

Lesson 2: Budget Breakdown and Key Issues

BIG IDEA:

Governments make financial decisions to address important issues and in an effort to influence the economy. In a democracy, citizens should strive to be informed on the issues and proposed policies, and take an active role in public discourse.

LEARNING GOALS:

Upon completion of the lesson, students will be able to:

- Demonstrate critical-thinking skills regarding the federal government's funding priorities;
- Understand the concepts of fiscal policy, stimulus and austerity;
- Understand why it is important that citizens pay attention to their government's budgeting process;
- Identify the most important issues for the upcoming budget; and
- Compare and analyze different viewpoints on the same issue.

RESOURCES:

- Activity Sheet 2.1: My Federal Budget
- Activity Sheet 2.2: Examining the Issues
- Slide Deck D: 2017 Federal Budget Projections
- Slide Deck E: International Comparisons
- 2017 Student Budget Consultation Results
- *Youth Voices* videos (Canadian youth weigh in on major issues that matter to them)

ACTIVITIES:

Hook: 10-15 min

Using Activity Sheet 2.1, tell your students to imagine that they are the Minister of Finance and ask them how they would spend and collect the approximately \$300 billion needed to operate the Government of Canada and deliver services for the coming year.

Teacher Note: Activity Sheet 2.1 asks students to compare their allocation of the budget to the actual breakdown of expenditures and revenues. To facilitate this, we suggest reviewing Slide Deck D with students, reviewing the most recent budget documents (found on the Department of Finance website) and/or accessing media summaries.

Allow students time to share their allocations with their peers. Students could create pie charts to show how they would structure their own federal budget, and these could be posted around the classroom for comparison and discussion.

Background: 10-15 min

1. Using Slide Deck D, examine the budget estimates for the Government of Canada's current fiscal year (April 1, 2017 to March 31, 2018) based on the October 2017 Fall Economic Statement.
 - Expenditures = \$329.1 billion (money spent)
 - Revenues = \$310.7 billion (money received/earned)
 - Debt = \$652.8 billion (money borrowed and not yet repaid)

Follow up questions: Will the federal government have a surplus or a deficit? What is the amount of the surplus or deficit? How do you calculate this amount?

Teacher Note: The deficit projected for this fiscal year is \$18.4 billion.

2. Review the actual breakdown of the federal government's main expenditures and revenue sources for the current year (Slide Deck D). How does it compare to the students' ideas from the *Hook* activity?
3. Introduce the following key terms: economy, fiscal policy, stimulus and austerity.
 - **Economy:** The wealth and resources of a country or region, specifically in relation to the production and consumption of goods and services.
 - **Fiscal policy:** When a government adjusts its revenue and/or spending in order to influence the economy.
 - **Stimulus:** The fiscal policy of 'government spending', typically investment in infrastructure, which creates jobs or supports employment, and aims to boost the economy. Governments around the world, including Canada, initiated stimulus programs to try to combat the Great Recession (the sharp decline in economic activity which began during the late 2000s).
 - **Austerity:** The fiscal policy of 'government cost-cutting,' which entails strict measures to limit spending and minimize the deficit. Due to the Great Recession, governments around the world are dealing with major debt and deficit problems. In order to avoid bankruptcy, some countries have had no choice but to implement strict cost-cutting measures to try to improve conditions (i.e., Greece, Spain).

Getting Into It: 25-40 min

1. Review the results of the last Student Budget Consultation, held in advance of the 2017 federal budget (2017 Student Budget Consultation Results).

Guiding questions: What findings are most interesting? Are any of the results surprising? Do students agree or disagree with the opinions of those surveyed? What events in the past year might influence a change in any of these results?

2. Using *Youth Voices* videos posted on the Student Budget Consultation website, explore issues raised by young Canadians from across the country and why they feel their concerns should be addressed in Budget 2018. These include issues such as: debt, mental health, the environment, women's representation in government and Indigenous rights.

Depending on the time available you could focus on one or all of the issues, or assign additional issues to be researched for homework.

3. Allow students to share their own opinions following each set of video. Guiding questions:
 - What did you learn by listening to the perspective shared in each video?
 - Whose opinions did you agree with most and why?
 - What steps could you take to learn more about important issues facing the country, including differing perspectives?

Teacher Note: Alternatively, you could assign Activity Sheet 2.2 for homework.

Consolidation: 5-10 min

Have a closing discussion about the public policy issues that impact the creation of the federal budget. Alternatively, ask students to prepare a written reflection.

- Why is it important that citizens pay attention and participate in the government's budgeting process?
- Are you optimistic about your future? What are the biggest challenges you face and how can the government help?
- How can you, as a young Canadian, advocate for an issue that you believe is important?

EXTENSION ACTIVITIES:

A. What do you think the most important issue is for the upcoming budget? Are there any issues that weren't included in the *Youth Voices* videos that you feel should have been? CIVIX invites students to share their own 60-90 second video or audio submission discussing an issue that matters to them.

Students can submit entries individually, in small groups or as a class. There is no limit to the number of entries per school. All submissions will be reviewed by CIVIX, and selected entries will be posted on the Student Budget Consultation website to be accessed by other project participants.

B. Finance Minister Bill Morneau and the Liberal government tabled their most recent budget in March 2017. Review the highlights from Budget 2017 using media sources. Are there aspects you like or dislike? What policies impact you and your family?

Recommended articles:

- ["Federal budget 2017: Highlights of Bill Morneau's 2nd budget," CBC News \(March 22, 2017\)](#)
- ["Federal budget 2017: Trudeau government projects \\$28.5 billion deficit in 2017-2018," The Canadian Press \(March 22, 2017\)](#)
- ["Federal budget highlights: 10 things you need to know," Globe and Mail \(March 22, 2017\)](#)
- ["What Budget 2017 Means for Young Canadians," The Public Policy & Governance Review \(March 29, 2017\)](#)

C. In preparation for the Student Budget Consultation survey, ask students to conduct research into economic issues facing the country, and/or ask their family members how the government could improve the economy and support their family.

Key questions:

- What is the most important step the government could take to help families?
- What can the Government do to help Canadians develop their skills and make the most of them here in Canada?
- How can we best prepare Canadians for technological changes that will affect our workforce?

D. Canada and the United States are geographic neighbours and share many similarities. However, the two countries approach government spending and social services very differently:

- Canada's taxes are higher on average than taxes in the United States. In Canada, most citizens pay about 42 per cent of their income in taxes. U.S. citizens pay about 30 per cent of their income in tax.
- The Canadian healthcare system is almost entirely funded by government. In the United States, health care is only partially funded. Citizens are required to have private health insurance or risk high

medical bills if they become sick or injured. For example, open-heart surgery in the United States can cost as much as \$100,000 USD.

- Canada spends significantly more on social programs and benefits. For example, new parents can take up to a year of parental leave from their jobs and in most cases this includes Employment Insurance (EI) benefits from the government (as long as they were employed during the previous year). In the United States, employers are only required to provide up to 12 weeks of unpaid leave. Benefits are not mandatory, and largely depend on the employer.
- Post-secondary institutions in Canada receive partial government funding to keep tuition costs low. Colleges and universities do not receive funding in the United States, making tuition costs higher. The average cost for a year of post-secondary tuition in Canada is around \$6,000, while it can cost as much as \$30,000 per year in the United States.

Follow-up discussion questions:

- Would you be less likely to go to the doctor if you had to pay for the visit?
- How would your personal budget change if you were responsible for your own health care costs?
- How would higher tuition costs impact your decision to go to university or college?
- Would you rather have lower taxes and fewer services, or more services and higher taxes?

E. Using Slide Deck E, analyze Canada's fiscal position relative to that of other countries by comparing: current deficit amounts for the year, deficit amount per person, employment rate, youth unemployment rate, national debt, debt per person and debt-to-GDP ratio.

The **debt-to-GDP ratio** is a measure of a country's debt in relation to its gross domestic product (GDP). By comparing what a country owes to what it produces, the debt-to-GDP ratio indicates the country's ability to pay back its debt. Governments want to have low debt-to-GDP ratios. The Organization for Economic Cooperation and Development (OECD) encourages countries to aim for a debt-to-GDP ratio below 50.

Discussion questions:

- How does Canada's financial situation compare to that of other countries?
- Are there other countries with stronger economies and job prospects than Canada? If so, which?
- Economically-speaking, what is the most attractive country to live in long-term?
- What are the consequences for Canada when it comes to attracting new Canadians when other jurisdictions have a stronger economy and better job prospects?

ADDITIONAL RESOURCES:

- Student Budget Consultation website – <http://budgetconsultation.ca/>
- 2017 Student Budget Consultation Results – <http://budgetconsultation.ca/the-results>
- Department of Finance Canada – <http://www.fin.gc.ca/>
- Budget 2017, Government of Canada – <http://www.budget.gc.ca/2017/home-accueil-en.html>
- 2017 Fall Economic Statement – <http://www.budget.gc.ca/fes-eea/2017/home-accueil-en.html>
- The Organisation for Economic Co-operation and Development (OECD) website – <https://www.oecd.org/>