

D5: The Federal Budget, Deficit and Debt– SOLUTIONSGroup 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.

Spending – Revenue =

$\$4.407 \text{ Trillion} - \$3.422 \text{ Trillion} = \$0.985 \text{ Trillion or } \985 Billion

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

$\frac{\$21.803 \text{ Trillion}}{\$20.656 \text{ Trillion}} = 1.06 \text{ or } 106\%$

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

$\frac{\$21.803 \text{ Trillion}}{329 \text{ Million People}} = \frac{\$21.803 \text{ Trillion}}{0.000329 \text{ Trillion People}} = \$66,271 \text{ per person}$

or $\frac{\$21,803,000,000,000}{329,000,000} = \$66,271 \text{ per person}$

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

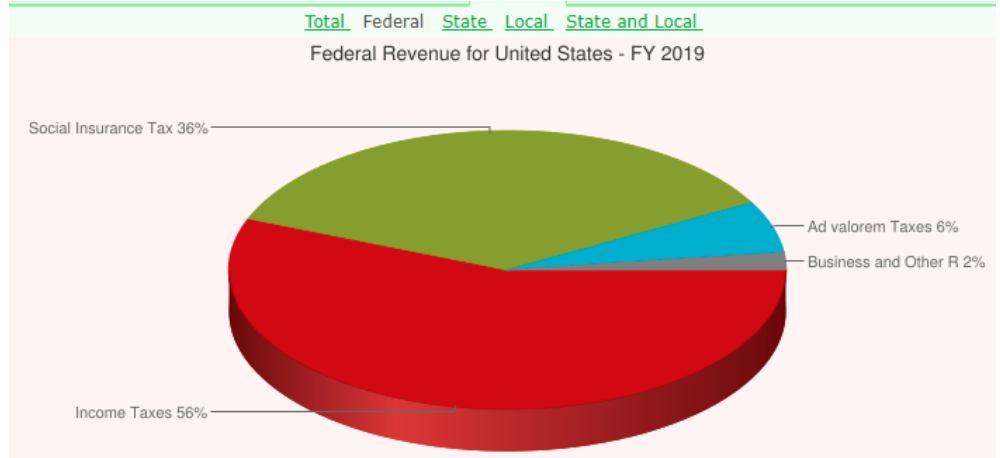
$\frac{\$332.637 \text{ Billion}}{329 \text{ Million People}} = \frac{\$332.637 \text{ Billion}}{0.329 \text{ Billion People}} = \$1,011.05 \text{ per person}$

or $\frac{\$332,637,000,000}{329,000,000} = \$1,011.05 \text{ per person}$

e. Go to 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

Individual Income Taxes: \$3.422 Trillion (0.56) = \$1.92 Trillion

Social Security Taxes (Payroll Taxes): \$3.422 Trillion (0.36) = \$1.23 Trillion

Corporate Taxes and Other: \$3.422Trillion (0.02) = \$68.66 Billion

Ad Valorum (Excise Taxes and other): \$3.422 Trillion (0.06) = \$205.3 Billion

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

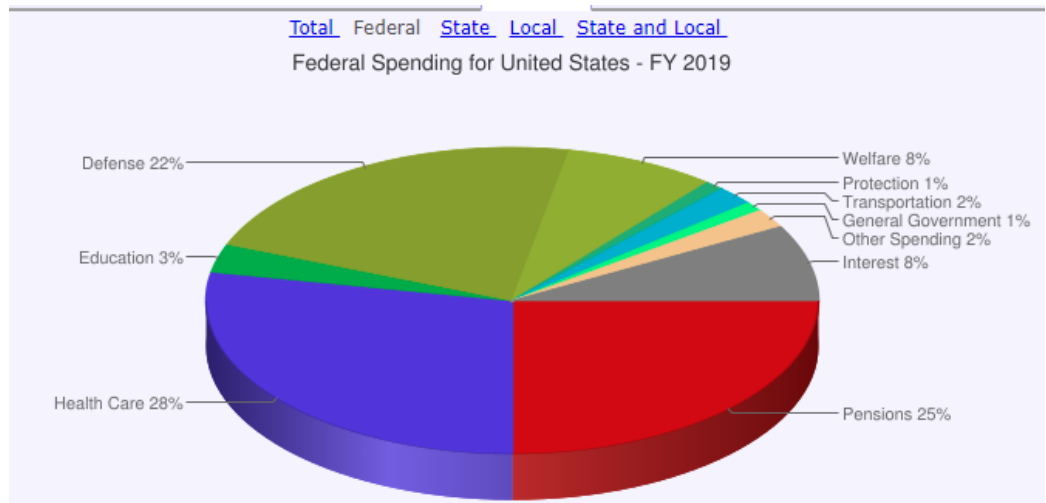
\$4.407 Trillion (0.22) = \$969.5 Billion

b. Social Security

\$4.407 Trillion (0.25) = \$1.102 Trillion

c. Healthcare

\$4.407 Trillion (0.28) = \$1.233 Trillion



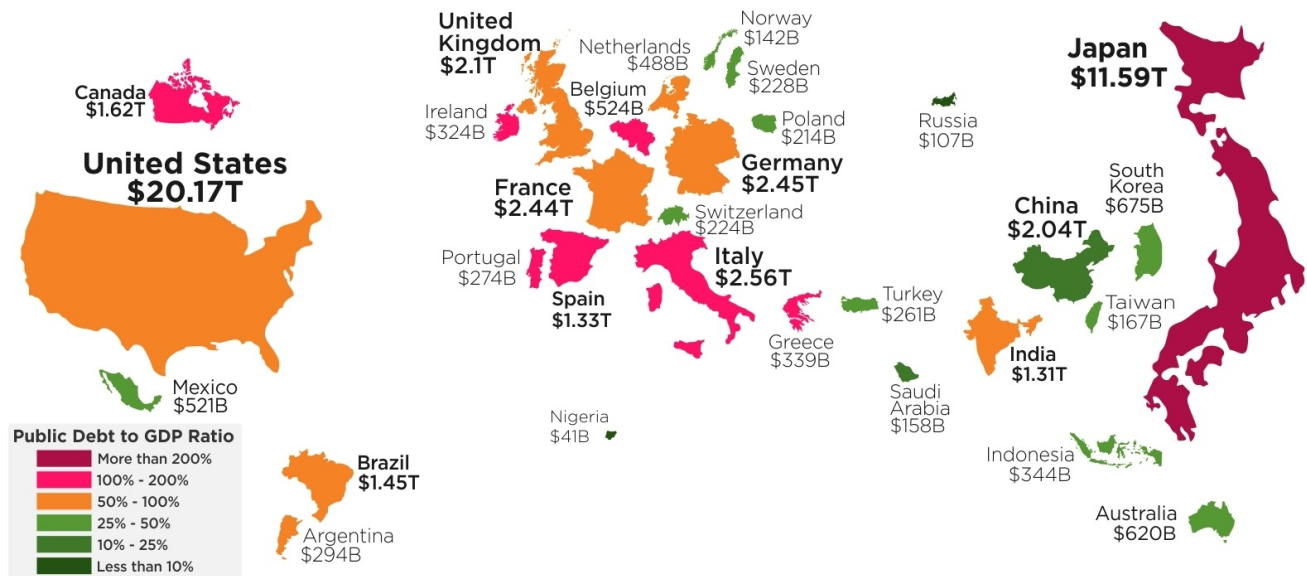
https://www.usgovernmentspending.com/piechart_2019_US_fed

d. Education

\$4.407 Trillion (0.03) = \$132 Billion

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.valuewalk.com/2017/09/countries-worst-debt-gdp-ratios/>

a. Which countries have the lowest public debt to GDP ratio? What is the ratio?

Nigeria and Russia are both less than 10% of their GDP

b. Which countries have the highest public debt to GDP ratio? What is the ratio?

Japan has the highest with more than 200% of their GDP

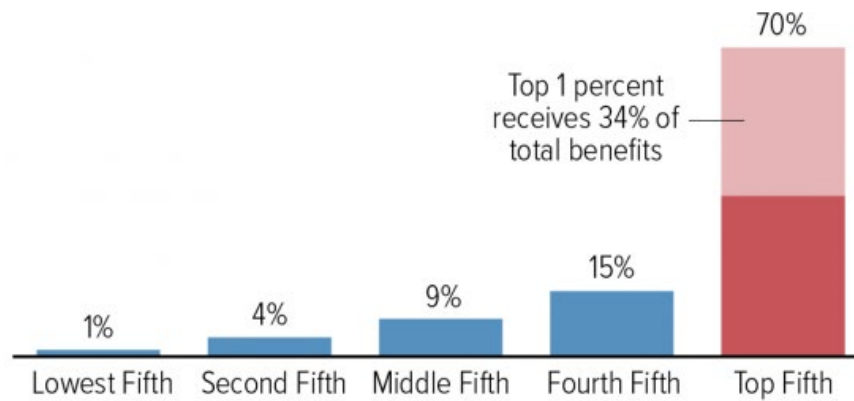
c. Which countries have the second highest public debt to GDP ratio? What is the ratio?

Canada, Ireland, Belgium, Portugal, Spain, Italy and Greece have 100-200% of their GDP (I think the US is in this category now)

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?

The top fifth income-earners get 70% of the benefit and the top 1% of earners get 34% of the benefit.

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

The lowest fifth of the income-earners get 1%.

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**

INCOME GROUP	AVG. TAX CUT	AVG. CHANGE IN AFTER-TAX INCOME
Lowest fifth	-\$50	+0.2%
Second fifth	-\$230	+0.5%
Middle fifth	-\$420	+0.5%
Fourth fifth	-\$450	+0.4%
Highest fifth	-\$10,610	+3.0%
Top 1 percent	-\$207,060	+8.7%
Top 0.1 percent	-\$1,022,120	+9.7%

Source: Tax Policy Center

REUBEN FISCHER-BAUM/THE WASHINGTON POST

https://www.washingtonpost.com/news/wonk/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

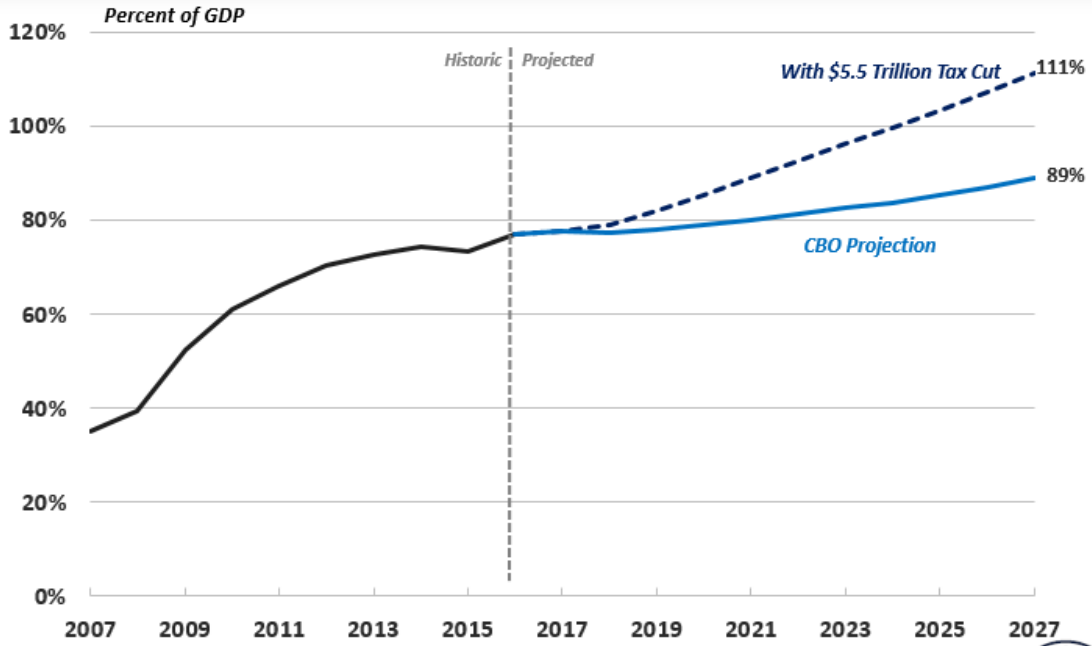
a. Who gains the most from this income tax plan? What percentage will they gain?

The top 0.1% income earners get the most benefit of 9.7% or \$1 million.

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

The lowest fifth of the income-earners get 1% or \$50.

Tax Cuts Make the Debt Much Worse

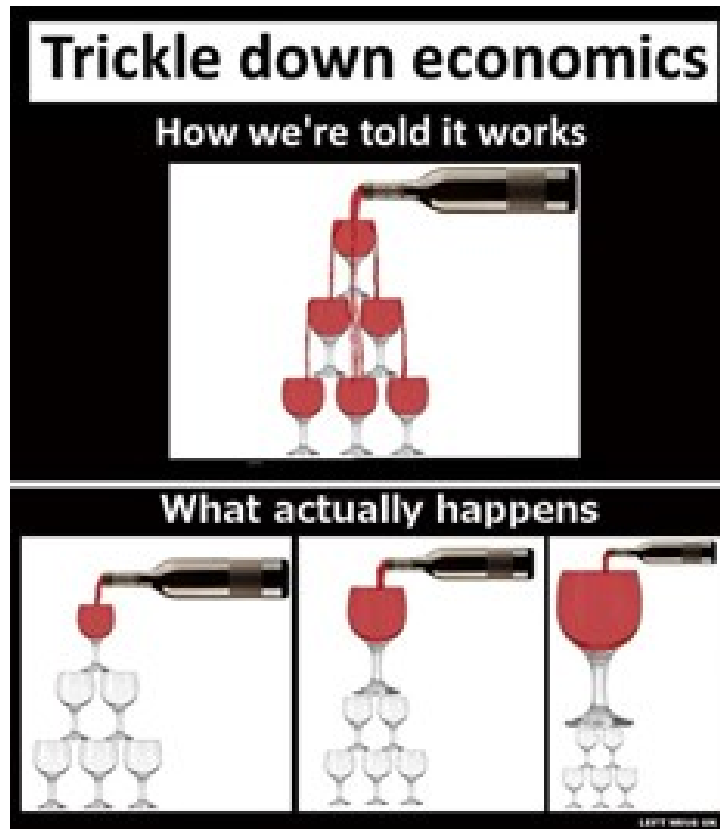


Sources: CBO January 2017 Baseline, CRFB Calculations

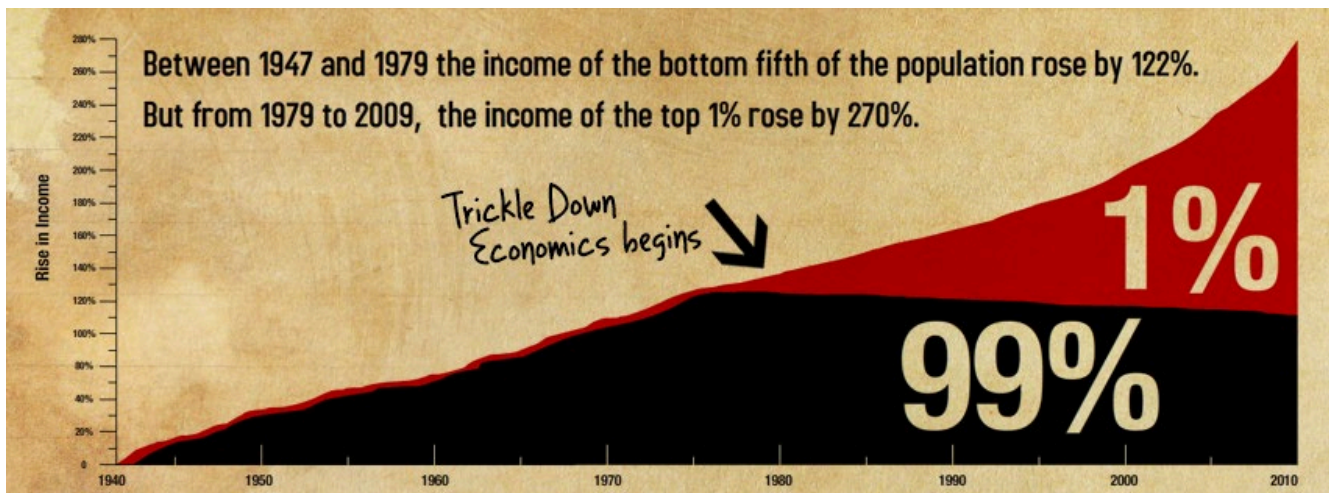


<http://www.crfb.org/blogs/how-much-will-trumps-tax-plan-cost>

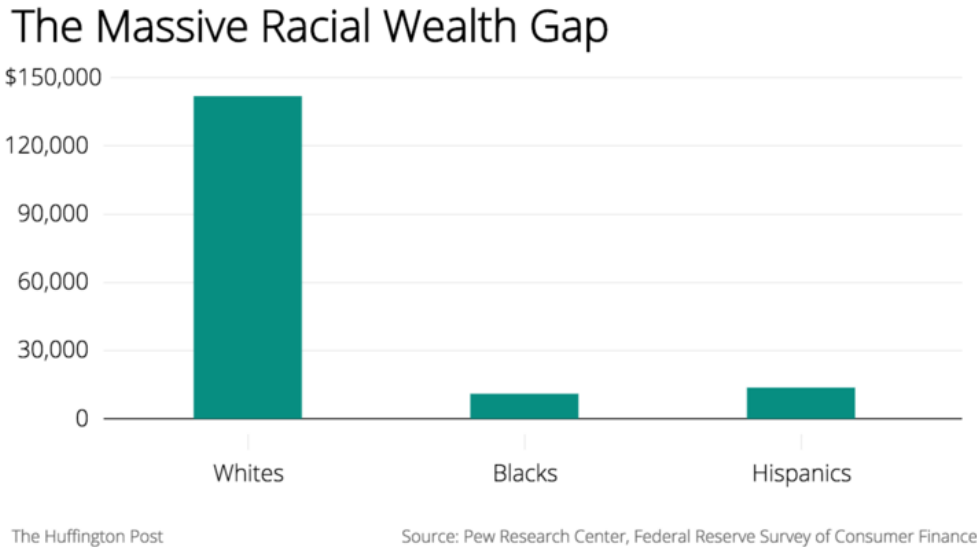
Trickle Down Economics



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



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



“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

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.