

CLIP IT



Clip and save in case you end up at a party with an economist.



1

sequestration

\ see-kwə-strə'-shən \

The action of taking legal possession of something. For example, a judge can sequester a jury, i.e., hold it in isolation in a hotel, until a trial is over. In the case of the federal budget, Congress passed legislation in 2011 that ordered the Treasury to, in effect, sequester the budget authority that would allow the government to spend \$109 billion on defense and domestic programs in 2013. This sequestration process is scheduled to continue each year until the Treasury has saved about \$1.2 trillion to help hold down the national debt. Lawmakers had hoped that by setting up these broad, automatic spending cuts, they would motivate themselves to find more carefully considered trims. But Congress has not passed a deficit-reduction package, or passed legislation to end sequestration. So the deadline is drawing closer as the year winds down.



2

revenue

\ rev'-ə-nu \

A government's annual income. Most revenue comes from taxes, but some comes from fees and other sources such as sales of assets. To balance the budget, government must either increase its streams of revenue and/or cut spending. Many Democrats say they are willing to pass certain spending cuts, especially for military spending. But Republicans have opposed any tax rate increases. After the election, however, House Speaker John Boehner, R-Ohio, said Republicans are now "willing to accept new revenue under the right conditions ... a simpler, cleaner, fairer tax code, with fewer loopholes and lower rates for all."



3

national debt

\ nash'-ə-nəl det \

The national debt is the total of all the financial obligations the federal government failed to pay off in the past. Each year, the government takes in revenue and then pays its bills. Those bills include the repayment of money borrowed from bondholders, salaries of federal workers, payments to contractors, and so on. Ideally, the revenue coming in to the Treasury should be the same, or even greater, than the amount being paid out. But that balance rarely happens. Far more often, the government spends more than it makes, so it has to borrow yet more money to get through the year. That creates an annual budget deficit. Those deficits pile up year after year, and collectively, they add up to the national debt, which is about \$16 trillion now.