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.

Globe and Mail Online Classroom Edition – Lesson Plan Support Materials/Illustrations for:
"Ten ways the budget will affect your finances" – by Rob Carrick, March 22, 2016.