

Economics of History Activity

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The Federalist Era

Lesson 1 *The First President*

The National Debt

Background Information

Since the beginning of the United States, the country has always had a national debt. The national debt means the total amount of money owed by the United States to others. The debt grows when the nation runs a budget deficit—that is, when the nation spends more money than it receives in revenue. Deficits often happen when there is an unusual event, such as a war or an economic downturn. When the nation's revenue is greater than its spending, the nation has a surplus. Not counting periods of war or economic upheaval, the federal budget showed a budget surplus for much of the nation's first 200 years. In recent times, deficits have been common.

Both the Civil War and the Spanish-American War produced budget deficits and contributed to a growing national debt. However, the country paid this debt off by the early twentieth century. The Great Depression and World War II, however, produced large expenditures that caused the federal debt to grow. The amount of the national debt has continued to grow since.

Using Internet research at the U.S. government site treasurydirect.gov, find the national debt in the following years. (Hint: search for Historical Debt Outstanding – Annual):

January 1, 1791	_____
January 1, 1835	_____
July 1, 1850	_____
July 1, 1900	_____
June 30, 1950	_____
September 30, 2010	_____

Directions Answer the following questions. Use a separate piece of paper if necessary.

- 1. Explaining** Describe the trend in the national debt from 1791 through 2010.

Economics of History Activity *Cont.*

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- 2. Describing** What are two factors that can increase the national debt?

Critical Thinking

- 3. Analyzing** What events occurred between 1850 and 1900 and 1900 and 1950 that influenced the size of the national debt?

- 4. Predicting** Based on the trends you have seen from your research, what do you predict will happen to the national debt in the future?
