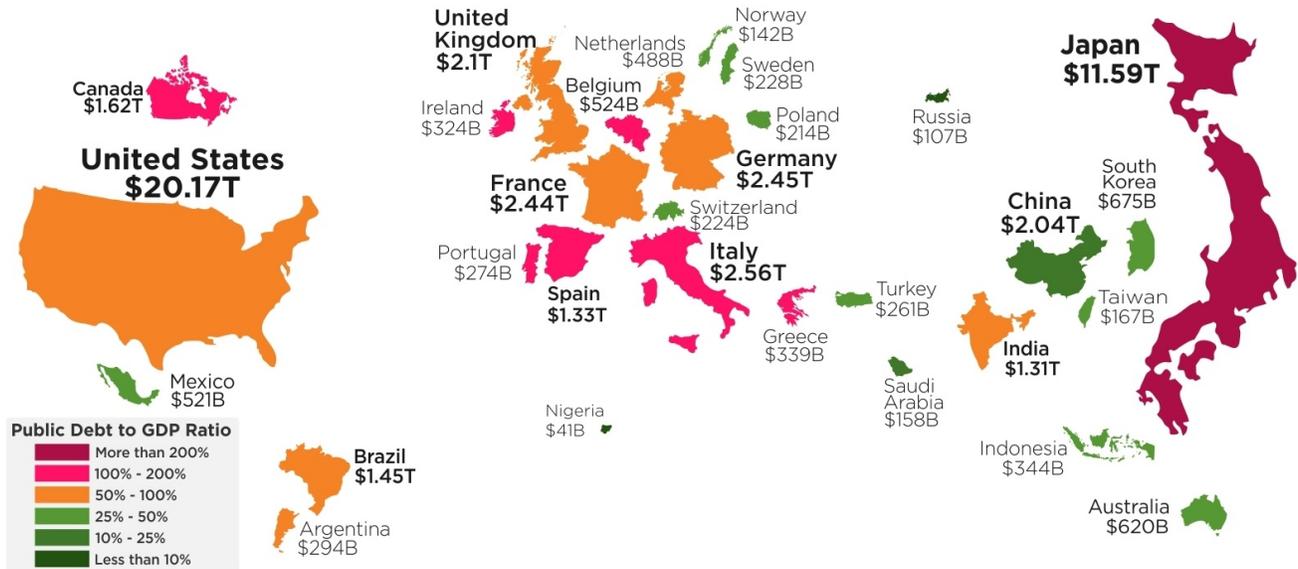
d. Education



[https://www.usgovernmentspending.com/piechart\\_2019\\_US\\_fed](https://www.usgovernmentspending.com/piechart_2019_US_fed)

4. Take a look at the following graphs and answer the questions.

**The Financial Impact of Sovereign Debt Around the World - 2017**  
 This Map Shows Countries' Debt and Their Ability to Pay It Back



**How to read this map:** Countries appear bigger as their national debt is higher, e.g. USA. Conversely, countries with lower national debt appear smaller, e.g. Nigeria. The colour represent countries' debt to GDP ratio.

**Article & Sources:**  
<https://howmuch.net/articles/worlds-debt-2017>  
<http://www.usdebtclock.org/>  
 U.S. Treasury Department



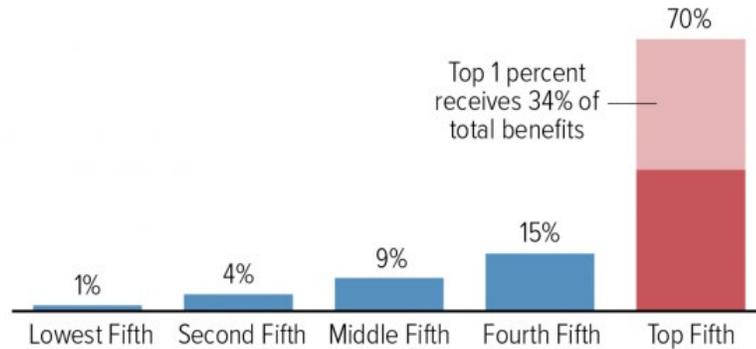
<http://www.valuwalk.com/2017/09/countries-worst-debt-gdp-ratios/>

- Which countries have the lowest public debt to GDP ratio? What is the ratio?
- Which countries have the highest public debt to GDP ratio? What is the ratio?
- Which countries have the second highest public debt to GDP ratio? What is the ratio?

5. This graph shows the effects of cutting the corporate tax rate in the "Tax Cuts and Jobs Act of 2017."

### Cutting Corporate Tax Rates Mostly Benefits Those at the Top

Share of benefits by income group, 2017



Source: Tax Policy Center, Table T17-0180

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

<https://www.cbpp.org/research/federal-tax/corporate-tax-cuts-mainly-benefit-shareholders-and-ceos-not-workers>

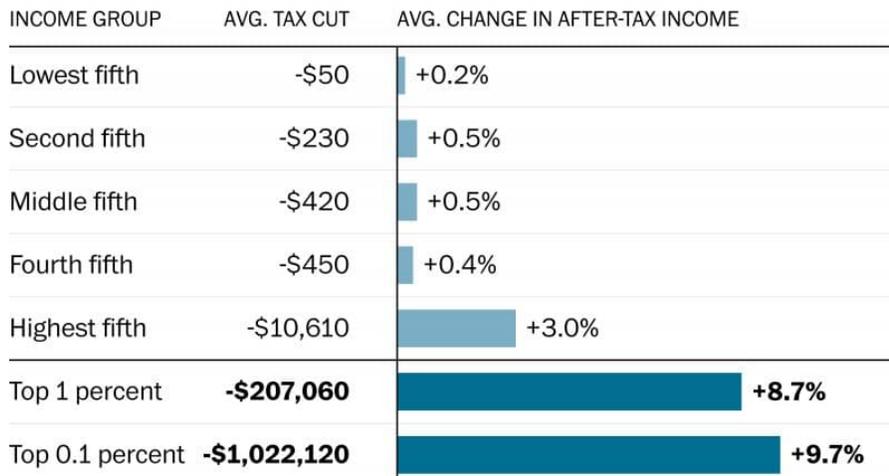
a. Who gains the most from cutting corporate taxes? What percentage will they gain?

b. Who gains the least? What percentage will they gain?

6. This graph shows the effects of cutting income tax rates in the "Tax Cuts and Jobs Act of 2017."

**Who actually benefits from the proposed tax plan**

Estimated tax cuts by expanded cash income percentile in **2027**



Source: Tax Policy Center

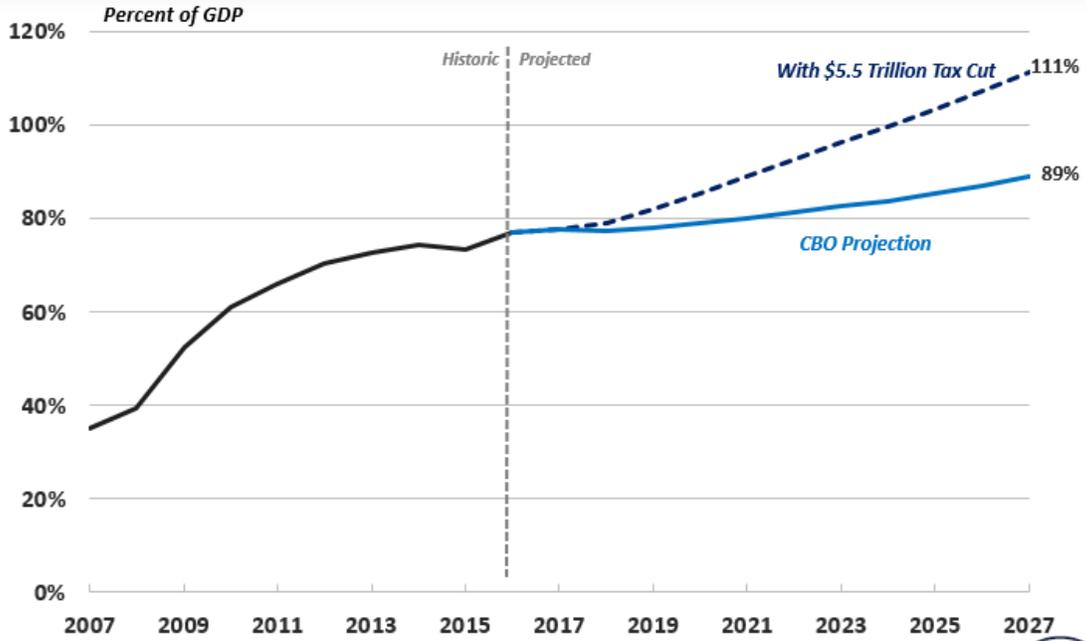
REUBEN FISCHER-BAUM/THE WASHINGTON POST

[https://www.washingtonpost.com/news/work/wp/2017/09/29/gop-tax-plan-would-provide-major-gains-for-richest-1-percent-and-uneven-benefits-for-the-middle-class-report-says/?utm\\_term=.807718d00aa4](https://www.washingtonpost.com/news/work/wp/2017/09/29/gop-tax-plan-would-provide-major-gains-for-richest-1-percent-and-uneven-benefits-for-the-middle-class-report-says/?utm_term=.807718d00aa4)

a. Who gains the most from this income tax plan? What percentage will they gain?

b. Who gains the least? What percentage will they gain?

### Tax Cuts Make the Debt Much Worse

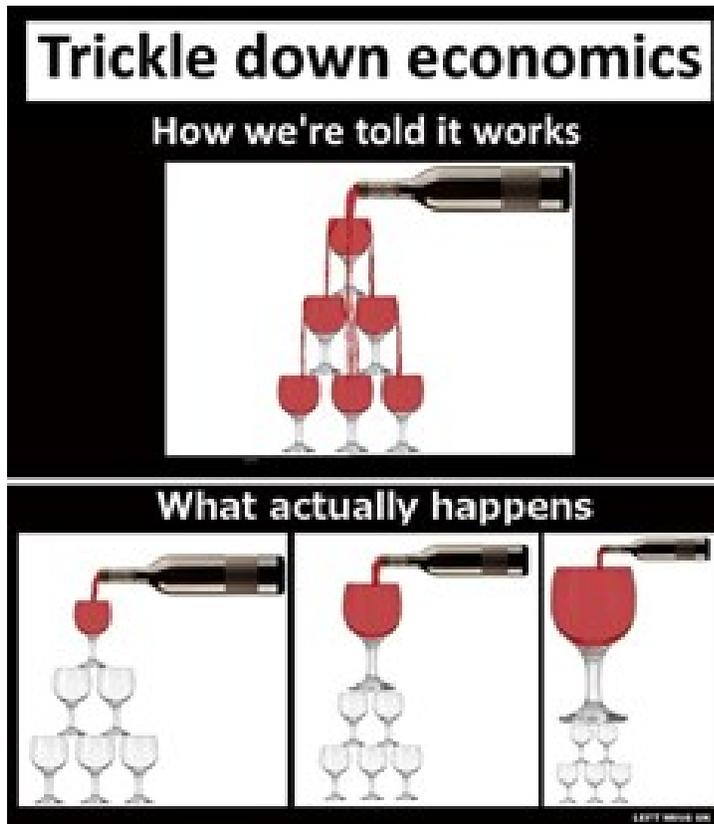


Sources: CBO January 2017 Baseline, CRFB Calculations

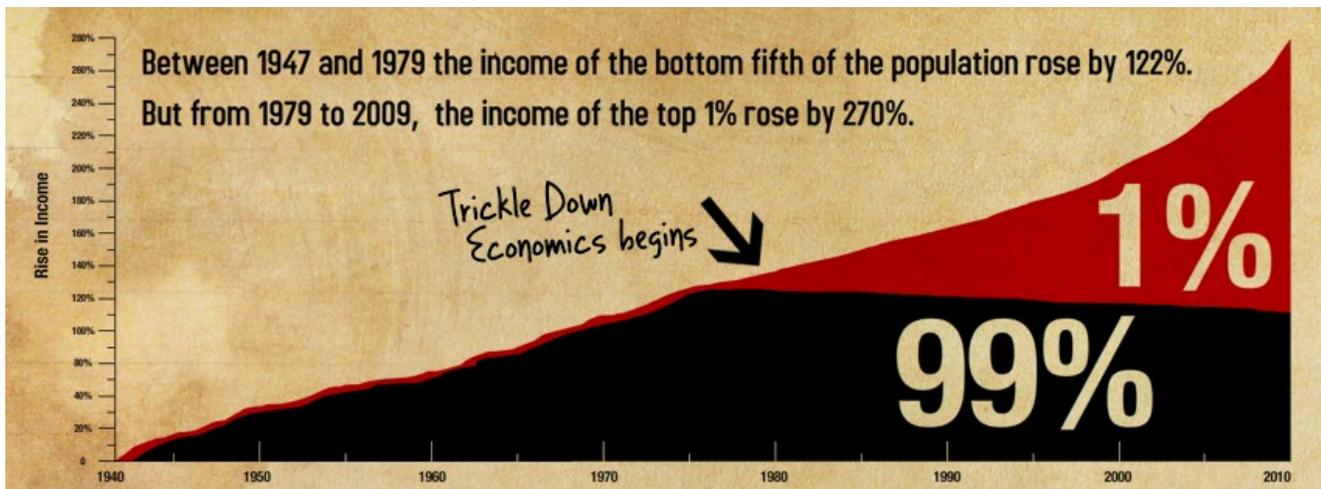


<http://www.crfb.org/blogs/how-much-will-trumps-tax-plan-cost>

Trickle Down Economics

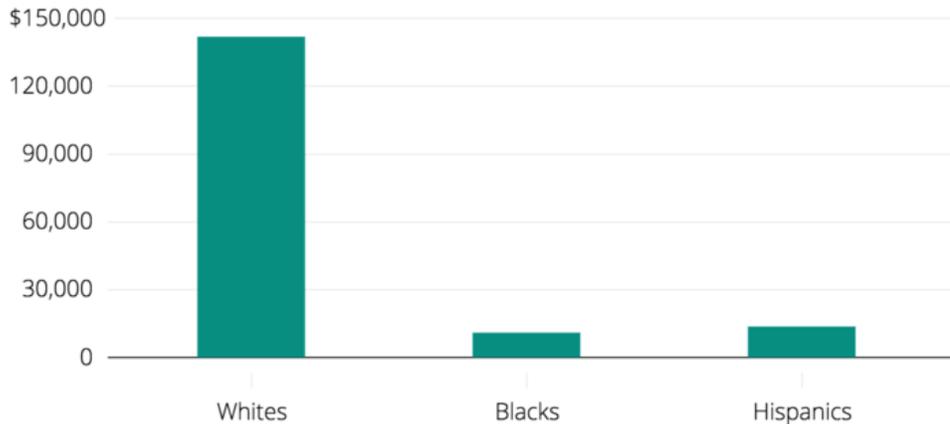


<https://perrystreetpalace.com/2015/08/09/trickle-down-economics-fify/>



<https://dicklannister.com/2015/01/22/trickle-down-economics-means-the-rich-stay-rich-and-the-poor-stay-poor/>

## The Massive Racial Wealth Gap



The Huffington Post

Source: Pew Research Center, Federal Reserve Survey of Consumer Finances

“This chart didn’t fall from the sky. It was made by policies. The racial wealth gap exists “largely as the result of policies that were put in place almost from the start of our country that benefited only portions of the population, not everyone,” Beadsie Woo of the Annie E. Casey Foundation, a nonprofit that focuses on child welfare and economic opportunity, told HuffPost.”

Source: [https://www.huffingtonpost.com/entry/racial-wealth-gap-america\\_us\\_57a9e4ede4b0b770b1a44ba9](https://www.huffingtonpost.com/entry/racial-wealth-gap-america_us_57a9e4ede4b0b770b1a44ba9)

### Promising policies to shrink wealth inequality and racial wealth gaps

From: <http://apps.urban.org/features/wealth-inequality-charts/>

Federal asset-building subsidies disproportionately benefit high-income families that need them the least. Here are six recommendations that could help reduce wealth inequality and racial wealth disparities:

- Limit the mortgage interest tax deduction and use the revenues to provide a credit for first-time homebuyers.
- Establish automatic savings in retirement plans.
- Reduce reliance on student loans while supporting success in postsecondary education.
- Offer universal children's savings accounts.
- Reform safety net program asset tests, which can act as barriers to saving among low-income families.
- Provide subsidies to promote emergency savings, such as those linked to tax time.

By more efficiently and equitably promoting saving and asset building, more people will have the tools to protect their families in tough times and invest in themselves and their children.