

## Lesson 2: Key Issues

### BIG IDEA:

Governments make financial decisions to address important issues and in an effort to influence the economy. In a democracy, citizens should strive to be informed on the issues and proposed policies, and take an active role in public discourse.

### LEARNING GOALS:

Upon completion of the lesson, students will be able to:

- Reinforce critical-thinking skills regarding the Québec government's funding priorities;
- Understand the concepts of economic policy, stimulus, austerity and fiscal restraint;
- Understand the importance of paying attention to the government budgeting process;
- Identify the most important issues for the upcoming budget; and
- Compare and analyze different viewpoints on the same issue.

### RESOURCES:

- Activity Sheet 2.1: My Québec Budget
- Activity Sheet 2.2: Examining the Issues
- Slide Deck D: The Québec's 2018 Budget
- Slide Deck E: Québec Budget Comparisons
- *Expert Opinions* videos (Québec journalists share their expectations for the upcoming budget)  
<http://budgetconsultation.quebec/expert-opinions/>.

### ACTIVITIES:

#### Hook: 10-15 min

1. Using Activity Sheet 2.1, tell students to imagine that they are Québec's Minister of Finance. Ask them how they would spend \$108 billion and collect \$109 billion needed to operate the Government of Québec and deliver services to Quebecers for the coming year.
2. Allow students time to share their budget allocations with their peers. Students could create pie charts to show how they would structure their own Québec budget, and these could be posted around the classroom for comparison and discussion.

*Teacher Note: Activity Sheet 2.1 asks students to compare their allocation of provincial finances to the actual breakdown of expenditures and revenues. The actual breakdown of government budget can be found on the first slide of the Slide Deck D, please note that the numbers are in billions.*

3. Give students time to 'Turn and Talk' with a partner and then debrief as a class. Guiding questions:
  - How did you decide which areas of responsibility would receive the most money?
  - How did you decide which sources of income would bring in the most money?

#### Background: 10-15 min

1. Review the actual breakdown of the Québec government's main expenditure and revenue sources for the current year (Slide Deck D). How does it compare to the students' ideas from the *Hook* activity?
2. Using Slide Deck D, examine the budget estimates for the Government of Québec's current fiscal year (April 1, 2018 to March 31, 2019)

- Expenditures = \$107,97 billion (money spent)
- Revenues = \$112,47 billion (money received/earned)
- Debt net = \$175,22 billion (money borrowed and not yet repaid)

Follow up questions: According to the december 2018 fall economic update will the Québec government have a surplus or a deficit? What is the amount of the surplus or deficit? How do you calculate this amount?

*Teacher Note: The surplus projected for this fiscal year is \$4,5 billion. Please note that this surplus does not include the Generations' Fund payment (2,9 billion)*

3. Introduce the following key terms: **economy, economic policy, stimulus, austerity and the Generations Fund**
  - **Economy:** The wealth and resources of a country or region, specifically in relation to the production and consumption of goods and services.
  - **Economic policy:** When a government adjusts its revenue and/or spending in order to influence the economy.
  - **Stimulus:** The fiscal policy of 'government spending', typically investment in infrastructure, which creates jobs or supports employment, and aims to boost the economy. Governments around the world, including Canada and Québec, initiated stimulus programs to try to combat the Great Recession (the sharp decline in economic activity which began during the late 2000s).
  - **Austerity/ fiscal restraint:** The fiscal policy of 'government cost-cutting,' which entails strict measures to limit spending and minimize the deficit. As a result of recent economic turmoil (like the 'Great Recession'), some governments around the world dealt with significant debt and deficit problems. In order to avoid bankruptcy, some countries have implemented strict cost-cutting measures to try to improve conditions. The terms 'austerity' and 'fiscal restraint' are interchangeable depending if the government or the opposition are using it.
  - **Generations Fund:** A trust fund dedicated to repaying Québec's debt. The fund is made up of money originating from Hydro-Québec, mining revenues, taxes on alcoholic beverages and other sources.

### Getting Into It: 25-40 min

1. Using the [Budget assessments'](#) videos posted on the Québec Student Budget Consultation website, explore issues raised by several journalists as they share major issues that they believe will be addressed in the 2019 provincial budget. These include issues such as fighting inequalities, education (constructing new schools and providing support), environment, healthcare and taxes.

2. Allow students to share their own opinions following each set of video. Guiding questions:
  - What did you learn by listening to the perspective shared in each video?
  - Whose opinions did you agree with most and why?
  - Whose opinions do you disagree the most with and why?
  - Do your views on these issues differ from those of your friends and family? Why do you think that is?
  - Why is it important to listen to ideas from people with different perspectives, including those who represent different media organizations?

Depending on the time available, you could focus on one or all of the issues discussed, or assign additional issues to be researched for homework. Hand out the activity sheet 2.2 and ask your students to answer the questions after viewing the video's.

*Teacher Note: Alternatively, you could assign Activity Sheet 2.2 for homework.*

### Consolidation: 5-10 min

Have a closing discussion about the public policy issues that impact the creation of the provincial budget. Alternatively, ask students to prepare a written reflection.

- Why is it important that citizens pay attention and participate in the government's budgeting process?
- Are you optimistic about your future? What are the biggest challenges you face and how can the government help?
- Which issue facing the province do you believe is the most important?
- How can you, as a young Quebecer, advocate for an issue (or issues) that you believe is important?

### EXTENSION ACTIVITIES:

A. What do you think the most important issue is for the upcoming budget? Are there any issues that weren't included in the *Expert Assessment* videos that you feel should have been? CIVIX-Québec invites students to share their own 60-90 second video or audio submission discussing an issue that matters to them.

Students can submit entries individually, in small groups or as a class. There is no limit to the number of entries per school. You can send your video at [info@civix.quebec](mailto:info@civix.quebec) or tweet it [@CIVIX\\_Québec](https://twitter.com/CIVIX_Québec).

B. The previous Minister of Finances Carlos Leitão and the Liberal government delivered their most recent budget in March 2018. Review the highlights from the 2018 provincial budget and from the Economic update using different media sources. Are there aspects you like or dislike? What policies impact you and your family?

Recommended articles about the 2018 budget:

- [Quebec Showers cash on small businesses, families in election-year budget](#), *CBC News*, (March 27, 2018)
- [What the Quebec budget means for you : Netflix tax, home renos and craft beer](#), *CBC News*, (March 27, 2018)
- [Quebec 2018-19 Budget Highlights](#), *Montreal Gazette*, (March 28, 2018)
- [What you need to know about the Quebec Budget](#), *The Globe and Mail*, (March 28, 2018)
- [Quebec Budget 2018 : will it affect you?](#), *Global News*, (March 27, 2018)

Recommended articles about the last Economic Update (december 2018):

- [Quebec to boost allowances to low-income seniors, middle income families with children](#), *The Globe and Mail*, (December 3 2018)
- [Families and businesses big winners in Quebec's mini-budget](#), *CBC News*, (December 3, 2018)
- [Video : Quebec announces tax breaks for families, businesses in an economic update](#), *Global news*, (December 3, 2018)

C. In preparation for the Student Budget Consultation survey, ask students to conduct research into economic issues facing the province, and/or ask their family members how the government could improve the economy and support their family.

Key questions:

1. What should be the priorities regarding education and healthcare?
2. Do you think Quebecers pay too much taxes and why?
3. Do you think Québec should exploit its natural resources such as fossil fuels and natural gas?
4. What measures should be put in place to improve the situation regarding the labour shortage issue?
5. What can the government do to help its companies to stay competitive?
6. How can we better prepare Québec to deal with climate change?

D. There are generally two ways to stimulate the economy when an economic slowdown occurs. On one side, the government can reduce the companies' and owners' fiscal burden in order to encourage private investments in the economy; economists called this policy supply-side economy. On the other side, government can also increase its spendings to create more jobs and to encourage household to spend more, this is what the economist named Keynesian economics.

Ask your students to form small groups and compare the advantages and disadvantages of those two approaches. As a group, review the answers of each group and conclude by asking your students to write on a piece of paper their favorite approach.

Watch the video [The political spectrum](#) and then ask your students to fill out the [Vote Compass : Student edition](#) questionnaire. Once they have completed the questionnaire, ask if the economic approach that they considered the most effective align with the distinction between left and right in the Vote-Compass and in the videos.

In small groups, ask your students to think imagine situations where one of those approaches would more appropriate. Examine with your class of the situations and of the conclusions and ask your students if politicians should be taking economic decisions based on the circumstances or based on where they stand on the political spectrum.

E. Québec and several U.S. states are not only geographically close, but similar in other ways as well. While the fiscal situation is in many ways similar, the approach to government spending, taxes and social measures are drastically different on each side of the border.

- In Québec, a person earning \$50,000 will pay around 24 per cent of his revenue in income taxes. In the US, for instance in Virginia, a person making the same amount would be about 22 per cent in taxes. A Quebecer earning \$100,000 would pay 34 per cent of his revenue in income taxes, while a similar person in Virginia would pay only 29 per cent.
- The Québec health system is almost entirely funded by government. In the United States, health care is only partially funded. Citizens are required to have private health insurance or risk high and potentially financially crippling health costs.
- Québec spends much more on social programs. For example, new parents are eligible to take up to one year off after the birth of a child while still being eligible for employment insurance payments. In the United States, employers are only required to provide up to 12 weeks of unpaid leave. Social benefits are not mandatory and depends on the employer.
- Post-secondary institutions in Québec receive partial government funding to keep tuition costs low. Colleges and universities do not receive significant public funding in the United States, making tuition costs higher. The average cost for a year of post-secondary tuition in Québec is around \$3,000, while it can cost an average of \$25,000 per year in the United States.

Guiding questions:

- Would you still go see a doctor if you had to pay for the visit?

- How would your personal budget change if you were responsible for your own health care costs?
- How would higher tuition costs impact your decision to go to university or college?
- Would you rather have lower taxes and fewer services, or more services and higher taxes?

F. Using Slide Deck E, analyze Québec's fiscal situation compare to other provinces: look at the employment rate, national debt, debt per person and debt-to-GDP ratio.

The **debt-to-GDP ratio** is a measure of a jurisdiction's debt in relation to its gross domestic product (GDP). By comparing what a government owes to what it produces, the debt-to-GDP ratio indicates their likelihood to pay back its debt. Generally, governments want to have low debt-to-GDP ratios.

Discussion questions:

- How does Québec's financial situation compare to the other provinces?
- Are there other provinces with stronger economies and job prospects than Québec? If so, which one?
- Economically-speaking, what is the most attractive province to live in long-term?

#### **ADDITIONAL RESOURCES:**

- [Québec Student Budget Consultation website](#)
- [Québec Ministry of Finance – Budget 2018](#)
- [Government of Québec– 2018 Fall Economic Statement](#)
- [The Organisation for Economic Co-operation and Development \(OECD\) website](#)
- [Montreal Gazette, Alison Hanes - columnist](#)