

The University of Virginia Center for Politics



Fiscal Policy: Does the government spend our money wisely?

Purpose: This lesson is intended to provide students with the skills necessary to evaluate government spending and to offer policy solutions for how it might be managed more efficiently. Using the materials of Public Agenda's *Facing Up* program, public radio's Budget Hero and the resources of the Center for Politics this activity will bolster student knowledge of fiscal policy and how it is created. This lesson compliments ideas found in YLI's *Congressional Earmarks: Should Congress Bring Home the Bacon?* lesson plan.

Objectives:

1. Students will manage a congressional budget in order to determine the difficulties in providing services while limiting governmental debt.
2. Students will examine current policy proposals to manage fiscal policy in debt in order to evaluate how each will solve the nation's debt problem.

Supporting Web resources:

www.publicagenda.com

www.facingup.org

Budget Hero simulation- <http://americanpublicmedia.publicradio.org/engage08/budgethero/>

Key Terms:

Discretionary Spending
Transparency

Fiscal Policy
Earmarks

Mandatory Spending
Deficit

Materials:

1. Teacher PowerPoint Presentation- *Here's What We are Up Against* (www.facingup.org/files/pdfs/HeresWhatWereUpAgainst.ppt)
2. Computer access to use the Budget Hero simulation.
3. Student Resource- *Study Guide for Budget Hero*.
4. Student Resource- *Adults Only, Please* by Thomas Friedman.(**New York Times**, 1/27/10)
5. Student Resource- *Facing Up to Our Nations Finances: Using Our Tax Dollars Wisely*
6. Student Resource- *Writing an Opinion Article on Fiscal Responsibility*

Procedure:

1. Warm Up. Ask students to define the term *DEBT*. What does it mean? Is it always bad to have debts? How do you pay off a debt? What advice might you have for someone who is going to incur a debt? If you incur a debt let's say to buy a car- what do you give up in the future? (Opportunity Cost- college tuition, vacation, concert tickets, etc.)
2. Project the Teacher PowerPoint Presentation- *Here's What We're Up Against* (www.facingup.org/files/pdfs/HeresWhatWereUpAgainst.ppt), while reviewing the PPT students should define terms key to the discussion of national debt.
 - a. Deficit
 - b. Public Debt/Intragovernmental debt
 - c. Unfunded Liabilities
 - d. Mandatory/Discretionary Spending

Based on the PowerPoint ask students to rate their confidence in the U.S. economy on a scale of 1-to-10 (Ten being the strongest). Poll the class, what is the overall feeling about the economy? Why do you feel this way? Why is the deficit something to be concerned about? Why don't Congress and the President do more to reduce the deficit? What might our nation have to give up now to be deficit free in the future? What might we give up in the future if we continue to build up debt? (Opportunity Costs)

3. Distribute *Study Guide for Budget Hero*. Direct students to the Budget Hero simulation: http://marketplace.publicradio.org/features/budget_hero. Students can work independently or in pairs to review the briefing, set their budget priorities and attempt to balance the budget. The study guide will ask students to explain their decision making and track their budget making during the session. Allow the students several attempts to balance the budget. Summarize the activity by discussing:
 - How successful were you in cutting the deficit?
 - How successful were you in supporting your values?
 - What was difficult about balancing values and debt?
 - How did you manage mandatory spending such as social security?
 - How would you describe the task of "balancing the budget?"
4. Distribute the student resource, *Adults Only, Please* by Thomas Friedman. Ask the students to read the article and answer the review questions found at the end.

Direct the students to use www.facingup.org/node/199/perspectives to research three suggested options for regulating how the government uses taxpayer dollars.

5. Distribute the student resource, *Facing Up to Our Nations Finances: Using Our Tax Dollars Wisely*. Direct them to use the links on the webpage to record the pros and cons of each suggestion. Students should also identify areas of compromise between the three plans.

When students have completed their research have them decide which proposal they think would be most successful in achieving fiscal responsibility. Match each student with two others who have differing viewpoints, allow them to debate the pros and cons and come up with strategies to create a policy that demonstrate the value of discussion, debate and compromise.

6. To assess student learning have the students complete the activity on Student Resource, *Writing an Opinion Article on Fiscal Responsibility*. Consider sending some to your local newspaper.

Study Guide for Budget Hero

Department	Cuts and Additions	Rationale	Future Impact
Defense & Diplomacy			
Schools & Kids			
Science & Nature			
Housing & Living			
Miscellaneous			
Infra-Structure			
Health Care			
Social Security			
Taxes			

The New York Times

January 27, 2010

OP-ED COLUMNIST

Adults Only, Please

By [THOMAS L. FRIEDMAN](#)

Maybe it's just me, but I've found the last few weeks in American politics particularly unnerving. Our economy is still very fragile, yet you would never know that by the way the political class is acting. We're like a patient that just got out of intensive care and is sitting up in bed for the first time when, suddenly, all the doctors and nurses at bedside start bickering. One of them throws a stethoscope across the room; someone else threatens to unplug all the monitors unless the hospital bills are paid by noon; and all the while the patient is thinking: "Are you people crazy? I am just starting to recover. Do you realize how easily I could relapse? Aren't there any adults here?"

Sometimes you wonder: Are we home alone? Obviously, the political and financial elites to whom we give authority often act on the basis of personal interests. But we still have a long way to go to get out of the mess we are in, and if our elites do not behave with a greater sense of the common good we could find our economy doing a double dip with a back flip.

Dov Seidman, the C.E.O. of LRN, which helps companies build ethical cultures, likes to talk about two kinds of values: "situational values" and "sustainable values." Leaders, companies or individuals guided by situational values do whatever the situation will allow, no matter the wider interests of their communities. A banker who writes a mortgage for someone he knows can't make the payments over time is acting on situational values, saying: "I'll be gone when the bill comes due."

People inspired by sustainable values act just the opposite, saying: “I will never be gone. I will always be here. Therefore, I must behave in ways that sustain — my employees, my customers, my suppliers, my environment, my country and my future generations.”

Lately, we’ve seen an explosion of situational thinking. I support the broad proposals President Obama put forth last week to prevent banks from becoming too big to fail and to protect taxpayers from banks that get in trouble by speculating and then expect us to bail them out. But the way the president unveiled his proposals — “if those folks want a fight, it’s a fight I’m ready to have” — left me feeling as though he was looking for a way to bash the banks right after the Democrats’ loss in Massachusetts, in order to score a few cheap political points more than to initiate a serious national discussion about an incredibly complex issue.

President Obama is so much better when he takes a heated, knotty issue, like civil rights or banking reform, and talks to the country like adults. He is so much better at making us smarter than angrier. Going to war with the banks for a quick political sugar high after an electoral loss will just work against him and us. It will spook the banks into lending even less and slow the recovery even more.

That said, part of me can’t blame the president. The behavior of some leading Wall Street banks, particularly Goldman Sachs, has been utterly selfish. U.S. taxpayers saved Goldman by saving one of its big counterparties, A.I.G. By any fair calculation, the U.S. Treasury should own a slice of Goldman today. Goldman has been the poster boy for banks behaving by “situational values” — exploiting whatever the situation, or rules that it helped to write, allowed.

Also, President Obama tried to create a bipartisan commission to come up with a plan to reduce the national debt — a plan that would inflict pain on both parties by cutting some programs and raising some taxes. But the Republican leader, Senator Mitch McConnell, said the G.O.P. would not cooperate with any commission that proposes raising taxes. And some liberal Democrats rejected cutting their favorite programs. Way to take one for the country, guys.

Then let's look at the unions — hardly paragons of sustainable thinking for the country. We all know they got more than their fair share in the General Motors settlement and in the Obama health care proposals because they could shake down the Democrats in return for votes.

And, finally, don't forget both the Democratic and Republican senators who have decided to get a quick populist boost by turning one of the few adults we have left — Federal Reserve Chairman Ben Bernanke — into a piñata. No, Mr. Bernanke is not blameless for the 2008 crisis. But since then he has helped steer the country back from the brink and kept us out of a depression. He absolutely deserves reappointment.

No doubt, this is a lousy season to be the leader of any institution. We are in the midst of a long period of austerity, where all that most leaders will be able to do is cut, fire and trim. It is so easy to play populism and run against them. But this time is different. When our government is this deeply involved in propping up our economy, and the economy is this fragile, politics as usual will kill us. We badly need leaders inspired by sustainable values, not situational ones. Without that, we'll just be digging our hole deeper and making the reckoning, when it comes, that much more ferocious.

Questions for Review:

What advice does the author give for protecting our economy in the future?

What do you think he means by the term “situational” values? “Sustainable values?”

Would re-electing representatives who vote for fiscal responsibility be an example of sustainable or situational values? Explain.

What actions are proposed for making our economy more sustainable in the future?

Do you agree with the author in regards to electoral politics? Should we vote what is best for the country now or in the next ten years? Explain.

Facing Up to Our Nations Finances: Using Our Tax Dollars Wisely

Position	Positives	Negatives	Decision and Justification
<u>Position 1:</u> Strengthen and Expand Systems to Encourage Responsible Spending			
<u>Position 2:</u> Make it Easier for Americans to See How the Government Spends its Money and Which Programs Work			
<u>Position 3:</u> Remove Temptation and Change the Incentives for How Our Leaders Spend Our Money			

Areas for compromise:

Writing an Opinion Article on Fiscal Responsibility

Directions: Using your knowledge of the fiscal process, the opinions expressed in the readings, and the research provided by Public Agenda write a 500 word opinion article for your local newspaper. In your opinion article express your ideas for solving the fiscal crisis in American government. Explain the perspective from which you have gathered this opinion, other perspectives that you have learned about, and what you hope will occur as a result of your opinion being adopted. The following checklist will help guide the writing of your opinion article

Criteria	Points Possible	Points Earned	Comments
Author informed the reader of his/her opinion regarding governmental spending.	10		
Provided examples from research as to the positives and minuses of this approach	15		
Discussed other approaches and identified areas of compromise from these approaches	10		

Described the expected results of such policy on the future U.S. Economy	15		
Used formal language and grammar to communicate his/her opinion clearly and succinctly.	10		