The Federal Budget

Does the federal government budget and spend your tax dollars wisely?

### Speaking of Politics

As you complete the Reading Notes, use these terms in your answers:

- balanced budget
- budget surplus
- federal deficit
- national debt
- progressive tax
- regressive tax
- entitlement
- earmarks

### Preview

Examine the list of typical monthly living expenses for a young adult. Then answer these questions:

1. Are all of these expenses absolutely necessary? Why or why not?
2. If your monthly income did not cover all of these expenses, you would have certain options, such as borrowing money, working more, or eliminating expenses. What are the benefits and consequences of these options?
3. If you chose to eliminate expenses, how would you decide which expenses to keep and which to eliminate?
4. How might these personal budget challenges be similar to and different from those of the federal government?

### Typical Monthly Expenses for a Young Adult

- housing (rent and utilities)
- health insurance
- cable television: basic service, premium channels
- Internet
- cell phone: basic service, fees for calls and text messaging
- clothing
- groceries
- restaurants and takeout
- transportation
- education
- entertainment
As you read each section, complete the given tasks.

Section 2
1. Create a timeline with the following three time periods along it.


For each time period, identify which branch or branches of government controlled the federal budget process. Draw a simple illustration for each. Also explain how the budget process worked during each time period.

2. Based on your reading and the timeline you created, answer this question: In what ways might these historical changes have contributed to the growth of the national debt?

Section 3
Complete a flowchart like the one below by briefly describing what happens in each phase of the budget process.

Section 4
1. Create a diagram to summarize the main sources of federal revenue. Label and briefly describe each source.

2. What is the difference between a progressive tax and a regressive tax? Why do you think the government uses both types of taxes to raise revenue?

3. Create a diagram to summarize the differences between mandatory and discretionary spending. Briefly describe each type of spending, and provide examples.

Section 5
Compare the state and local budget process with the federal budget process by completing a Venn diagram like the one below. On the left, identify characteristics unique to the state and local budget process. On the right, identify characteristics unique to the federal budget process. In the center, identify characteristics that are shared by both.

In two or more well-written paragraphs, respond to this question: Does the federal government budget and spend your tax dollars wisely? Include specific evidence—such as facts, data, quotations, and examples—to support your answer. Also provide advice on how the government can maintain or improve its current policies and decision-making process.