

Worksheet Solutions

Government Spending

Theme 1: Your Role as a Taxpayer

Lesson 1: Why Pay Taxes?

Key Terms

public goods and services—Benefits that cannot be withheld from those who don't pay for them, and benefits that may be "consumed" by one person without reducing the amount of the product available for others. Examples include national defense, streetlights, and roads and highways. Public services include welfare programs, law enforcement, and monitoring and regulating trade and the economy.

taxes—Required payments of money to governments that are used to provide public goods and services for the benefit of the community as a whole.

Summary

Taxes shift resources from private individuals and businesses to the government in order to pay for **public goods and services**, regulate the economy, and redistribute income. The government uses money to pay for three general types of expenses: purchases, transfer payments, and interest payments. Government purchases are goods and services bought by the government, such as transportation and defense. Government transfer payments are sums of money that the government gives outright to certain people, such as the elderly and the disabled. Government interest payments are paid by the government for interest on borrowed money.

Activity 1

Read the list of government expenses below. Then write each expense in the correct place in the chart.

Social Security
space shuttle
aircraft carriers

interest payment
medical research
welfare payments

road building
Medicaid
unemployment compensation

EXPENSES		
Government Purchases	Government Transfer Payments	Government Interest Payments
road building	Social Security	interest payment
medical research	welfare payments	
aircraft carriers	unemployment compensation	
space shuttle	Medicaid	

Activity 2

Use the table below to answer these questions.

GOVERNMENT SPENDING		
Year	Revenue, (in billions of dollars)	Spending, (in billions of dollars)
1950	\$39	\$43
1960	\$93.50	\$92
1970	\$193	\$196
1980	\$517.10	\$591
1990	\$1,032	\$1,253
2000	\$2,025	\$1,789

1. In what years did the government spend more than it collected?

1950, 1970, 1980, 1990

2. Use a calculator to find out how many times larger revenue was in 2000 than in 1950.

about 52 times larger

3. Use a calculator to find out how many times greater spending was in 2000 than in 1950.

about 42 times greater

4. Which grew more—revenue or spending? **revenue**

Activity 3

Answer the following question:

- How do you think government revenue and spending will change in the future? Explain your answer.

Student answers will vary. Most students will predict that both revenue and spending will continue to grow over time, because that has been the pattern over the last fifty years.