

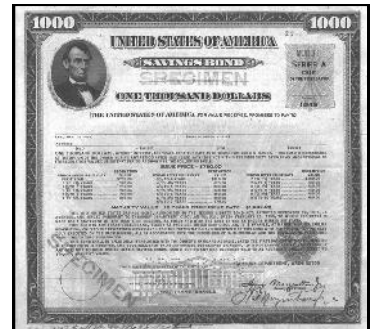
Government Spending

Name: _____

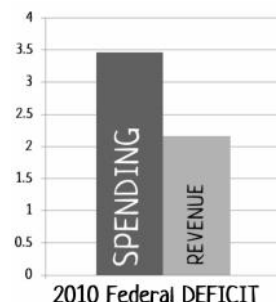
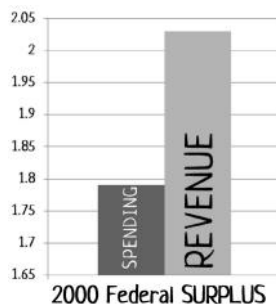
Government Debt

The fact is, the taxes the government collects from citizens and businesses don't always cover all of the government's expenses. That means the government must borrow money to meet its needs. It does this in a special way. Have you ever participated in a bake sale or a car wash to raise money? The way the government borrows money is kind of similar. But instead of selling cupcakes or candy bars, the government sells IOUs that say, "We promise to pay all your money back, plus some extra."

People buy these IOUs, which are called **securities**, because they know they will get more money back than they put in. What they are really doing is lending money to the government in exchange for a small fee, which is called **interest**. Because the U.S. government has a trustworthy reputation for paying people back, these securities are very popular. They are bought by people and businesses all over the world, and even by foreign governments.



In 1935, the government sold this savings bond for \$750. The buyer could redeem it after 10 years for \$1000. How much interest did the buyer receive?



A Balancing Act

Most people agree it would be best if our government didn't have to borrow any money. When you hear people talking about "balancing the budget," they are talking about creating a budget where the government does not spend more money than it brings in. When the government does spend more money than it brings in, that's called a **deficit** (DEF-ih-sit). Operating at a deficit for many years can have negative effects:

- The more money the government borrows, the more money it must spend paying interest to the people it borrowed from. That's money that can't be used to buy Coast Guard rescue equipment or pay forest rangers.
- The more the government depends on borrowed money, the more it is vulnerable to people suddenly deciding not to lend anymore. This could happen if people lose confidence that they will get their money back.

Ideally, most would like to see the government operate at a **surplus**, bringing in more money than it spends.

It's All About Priorities

You've seen where the government's money goes. But is it going where it *should* go? That question is at the heart of the biggest ongoing debate in the nation: How citizens' tax dollars should be spent. What should be included in the national budget? What should be cut out? People's opinions on these questions are shaped by what role they believe the government should play...



- ⇒ In the economy. How much should government try to make sure people and businesses thrive? Should it give money to industries that are struggling? Spend money on projects that create jobs? Educate people?
- ⇒ In keeping people safe. What should the government do beyond defending against attack? Should it make rules about food safety? Air pollution? Should it research cures for diseases? Give aid to poor, unstable countries?
- ⇒ In helping people prosper. How much should government be a safety net for citizens? What problems should government help people with? Medical care? Finding a job? Inability to work because of disability or old age?