Handout #1

- **Government Budget:** provides (a) a general overview of the state of the nation's economy and an outlook for the next year, (b) a summary of the government's planned spending and taxation policies and programs for the coming year, (c) insight into areas to which the government is assigning attention and priority, and (d) the impact that the government's plans will have on the nation's debt in terms of running a surplus or deficit

- **Budget Surplus:** The government runs a Budget surplus if it takes in more in tax revenue than it spends

- **Budget Deficit:** The government runs a Budget deficit if it spends more than it takes in through tax revenues.

Governments may choose to run a deficit during difficult economic times to help boost spending in the economy. Spending in the economy is what creates demand for goods and services which leads to production and therefore employment that provides incomes. The four main sources of spending in an economy are: (a) consumer spending **(C)**; business spending **(I)**; government spending **(G)**; and spending on goods we sell to others – our exports **(X)**.

At the same time, though, if we are interested in production and employment in Canada, we have to subtract spending by Canadians on goods produced in other countries since that spending on imports **(I)** does not lead to production and employment in Canada.

Therefore, when you look at all the spending in Canada, the spending that will help lead to production activity and jobs is:

Total Spending = C + I + G + (X – M)

If consumer and business spending fall, and exports sales decline, total production in the economy can fall and jobs and incomes can be lost. If the level of total production in the economy should fall for two consecutive three-month periods, that is a **recession.**

To help moderate the fall in production, governments can run a deficit – spending more than is received in taxes – to boost total spending in the economy.

An annual deficit adds to the country's total debt. If surpluses are not run in other years, the debt mounts. **Last year's deficit was $18.9 billion**. At March 31, 2013, **Canada's federal debt was $602.4 billion**.

(Globe and Mail Classroom Edition: "Flaherty's budget saves the real hope of recovery for next time - Campbell Clark, February 12, 2014)

Handout #2

The following is from the **Annual Financial Report of the Government of Canada Fiscal Year 2012–2013** on the Department of Finance website at:

https://www.fin.gc.ca/afr-rfa/2013/report-rapport-eng.asp

Report Highlights

- The Government posted a **budgetary deficit of $18.9 billion** for the fiscal year ended March 31, 2013, down from a budgetary deficit of $26.3 billion in 2011–12 and down by nearly two-thirds from the $55.6-billion budgetary deficit in 2009–10.
- **Revenues increased by $7.5 billion**, or 3.0 per cent, from 2011–12, primarily reflecting higher economic activity. **Program expenses increased by $2.1 billion**, or 0.9 per cent. Public debt charges were down $1.9 billion, or 6.2 per cent.
- **The federal debt (the difference between total liabilities and total assets) stood at $602.4 billion** at March 31, 2013**. The federal debt-to-GDP (gross domestic product) ratio was 33.1 per cent**, down from 33.2 per cent a year earlier.

(Globe and Mail Classroom Edition: "Flaherty's budget saves the real hope of recovery for next time - Campbell Clark, February 12, 2014)

Handout #3

GROUP (PARTY):

10 Reasons why this is a good/bad Budget:

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2. ____

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3. ____

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(Globe and Mail Classroom Edition: "Flaherty's budget saves the real hope of recovery for next time - Campbell Clark, February 12, 2014)