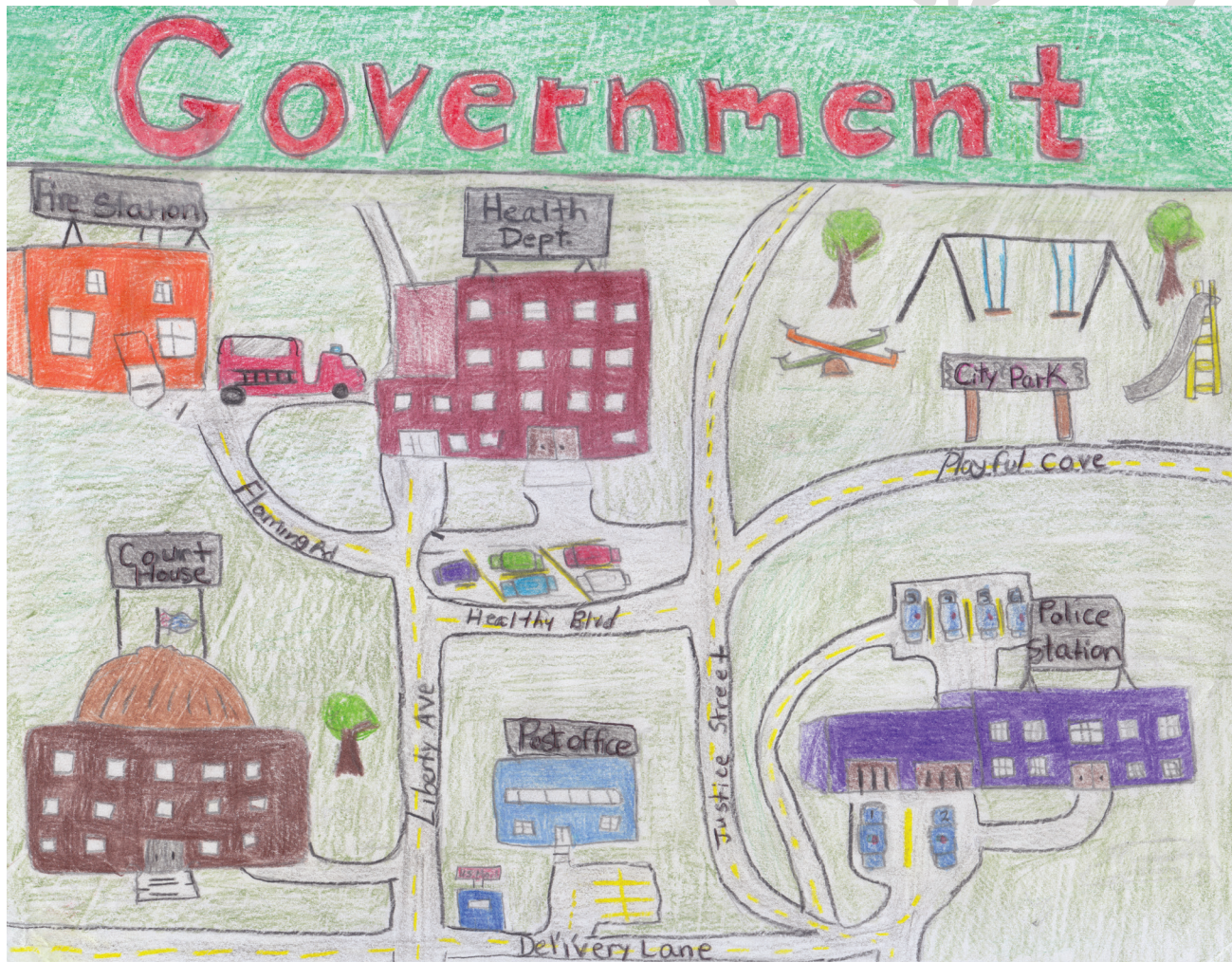


# GOVERNMENT- PROVIDED GOODS AND SERVICES, TAXES

12



**GOVERNMENTS PROVIDE  
GOODS AND SERVICES  
AND COLLECT TAXES.**



**Economics  
Arkansas**

EDUCATION FOR REAL LIFE

# CONCEPT STATEMENTS FOR ELEMENTARY ECONOMICS

1. People consume goods and services to help satisfy their wants.
2. Resources are used to produce goods and services.
3. Because many things are scarce, people need ways to allocate them.
4. Scarcity requires people to make choices that involve trade-offs and have opportunity costs.
5. Specialization and division of labor increase people's productivity and dependency on one another.
6. People are willing to make exchanges when what they receive is worth more to them than what they give up.
7. Money makes trading easier.
8. The price of a good, service, or resource is determined by buyers and sellers in that market.
9. People earn income when they sell their resources.
10. People incur expenditures when they buy goods and services.
11. Entrepreneurs and businesses incur costs when they buy resources and earn revenues when they sell the goods and services produced with those resources.
12. **Governments provide goods and services and collect taxes.**

## GOVERNMENTS PROVIDE GOODS AND SERVICES AND COLLECT TAXES.

**GOVERNMENT-PROVIDED GOODS AND SERVICES:** goods and services provided by local (city/county), state, and federal governments

**Examples:**

- ❖ education (schools), parks, drinkable water
- ❖ police and fire protection, municipal courts
- ❖ sidewalks, libraries, community centers
- ❖ streets and highways, streetlights
- ❖ garbage collection, sewage treatment
- ❖ national defense, space exploration

**TAXES:** payments of money people and businesses are required to make to governments

**Examples:**

- ❖ sales tax (based on the price of purchased goods or services)
- ❖ individual income tax (based on the amount of income earned)
- ❖ property tax (based on the value of a person's house/land/car)
- ❖ payroll tax (based on the amount of wages/salary earned)
- ❖ corporate income tax (based on the net income/profit earned by a business)

### Concept Statement Examples

- ❖ When Molly bought her new bicycle she had to pay \$108: the \$100 price of the bicycle plus \$8 (taxes) for sales tax to her state and city. Molly rides her bicycle on sidewalks and roads (government-provided goods) provided by her state and city.
- ❖ Local governments generally use sales and property taxes to provide education, roads, parks, streetlights, sidewalks, police protection, and fire prevention.
- ❖ Anton worked 10 hours for \$9 per hour and was expecting to get paid \$90. His check was only \$80 because \$10 was sent to the federal government to pay his income and payroll taxes.
- ❖ The federal government pays for submarines, fighter jets, and soldiers to protect the country (government-provided service) with money it collects from individual and corporate income taxes.

## GETTING STARTED

- ❖ Prior to lesson get a sales receipt from some purchase that shows a sales tax.
- ❖ Describe going to a business, buying some good or service, and getting a sales receipt.
- ❖ Display the sales receipt and point out the price of the good (or service), the tax paid, and the total (for example: \$12.00 for a pizza, a tax of \$1.00, and a total of \$13.00).
- ❖ Ask students if they have heard of taxes. Define taxes as payments of money people and businesses are required to make to governments such as cities, counties, states, and the U.S. or federal government.
- ❖ Explain that by paying the price of the good, you get to have and use that good. Ask: But what do you get for the tax you pay? Allow for student thoughts.
- ❖ Show the illustration on the cover of the guide. Ask: What do you see? (*Fire Station, Court House, Health Department, Post Office, City Park, and Police Station plus roads and sidewalks*) Explain that these provide goods and services such as fire protection, health protection, mail delivery, relaxation, security, and the ability to move about the city. They are often provided by some level of government because the community as a whole benefits from having them available. Taxes are collected and used by governments to provide these.
- ❖ Generate a list of other government-provided goods and services.

---

## USING WHO PROVIDES THAT?

- ❖ Explain that while lots of goods and services are provided to consumers by businesses, many others are provided to consumers by local, state, and federal governments. While people must pay businesses to get the goods and services they produce, there is often no direct payment to use those provided by governments.
- ❖ Option 1: Make 14 cards from the activity page and place them in a bag. Have a student choose a card and without talking (i.e. playing “charades”) get other students to guess what good or service was chosen. Have students then vote on whether they think the good or service is provided to consumers “Mostly by Government,” “Mostly by Businesses,” or “Some by Both.” Count the votes. Have students explain their votes and lead discussion toward suggested responses:
  - “Mostly by Government”: *highway; legal system; fire protection; national defense*
  - “Mostly by Businesses”: *cereal (General Mills™ and Kellogg’s™); shoes; bicycle; plumbing*
  - “Some by Both”: *security (city police and bank/mall security guards); sidewalk (city provides sidewalks along streets and homeowners pay for sidewalks up to their door); education (public and private schools/colleges); space launches (NASA and SpaceX™); package delivery (USPS and FedEx™/UPS™); help for those in need (welfare programs/FEMA and aid from charities/churches)*
- ❖ Option 2: Distribute a copy of the activity page to each student. Have students working in small groups determine if the good or service shown is provided to consumers “Mostly by Government,” “Mostly by Businesses,” or “Some by Both.” Compare and discuss the groups’ responses.

**Extension:** In the open box at the bottom of the activity page, have students write another example of a good or service that would be in the “Some by Both” category. (water: *city water and private well water*; event venue: *community/convention center and hotel meeting rooms*; park: *city/state/national park and resort area*; garbage/recycling: *city provided and individual contract with hauling company*; access to books: *public library and purchase/download books*; hospital care: *county/state/VA hospital and for-profit hospital*; medical research: *National Institutes of Health/Centers for Disease Control and pharmaceutical companies*)
- ❖ **Extension:** Have students in groups brainstorm a response to this: Why would governments provide goods and services instead of just letting consumers buy what they want from businesses? (*Some things like national defense, police, legal system, water and sewage treatment, flood control, and streetlights can provide benefits to a lot of people at the same time, but would be too expensive for one person to buy. Some things like libraries, parks, mail service, emergency help, and school lunches are goods and services that people feel should be freely available (or at a reduced price) to everyone. Some things like fire protection, flu shots, and education benefit not only the person getting the good, but many others as well.*)

## TEACHER THOUGHTS

1. Many lessons introducing government-provided goods and services use the words “private” and “public” as modifiers for “goods and services.” It is better to use them as modifiers for “sector” where the “private sector” refers to businesses and the “public sector” refers to governments (local, state, and federal). So, instead of “highways are a public good,” say “highways are a good provided by the public sector.” [Note: “Public good” has a very specific meaning in economics which does not apply to highways and many other government-provided goods.]
2. As shown in Who Provides That?, while some goods and services are provided only by government, many of those provided by government are also provided by businesses directly to consumers.
3. While “lower taxes” sounds good to everyone, students should associate that with “lower amounts of government-provided goods and services.” That could be good or bad depending on how well those goods and services satisfy one’s wants.

---

## HOME/SCHOOL CONNECTION

Students often know about some government-provided goods and services. It is also important for them to understand that everyone does not use them to the same extent. Create a survey with statements about their family’s use of government-provided goods and services during a week with “yes” and “no” answers. Have students return their survey to school and discuss. Sample statements might include:

A family member rode on the school bus.  
A family member saw a police car with its lights on.  
A family member was in a courtroom.  
A family member attended public school.  
A family member went to the city offices.  
A family member received a Social Security check.  
A family member went to the post office.

We visited the state capitol building.  
We visited a public library.  
A road crew made repairs on a street we use.  
We took a walk along a sidewalk.  
We drove to another city.  
A fire truck came down our street.  
We had a picnic at a city or state park.

## DISCUSSION OR WRITING PROMPTS

- ❖ Describe a time your family went to a city, state, or national park.
- ❖ What good or service do you think should be provided by the government but isn’t?
- ❖ What good or service do you think people should have to buy for themselves instead of getting it from the government?
- ❖ What changes would occur in your community if nobody paid taxes?

## A TAXING SITUATION IN THE CLASSROOM

Many teachers use a classroom economy where students are working, getting paid classroom dollars, and spending on goods and services from a classroom store. To help students better understand how taxes affect how much they can actually spend, require them to pay tax on purchases from the classroom store. For example, for every ten cents that is spent add a one cent tax. Elect a classroom council/government. Have these students be responsible for collecting taxes and holding a class meeting for all students to voice opinions on how to spend this money.

## LITERATURE & ONLINE CONNECTIONS

- ❖ Scan the QR code to the right or go to [www.economicsarkansas.org](http://www.economicsarkansas.org)  
Click on *For Teachers - Grab & Go Economics - Online Connections*

## TAXES: WHAT WE KNOW AND WHAT WE LEARNED

Prior to Getting Started or any teaching concerning taxes, create and display a T-chart about taxes with the headings “What I Already Know” and “What New Information I Learned.” Have students state what they think they already know about taxes. Record responses under the first heading. After the completion of their study on taxes, ask students what new information they learned and record under the second heading. Have students compare and discuss the two listings.



# WHO PROVIDES THAT?



**security**



**sidewalk**



**cereal**



**highway**



**education**



**bicycle**



**legal system**



**shoes**



**fire protection**



**space launches**



**package delivery**



**help for those in need**

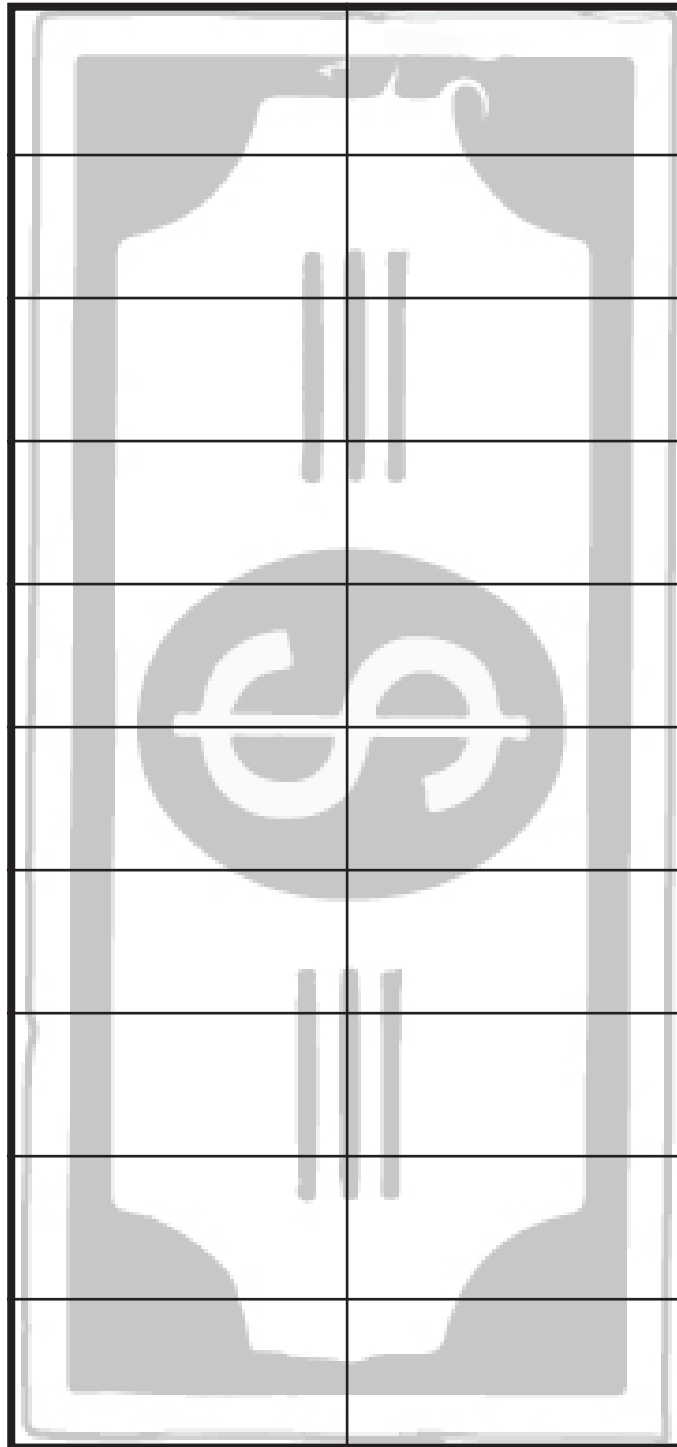


**plumbing**



**national defense**

# PAYING MY TAXES



**Federal Income tax:** 1-2 is 10%, 3-4 is 20%, 5 is 30%, 6 is 40%

**Payroll tax:** 1 is 0%, 2-6 is 5%

**State Income tax:** 1 is 0%, 2-4 is 5%, 5-6 is 10%

**State Sales tax:**

1 is 0%,  
2-5 is 5%,  
6 is 10%

# WE DECIDE

<b>Dog Park</b>	\$100,000 Small, fenced dog park
	\$150,000 Large, fenced dog park with benches
<b>Biking/Jogging Trails</b>	\$100,000 5 miles of new biking/jogging trails
	\$200,000 15 miles of new biking/jogging trails
<b>Additional Police Officers</b>	\$50,000 One additional police officer plus equipment
	\$100,000 Two additional police officers plus equipment
<b>City Playground</b>	\$50,000 Small playground
	\$150,000 Large playground with water splash pads
<b>Addition to Animal Shelter</b>	\$100,000 Room to shelter 20 additional animals
	\$200,000 Room to shelter 50 additional animals

<b>Our Decision:</b>
----------------------

## USING PAYING MY TAXES

[Each student will need access to scissors and a die to roll.]

- ❖ Explain that taxes are payments of money that people are required to make to governments. Typically these payments are based on how much income people make and on how much they spend on goods and services. Most state and federal income taxes are some percentage of a person's income from all sources (wages, rents, interest, etc.), while the federal payroll tax is a percentage of a person's wage income alone. Most local and state sales taxes are some percentage of the amount a person spends on certain goods and services. The exact percentage for any tax depends on a person's income and where they live.
- ❖ Distribute a copy of the activity page to each student. Explain that the large dollar shown represents the income they have earned. This dollar is divided into 20 parts so that each part represents 5% of their income. Have each student cut out their dollar. Explain that their tax percentages will be determined by a roll of a die.
  - Step 1: Have students roll a die to determine what percentage they must pay for each of three income-based taxes as described at the bottom of the activity page: Federal Income tax: 1-2 is 10%, 3-4 is 20%, 5 is 30%, and 6 is 40%; Payroll tax: 1 is 0%, 2-6 is 5%; State Income tax: 1 is 0%, 2-4 is 5%, 5-6 is 10%.
  - Step 2: Have each student determine their total income-based percentage and cut that portion off their dollar. For example, a federal income tax of 20%, a payroll tax of 5%, and a state income tax of 10% would add up to 35%, so seven sections (35%/5%) would be cut off.
  - Step 3: Explain that the remaining part of their dollar is available for them to spend, however, they may also have to pay local and sales taxes on those expenditures. Have students roll die again to determine their sales tax percentage as shown: State Sales tax: 1 is 0%, 2-5 is 5%, and 6 is 10%.
  - Step 4: Have students cut the sales tax portion off what is still left of their dollar. For example, a state sales tax of 5% would mean that one additional 5% section would be cut off.
- ❖ Discuss how much of their dollar they have left to buy goods and services they want. (*Note: The percentages used in this activity approximate the 2017 ranges for each tax. The IRS has estimated that on average U.S. taxpayers pay around 30% in income-based taxes alone.*) Ask: What goods and services are you getting for the portions you cut off? (*See government-provided examples in Using Who Provides That?*) Explain that their whole dollar is ultimately spent on goods and services: you decide what goods and services your portion is spent on and people influence with their votes what government-provided goods and services their taxes are spent on.

## USING WE DECIDE

- ❖ Relate the following scenario to students: Their city recently passed a one-time-only tax and collected \$250,000 in tax revenue. A decision must now be made on how best to spend (or allocate) this revenue.
- ❖ Distribute a copy of the activity page to each student. Explain that this shows the various options they have: Dog Park, Biking/Jogging Trails, Additional Police Officers, City Playground, and Addition to Animal Shelter. Each option has two possible levels. A short description and the cost of each is given. Discuss as necessary.
- ❖ Explain that each student will decide how they would spend all of the \$250,000. If they decide to fund an option, they must choose one of the two levels shown.
- ❖ Allow time for students to consider the problem and have them record their choices by placing a check mark next to the options and levels chosen. Remind them that these should add up to \$250,000.
- ❖ Without any further discussion, divide the class into groups of 3-5.
- ❖ Explain that each group represents a city council. The task of each council is to decide how the city should spend the \$250,000. Each council should hear suggestions from each of their members, discuss the benefits and costs of the suggestions, and finally decide on what options to fund. This decision should be written by all members of a council in the "Our Decision" box at the bottom of the activity page.
- ❖ Allow time for students to make their decisions and then have groups present them to the class.
- ❖ Discuss the similarities and differences in the groups' decisions.
- ❖ Announce: "As mayor of the city I am going with the decision of (pick any one of the groups)." Show the chosen allocation and have students compare it to their original choices. Ask: How many of you had this exact same allocation when you chose on your own? (*It is likely that most students did not have the one chosen.*)
- ❖ Explain that when people make decisions with their own spending, they can buy those goods and services they feel best satisfy their wants. But when governments make decisions about spending, they can only choose one allocation for everybody and that allocation is not likely to be the one that many people would have chosen on their own.
- ❖ **Extension:** This activity can be repeated or adapted by:
  - Option 1: Varying the amount of taxes collected, \$250,000, in units of \$50,000 (for example, lowering it to \$150,000 or raising it to \$400,000).
  - Option 2: Adding a new option, eliminating one of those shown, or both. Some other possible options: Replace Sidewalks (\$100,000 for two streets; \$200,000 for five streets); New Streetlights (\$50,000 for one street; \$100,000 for two streets); Added Public Parking (\$100,000 for 15 spaces; \$200,000 for 40 spaces).