Debt Keeps Climbing

Trace how changing annual deficits affect total debt.

SS24.E.9c "Correlate fluctuations in government deficits over time to the extent of national debt during those periods."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline the starting debt and circle each statement that explains how a deficit affects debt. Number the years in the table from the smallest annual deficit to the largest.

Bellwater's Borrowing

1 Bellwater is a fictional country with a national debt of $100 billion just before Year 1 begins. National debt is the total amount its government owes at a given time. An annual deficit is the amount by which government spending exceeds revenue during one year. Bellwater borrows to cover each deficit.

2 The table tracks Bellwater's annual deficits and debt at the end of each year. In this simplified case, borrowing for deficits is the only factor changing debt. A positive deficit adds to what the government already owes. When a deficit shrinks, debt can still rise, but by less than in a year with a larger deficit.

BELLWATER'S BUDGET AND DEBT

Year	Annual deficit ($ billions)	Debt at year-end ($ billions)
1	20	120
2	40	160
3	10	170
4	30	200

3 Imagine a household that owes $500 and then borrows $20 more. Its balance becomes $520, even if its new borrowing is less than last month's. Government debt and deficits are different measures in the same way: one is a running total, while the other describes a period's shortfall. Actual government debt can also change for reasons beyond annual deficits.

2 ANSWER WITH EVIDENCE

Use the passage

1. How did the deficit change from Year 1 to Year 2, and how did debt change over the same period?

2. The deficit fell from Year 2 to Year 3. Why did debt still rise?

3. Compare Year 3 and Year 4. How did the change in the deficit relate to the change in debt?

4. Which year had the largest deficit? Did it also have the largest year-end debt? Explain.

3 YOUR TURN

Your own words

Extend Bellwater's model through Years 5 and 6. Choose a Year 5 deficit greater than Year 4's, then a Year 6 deficit that is positive but smaller than Year 5's; give each year's deficit and ending debt, and explain how debt changes.

ANSWER KEY

Debt Keeps Climbing

GRADE 12 · SS24.E.9c

PART 1 · READ AND MARK

Underline the starting debt and circle each statement that explains how a deficit affects debt. Number the years in the table from the smallest annual deficit to the largest. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How did the deficit change from Year 1 to Year 2, and how did debt change over the same period?	**The deficit rose from $20 billion to $40 billion. Debt rose from $120 billion to $160 billion, an increase of $40 billion.**
2	The deficit fell from Year 2 to Year 3. Why did debt still rise?	**Year 3 still had a positive $10 billion deficit. Borrowing to cover it raised debt from $160 billion to $170 billion.**
3	Compare Year 3 and Year 4. How did the change in the deficit relate to the change in debt?	**The deficit rose from $10 billion to $30 billion. Debt rose by $30 billion in Year 4, from $170 billion to $200 billion.**
4	Which year had the largest deficit? Did it also have the largest year-end debt? Explain.	**Year 2 had the largest deficit, $40 billion, but Year 4 had the largest year-end debt, $200 billion. Debt includes borrowing accumulated across years.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Year 5: deficit $50 billion; ending debt $250 billion. Year 6: deficit $15 billion; ending debt $265 billion. Debt rises in both years because both deficits require borrowing. It rises by less in Year 6 because that year's deficit is smaller.

For Part 3, accept any Year 5 deficit above $30 billion and any smaller, positive Year 6 deficit. Ending debt must equal the prior year's ending debt plus that year's deficit.