The Risky Business of National Budgets | Worksheet

Matching

Match the definition in Column A with the term in Column B.

Column A		Column B
__________	When a borrower fails to pay on time.	a. Deficit
__________	The government's total borrowing over many years.	b. Budget Surplus
__________	When the government spends more than it collects.	c. Budget Deficit
__________	Financial tools like treasury notes, bills, and bonds.	d. National Debt
__________	When expenses exceed income.	e. Securities
__________	When the government collects more than it spends.	f. Default

Multiple Choice

1. **What is the main reason a government runs a budget deficit?**
    a. It collects more money in taxes than expected.
    b. It borrows money to pay off its national debt.
    c. It spends more money than it collects in revenue.
    d. It pays interest to citizens who buy savings bonds.
2. **Why might a government choose to borrow money instead of cutting its spending?**
    a. Borrowing allows funding of programs without making immediate cuts.
    b. Cutting spending would increase the national deficit.
    c. Borrowing automatically lowers the national debt over time.
    d. Cutting spending often leads to rapid economic growth.
3. **Which of the following is a potential consequence of a large national debt?**
    a. Lower interest rates for all citizens.
    b. Increased trust from international lenders.
    c. Economic instability and a weak credit reputation.
    d. Higher GDP and stronger productivity.
4. **How is the interest on national debt similar to credit card interest?**
    a. It decreases over time and reduces the total amount owed.
    b. It is optional and only charged in emergency situations.
    c. It must be paid in addition to the borrowed amount.
    d. It is paid in the form of higher taxes by consumers.

Application

The U.S. government has been running budget deficits for many years. Based on what you learned, explain two possible consequences this could have on the economy and everyday Americans. Use terms like national debt, borrowing, or interest to support your answer.

Scan to watch episode:

The Risky Business of National Budgets | Answer Key

Matching

Match the definition in Column A with the term in Column B.

Column A

f. When a borrower fails to pay on time.
d. The government's total borrowing over many years.
c. When the government spends more than it collects.
e. Financial tools like treasury notes, bills, and bonds.
a. When expenses exceed income.
b. When the government collects more than it spends.

Column B

a. Deficit
b. Budget Surplus
c. Budget Deficit
d. National Debt
e. Securities
f. Default

Multiple Choice

1. **What is the main reason a government runs a budget deficit?**
    a. It collects more money in taxes than expected.
    b. It borrows money to pay off its national debt.
    c. It spends more money than it collects in revenue.
    d. It pays interest to citizens who buy savings bonds.
2. **Why might a government choose to borrow money instead of cutting its spending?**
    a. Borrowing allows funding of programs without making immediate cuts.
    b. Cutting spending would help increase the national deficit over time.
    c. Borrowing automatically lowers the national debt over time.
    d. Cutting spending often leads to rapid economic growth.
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    a. Lower interest rates for all citizens.
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Application

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Sample Answer Key:

If the government continues to borrow money every year to cover its budget deficit, the national debt will keep growing. That means more money will have to be spent just paying interest, which could lead to cuts in important programs or higher taxes in the future.

As the national debt gets larger, it could also make the U.S. seem like a risky borrower. This might hurt the economy by making it more expensive for the government to borrow, or even lead to inflation that affects everyday Americans through higher prices and fewer job opportunities.

Guidance for Grading

- [ ] **Two Economic Consequences Identified:** The student should clearly describe two distinct consequences of ongoing budget deficits. Examples include:
    - Growth of the national debt
    - Increased interest payments
    - Risk of default
    - Reduced government flexibility or services
    - Weakened credit reputation
    - Inflation or economic instability
- [ ] **Impact on Everyday Americans:** The student should explain how at least one of these consequences could affect citizens directly, such as through higher taxes, reduced services, rising prices, or fewer economic opportunities.
- [ ] **Use of Key Vocabulary:** The response should incorporate at least one or two key terms meaningfully—such as national debt, borrowing, budget deficit, or interest—to demonstrate conceptual understanding.
- [ ] **Logical Reasoning and Clarity:** The explanation should be coherent, grade-appropriate, and clearly connect the cause (government borrowing) to the effect (consequences for the economy and citizens).