

## LESSON 2: BUDGET BREAKDOWN AND KEY ISSUES

### GUIDING QUESTIONS

How can budget decisions affect me, my family or my community? How can budget decisions influence the economy? What issue do I think the federal government should address in Budget 2019?

### SUMMARY

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.

In the introductory activity, students imagine they are the Minister of Finance and plan how they would spend and collect \$300 billion. Afterwards, they review the federal government's actual projections for this fiscal year and compare the numbers to their own estimates. Students learn about some key concepts associated with government budgeting before reviewing some of the announcements from the 2018 Budget. After hearing from other young Canadians, students pick an issue of importance to them and analyze how the federal government could take action.

### LEARNING GOALS

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

- Demonstrate critical-thinking skills regarding the federal government's funding priorities;
- Explain the concepts of fiscal policy, stimulus and austerity;
- Compare and analyze different viewpoints on priorities for the upcoming budget; and
- Analyze a public policy issue and the possible actions the federal government could take to improve the conditions.

### RESOURCES

- Activity 2.1: My Federal Budget
- Activity 2.2: Examining the Issues
- Slide Deck D: 2018 Federal Budget Breakdown
- Slide Deck E: The Economy and Fiscal Policy
- Slide Deck F: International Comparisons
- *Youth Voices* videos (Canadian youth weigh in on major issues that matter to them)

### LESSON

#### Introduction: 25-30 min

1. Using Activity 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: You may want to review Videos 2 & 3 (on the Government of Canada's Expenditures and Revenues) from the 'Budget Basics' section to provide a refresher.*

2. Give students time to 'Turn and Talk' with a partner and then debrief as a class. Guiding questions:

- How did you decide which areas of responsibility would receive the most money?
- How did you decide which sources of income would bring in the most money?

3. Using Slide Deck D, examine the budget breakdown for the Government of Canada's current fiscal year (April 1, 2018 to March 31, 2019) based on projections from the 2018 Federal Budget (tabled by the Finance Minister on February 27, 2018).

- Expenditures = \$338.5 billion (money spent)
- Revenues = \$323.4 billion (money received/earned)
- Debt = \$669.6 billion (money borrowed and not yet repaid)

These figures were revised in the Fall Economic Update, tabled by the Finance Minister on November 21, 2018.

- Expenditures = \$344.1 billion
- Revenues = \$328.9 billion
- Debt = \$687.7 billion

4. Ask students to compare their allocation of the budget to the actual breakdown of expenditures and revenues using the information in Slide Deck D. How different or similar are student budgets compared to the actual budget for this fiscal year?

### **Instruction and Action: 25-30 min**

1. 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.

2. Review some of the announcements and measures released in the 2018 Budget using Slide Deck D or media sources and seek student feedback through a classroom discussion.
  - The federal government's budget will not be balanced until 2022.
  - Pay-equity legislation for employees in the federal government and federal-regulated sectors to reduce the pay gap.
  - \$1.2-billion over five years to create a new five-week "use-it-or-lose-it" incentive for new fathers to take parental leave.
  - \$447-million over five years to create a new Indigenous Skills and Employment Training Program and \$1.4-billion over six years for First Nations child and family services.
  - Increase the take-home pay of low-income workers through a revamped tax credit called the Canada Workers Benefit. It is described as a "more generous" and "more accessible" version of the Working Income Tax Benefit.
  - A new advisory council tasked with performing an economic assessment and running consultations on the feasibility of a national pharmacare program, which could represent significant savings for both patients and the government.
  - An additional \$3.8-billion over the next five years to support science. A large share of this will be aimed at stepping up funding in physical and life sciences, social sciences and health for fundamental research at universities and other institutions.

(Source: [Globe and Mail](#), February 27, 2018)

3. Using the *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 2019. These include issues such as: environment, mental health, fiscal responsibility, and Indigenous rights. Depending on available time, you could focus on a few or all of the issues

Afterwards, debrief as a class. Guiding questions:

- What did you learn by listening to the views shared in each video?
- Whose opinions did you agree with most and why?

### Consolidation: 15-30 min

Individually or in groups, ask students to pick an issue and determine an action or budget measure that could be taken by the federal government to improve conditions. Guiding questions:

- What are the underlying conditions to the issue?
- Who is being affected and how? Why is it happening?
- What role should the federal government play? What can they do?
- How can progress be assessed?

Have students advocate for government action through a method of their own choosing. This could include writing a letter to the Finance Minister, producing a rant or video, pitch presentation using slides or multi-media artwork.

## EXTENSION ACTIVITIES

A. Review the highlights from Budget 2018 using media sources. Are there aspects you like or dislike? What policies impact you and your family?

Recommended articles:

- ["How the 2018 federal budget impacts you," CTV News \(February 28, 2018\)](#)
- ["Federal budget highlights: Twelve things you need to know," Globe and Mail \(February 27, 2018\)](#)
- ["Budget 2018: Highlights of Bill Morneau's 'equality + growth' budget," CBC News \(February 27, 2018\)](#)
- ["Federal Budget 2018: Some \(lesser-known\) highlights, from Pharmacare to service dogs," Global News \(February 27, 2018\)](#)
- ["Highlights from the 2018 federal budget," The Canadian Press \(February 27, 2018\)](#)

B. 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? Which government department could that funding come from?
- 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?

C. 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?

D. 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:**

- Department of Finance Canada – <http://www.fin.gc.ca/>
- Budget 2018, Government of Canada – <https://www.budget.gc.ca/2018/home-accueil-en.html>
- The Organisation for Economic Co-operation and Development (OECD) website – <https://www.oecd.org/>