

CHAPTER 10



Government Spending



VOCABULARY

1. **Public Sector**
2. **Private Sector**
3. **Federal Budget**
4. **Fiscal Year**
5. **Budget Deficit**
6. **Budget Surplus**
7. **Mandatory Spending**
8. **Discretionary Spending**





PUBLIC SECTOR



Part of the economy consisting of federal, state and local governments.



PRIVATE SECTOR

Part of the economy that is made up of private individuals and privately owned business.



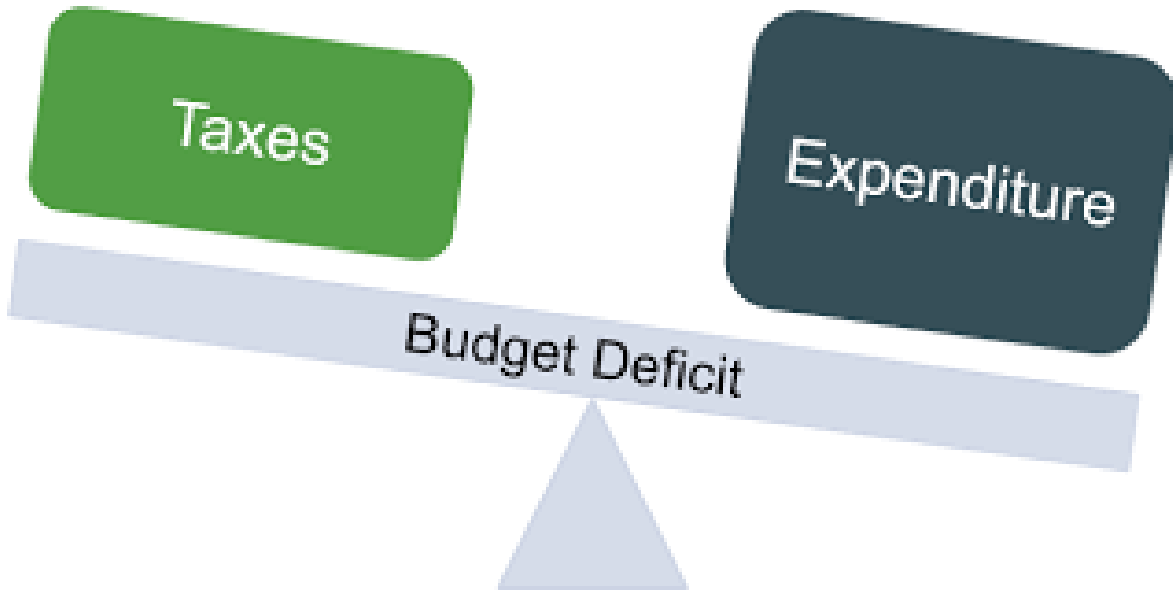




ESTABLISHING A FEDERAL BUDGET

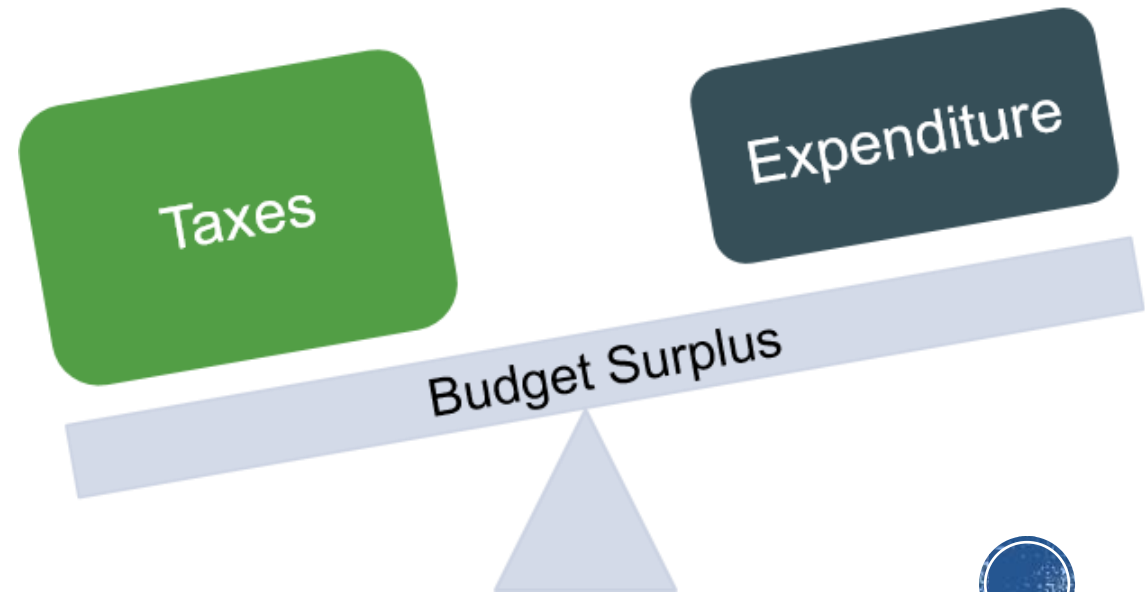
Budget Deficit

A negative balance after expenditures are subtracted from revenues



Budget Surplus

A positive balance after expenditures are subtracted from revenues



FEDERAL SPENDING

Deficit Spending

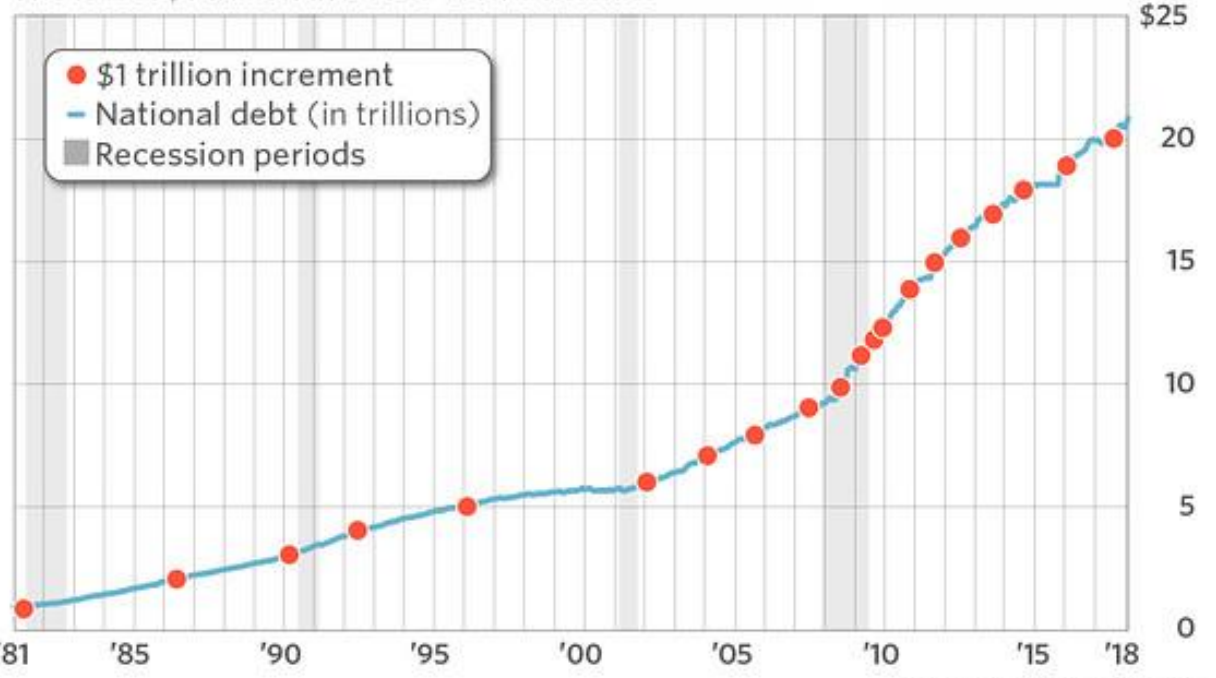
Spending in excess of revenues collected

Balanced Budget

Annual budget in which expenditures equal revenues.

How the national debt has grown

The latest \$1 trillion increase took 6 months



Source: Haver Analytics

2014 BUDGET FACT:

MICHIGAN HAS A **BALANCED BUDGET**

FOR THE **THIRD YEAR** IN A ROW



REINVENTING MICHIGAN
Getting It Right. Getting It Done.



FEDERAL SPENDING



Mandatory Spending

Federal Spending authorized by law that does not need annual approval by Congress.



Medicare

Discretionary Spending

Federal Spending that must receive annual authorization by Congress

The Washington Post

Sunny 55/35 • Tomorrow: Partly sunny 54/40 2/6 Democracy Dies in Darkness SATURDAY, JANUARY 20, 2018 • \$2

Government shuts down after GOP bill fails in Senate

A WEEKEND FIX IS POSSIBLE, LEADERS SAY

Both sides dig in for fight as blame game intensifies



BY MIKE DEBONIS, ED O'KEEFE, ERICA WERNER AND ELINA VIEBECK

The federal government shut down for the first time in more than four years Friday after senators rejected a temporary spending patch and bipartisan efforts to find an alternative fell short as a midnight deadline came and went.

Republican and Democratic leaders both said they would continue to talk, raising the possibility of a solution over the weekend. Office of Management and Budget Director Mick Mulvaney said Friday that the conflict has a "really good chance" of being resolved before government offices open Monday, suggesting that a shutdown's impacts could be limited. But the White House drew a

hard line immediately after midnight, saying it would not negotiate over a central issue — immigration — until government funding is restored.

"We will not negotiate the status of unlawful immigrants while Democrats hold our lawful citizens hostage over their reckless demands," White House press secretary Sarah Huckabee Sanders said in a statement. "This is the behavior of obstructionist losers, not legislators. When Democrats start paying our armed forces and first responders we will reopen negotiations on immigration reform."

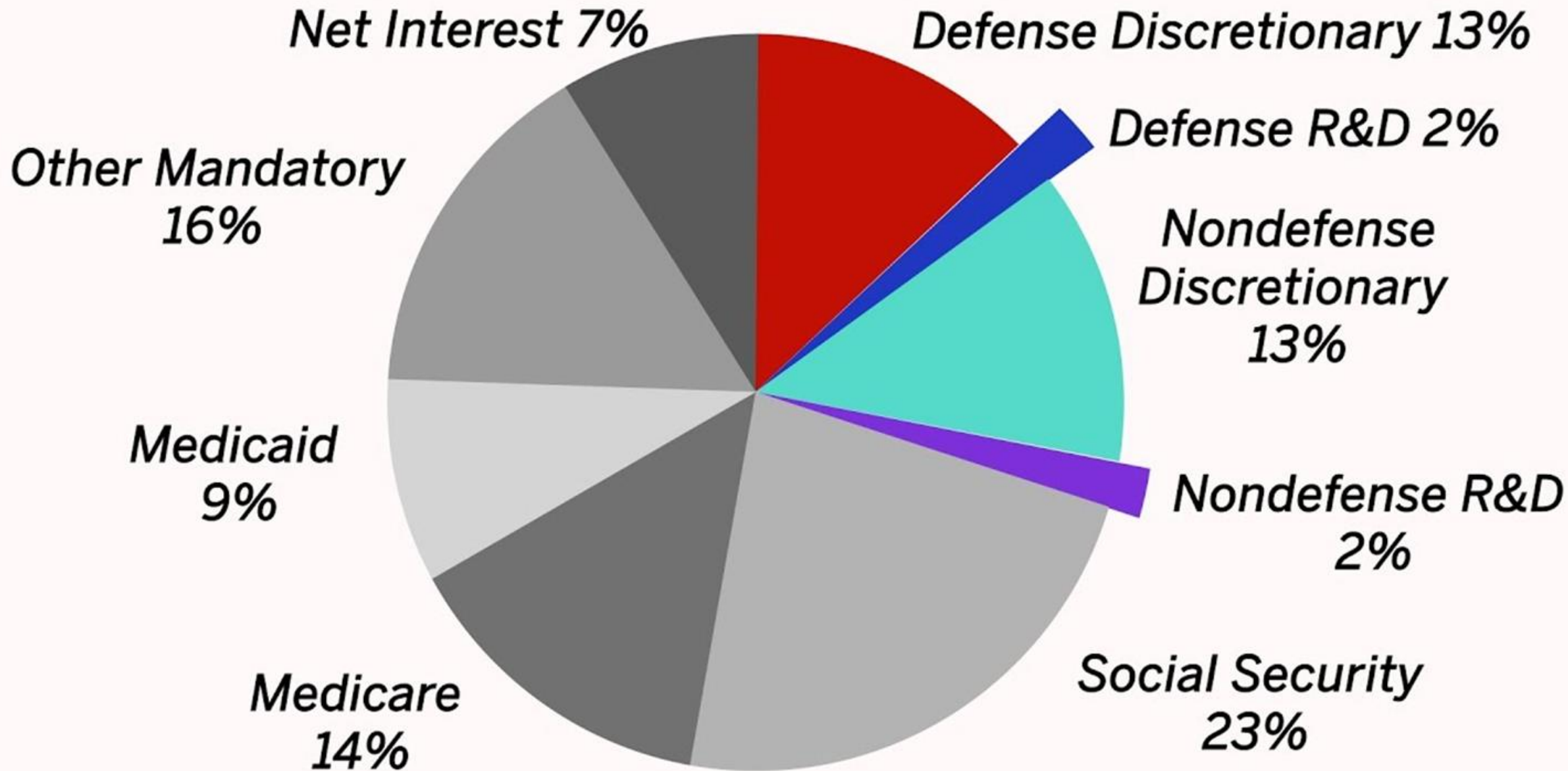
Both parties confronted major political risks with 10 months to go until the midterm elections. Republicans resolved not to submit to the minority party's demands to negotiate, while

Senate Minority Leader Charles E. Schumer (D-N.Y.) returns to Capitol Hill after talking with President Trump at the White House on Friday. Schumer said the meeting did not result in a deal to prevent a partial shutdown of the U.S. government starting at midnight.

GOP's leaders shift right on immigration

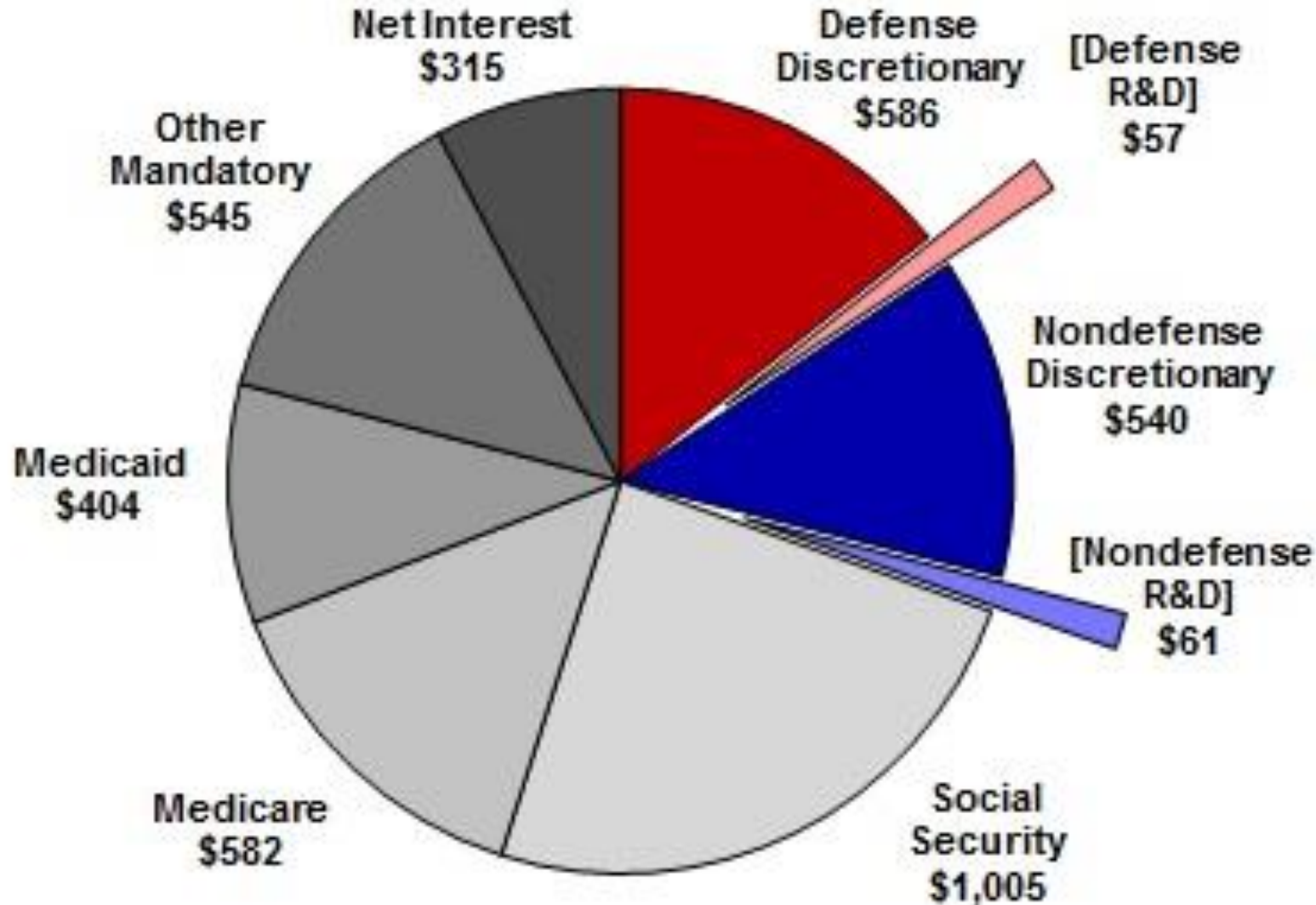


Discretionary Spending



WHAT DO THEY USUALLY ARGUE ABOUT?

Figure 1: Composition of the FY 2018 Budget
Total Outlays = \$4.1 trillion
outlays in billions of dollars



Source: Budget of the United States Government FY 2018. © 2017 AAAS



NATIONAL DEBT

Total amount of borrowed from investors to finance the government's deficit spending.

