

## LESSON 2: THE FEDERAL GOVERNMENT'S BUDGET

### GUIDING QUESTIONS

- What are features of a healthy economy?
- How does the federal budget affect Canadians?
- What impact has the COVID-19 pandemic had on the economy and government spending?

### OVERVIEW

The federal government makes important decisions to serve Canadians and to address important issues facing the country.

In this lesson, students develop their understanding of the economy. Next, students review the basics of budgeting and the Government of Canada's main expenditures and sources of revenue. Afterwards, students analyze the recent spending investments announced by the Government of Canada to address the COVID-19 pandemic and other priorities.

### LEARNING OUTCOMES

By the end of the lesson, students can:

- Explain the economy and economic activities;
- Describe the Government of Canada's main expenses and sources of revenue;
- Analyze the Fall Economic Statement and areas of new spending in response to the COVID-19 pandemic;
- Explain how the budget affects them and their families.

### STARTER

1. When we are talking about the country's finances, we will often hear commentary about the **economy**. As a class, discuss the concept and features of a healthy economy.

- The economy is all about how money is made and spent within a particular region (e.g., local, national or global context).
- It is made up of **producers**, who sell goods and services, and **consumers**, who buy those goods and services. The selling of goods and services includes production, distribution and trade.
- The features of a healthy economy include high levels of employment or low unemployment, decent wages, businesses are making money, new home construction, lower interest/borrowing rates, and overall economic growth.

2. In pairs or as a class, have students use Activity 2.1 (modified Frayer Model) to demonstrate their understanding of the economy.

- Economic activities are activities that involve an exchange of money, such as making, providing, buying or selling commodities or services. It includes professions and employment.
- Non-economic activities are activities that do not involve monetary exchange or financial gain, such as leisure, religious and cultural activities.

## ACTIVITY

*Teacher note: Consider providing students with the terminology cheat sheet (Handout 2.2) in advance to help with their understanding of the key terms and concepts reviewed in the videos below. The purpose of the videos is to promote a general understanding rather than detailed knowledge.*

1. Distribute copies of Activity 2.3. This activity sheet has three sections. Each section relates to one of the videos below. Alternatively, you can assign Google Forms/Microsoft Forms for asynchronous learning.

2. Using Video 1 (“The Government of Canada’s Budget”) and/or Slide Deck A, provide an overview of key budget terms and their relevance at the federal level of government.

- **Revenue:** money earned or received (money coming in).
- **Expenses:** money spent on goods and services (money going out).
- **Surplus:** when you have more revenue than expenses, you will have excess money.
- **Deficit:** when you have more expenses than revenue, you will end up with a **debt** because you will need to borrow money to cover the gap.

3. Using Video 2 (“The Government of Canada’s Expenditures”) and/or Slide Deck B, provide a summary of the Government of Canada’s expenditures.

- **Transfers:** payments made to people, provincial/territorial governments and other groups.
- **Direct program expenses:** the operating expenses of approximately 125 departments, agencies and crown corporations.
- **Interest:** borrowing charges on the national debt.

Afterwards, review the breakdown of projected expenditures for the 20-21 fiscal year (Slide Deck B, slide 9-10). Ask students if they are surprised by the allocation of funds. Are any of the expenditure categories more (or less) than they expected?

4. Using Video 3 (“The Government of Canada’s Revenues”) and/or Slide Deck C, provide a summary of the Government of Canada’s revenue sources.

- **Taxes:** money collected from individuals and businesses, goods and services taxes and other levies.
- **Employment Insurance premiums:** payments made by employers and employees to support costs of Employment Insurance Benefits.
- **Crown earnings:** investments, sale of goods and services, and crown corporations.

Afterwards, review the breakdown of revenue sources for the 20-21 fiscal year (Slide Deck C, slide 11-12). Ask students if they have any thoughts or opinions about the breakdown. Are any revenue sources more (or less) than they expected?

5. Every fall, the Government of Canada releases an economic update or ‘snapshot’ that provides basic information on the current economic situation, government spending, and projected revenue for the current year (and beyond).

Review the announcements from the Fall Economic Statement (Handout 2.4). Use the following guiding questions to analyze the information.

- Where do you think the COVID-19 pandemic has had the greatest impact on the federal government's budget?
- Which spending announcements do you agree or disagree with and why?
- Do you think the government should do more to support individuals and businesses in response to the COVID-19 pandemic? If so, how?
- Do you think the government should focus more on non-pandemic related issues?
- How do these announcements affect you and your family?

## CONSOLIDATION

Using slides or another digital format, ask students to create a digital scrapbook summarizing their learning from the lesson using images and media headlines. Students should cover:

- The Government of Canada's main expenditures;
- The Government of Canada's sources of revenue;
- Announcements/areas of new spending from the Fall Economic Statement; and,
- How the federal budget affects my family and me?

## EXTENSION ACTIVITY

Ask students to read two articles providing analysis or commentary on the federal government's Fall Economic Statement. Afterwards, have students fill out Activity 2.5 to summarize each article.

Sample articles:

- ["Liberal government is placing a daring fiscal bet with its massive deficit spending plan," \*CBC News\* \(December 1, 2020\)](#)
- ["Liberal economic statement an act of deception," \*Globe and Mail\* \(December 1, 2020\)](#)
- ["Canada's rapidly approaching fiscal crisis isn't driven by the pandemic," \*Globe and Mail\* \(December 3, 2020\)](#)
- ["Canada's fiscal update falls short in facing climate change and income inequality," \*The Conversation\* \(December 6, 2020\)](#)
- ["Ottawa has spent \\$240B fighting COVID-19 in just 8 months," \*CBC News\* \(December 6, 2020\)](#)
- ["Why millions of dollars in pandemic aid is going to corporations making healthy profits," \*CBC News\* \(December 10, 2020\)](#)