

Government Spending and Taxes

Lesson Author

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Standards and Benchmarks (see page 11)

Lesson Description

In this lesson, students engage in an activity that matches programs for low-income people with the type of economic inequality the program addresses and observe an activity simulating tax payments and transfers.

Grade Level

9-12

Concepts

Economic equity

Taxes

Transfer payments

Transfer programs

Objectives

Students will be able to

- define transfer payments, transfer programs, and taxes;
 - explain the purpose of transfer payments;
 - explain how transfer payments are funded;
 - define economic equity; and
 - provide examples of programs designed to further the goal of economic equity.
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Time Required

45-60 minutes

Materials

- Visual 1
- Handout 1, one copy for each group of 4 to 5 students, cut apart
- Six small, clear jars or glasses
- Six index cards folded to produce six table tents, one for each jar, labeled Quintile 1, Quintile 2, Quintile 3, Quintile 4, Quintile 5, and The Government
- One bag of dried beans placed into the jars as follows: Quintile 1, 18 beans; Quintile 2, 43 beans; Quintile 3, 65 beans; Quintile 4, 94 beans; Quintile 5, 265 beans
- Two pieces of paper folded into table tents with one labeled “Government Goods and Services” and the other labeled “Transfer Payments”

Procedure

1. Explain that government spending can be broken down into two very broad categories: 1) government purchases of goods and services and 2) **transfer payments**. Transfer payments are money collected from some people and distributed to other people. These payments are designed to improve **economic equity**. Economic equity means a more equal distribution of goods and services among citizens. Transfer payments support **transfer programs** that help low-income families get the food, shelter, and health care they aren’t able to obtain for themselves. When low-income families are given these things, it makes the way they live more equal with the way higher-income families live.
2. Ask students to identify government programs designed to improve economic equity. (*Answers will vary. Students may be aware of government programs such as the Supplemental Nutrition Assistance Program (SNAP, a.k.a. “food stamps”), low-income housing, Social Security, Temporary Assistance for Needy Families (TANF), Head Start, and Medicaid.*)
3. If students are not familiar with these government programs, explain the following:
 - The Supplemental Nutrition Assistance Program (SNAP), which is commonly known as “food stamps,” allows people to buy nutritious food. People are given a card similar to a debit card. The state in which the person lives places money in an account and money is withdrawn from that account every time the card is used.
 - Low-income housing is provided in a couple of ways. Some people live in apartment complexes specifically designated as low-income housing. Others are provided with vouchers they can use to pay their rent, in part or in full, depending on their income level, the size of their family, and the amount of the rent.

- Social Security provides some income to retired people and minor children of a parent who has died.
 - Temporary Assistance for Needy Families (TANF) provides money for families who have or are expecting children and provides parents with other benefits, such as job preparation.
 - Head Start is a program to prepare low-income children for success in school by teaching them language, reading, mathematics, and science, as well as helping them learn how to make friends and enjoy learning.
 - Medicaid helps low-income people with their health care expenses so that people can get healthy and stay healthy.
4. Explain that these programs, except for Social Security, provide temporary help to people who have lost their jobs or have had some other problem that has caused them to have less money.
 5. Divide the class into five groups, referring to each group as a quintile. Provide a set of cards from *Handout 1: Situation and Program Cards* to each quintile and instruct students to match the situation cards with the program cards. Review student answers.
 6. When students have matched the cards, ask students where the money comes from to pay for these programs. (*Students may say from taxes.*) Clarify their answers by explaining that the money for these programs is transferred through **taxes**. Taxes are required payments to the government. Explain that the government collects taxes to pay for goods and services the government provides, such as highways, national parks, and fighter jets, and to operate the government. Some of the money is collected from higher-income people and distributed to low-income people through transfer programs. Ask the following questions:
 - How do food programs, such as food stamps, improve economic equity? (*Higher-income people pay taxes to help low-income families buy more goods and health care products.*)
 - How does low-income housing improve economic equity? (*Higher-income people pay taxes so that low-income families who can't afford to rent an apartment can get housing.*)
 - How does Medicaid improve economic equity? (*Higher-income people pay taxes so that low-income families can get more health care.*)
 - How does TANF improve economic equity? (*Higher-income people pay taxes to provide income for people who are having a hard time economically.*)
 7. Beginning with the tent card for Quintile 1 and ending with the tent card for The Government, display the six tent cards on a table in front of the classroom. Explain that Quintiles 1 to 5 represent all of the households in the United States. The households

are divided into five quintiles, so each quintile represents 20 percent of the households. The Government tent card represents the government of the United States.

8. Place the jars next to their corresponding tent card, one at a time, and explain that the beans in the jars represent the average incomes of each quintile in 2007.¹
 - Quintile 1: Explain that these households earn the least amount of money each year. Show students the number of beans in the jar and place the jar next to its table tent. Explain that the beans in the jar represent \$18,400, the average annual income earned by the households in this quintile in 2007.
 - Quintile 2: Explain that these households earn the second-least amount of money each year. Show students the level of beans in the jar, point out the difference compared with the first jar, and place the jar next to its table tent. Explain that the beans in this jar represent \$42,500, the average annual income earned by the households in this quintile in 2007.
 - Quintile 3: Explain that these households earn more each year than the first two quintiles. Point out the level of the beans compared with the first two quintiles. Explain that the average annual income in 2007 for households in this quintile was \$64,500. Place the jar next to its table tent.
 - Quintile 4: Explain that these households earn more each year than the first three quintiles. Point out the level of beans compared with the first three quintiles. Explain that the average annual income in 2007 for households in this quintile was \$94,100. Place the jar next to its table tent.
 - Quintile 5: Explain that these households earn the most income in a year. Point out the level of beans compared with the others. Explain that the average annual income in 2007 for households in this quintile was \$264,700. Place the jar next to its table tent.
9. Reiterate that all of the beans in these jars represent all of the income earned by American families in one year, and each family is required to pay some amount of tax on the income it earns. Explain that the government collects taxes to pay for goods and services the government provides, such as highways, national parks, and fighter jets. It also collects money to take care of low-income households through transfer payments.
10. Start with the Quintile 1 jar. Remove the smallest bean and explain that it represents 0.7 beans. Place this bean in the government jar. Explain that this quintile pays the least amount of taxes. Continue taking beans from the other quintiles and placing the beans in the government jar as follows:

¹ Source: Average Federal Tax Rates in 2007, Congressional Budget Office, June 2010; www.cbo.gov/sites/default/files/cbofiles/ftpdocs/115xx/doc11554/averagefederaltaxrates2007.pdf.

Quintile 2—4.5 beans

Quintile 3—9 beans

Quintile 4—16 beans

Quintile 5—66 beans

11. Place the table tent cards that say “Government Goods and Services” and “Transfer Programs” on the table near “The Government” table tent. Explain that in 2007, approximately 40 percent of government expenditures were for government goods and services and approximately 60 percent of government expenditures were for transfer payments. Remove 38.5 beans from “The Government” jar and place them on the table near the table tent that says “Government Goods and Services.” Remove the remaining beans, 58 beans, from the jar and place them on the table near the table tent that says “Transfer Programs.”
12. Some of the money collected in taxes pays for goods and services the government provides. Ask students for examples of goods and services provided by the government. (*Answers will vary but may include national defense, highways, and national parks.*) Some of the money collected pays for transfer programs. Ask students for examples of transfer programs. (*SNAP, a.k.a. food stamps; low-income housing assistance; Social Security; TANF; Head Start; and Medicaid*)

Closure

13. Discuss the following:
 - What does economic equity mean? (*Economic equity means a more equal distribution of goods and services among citizens.*)
 - What are taxes? (*Taxes are required payments to the government.*)
 - What are some examples of government-provided goods and services? (*Answers will vary but may include national defense, highways, and national parks.*)
 - What are transfer payments? (*Transfer payments are money collected from some people and distributed to other people.*)
 - What is the purpose of transfer payments? (*The purpose of transfer payments is to improve economic equity.*)
 - What are some examples of transfer programs? (*SNAP, a.k.a. food stamps; low-income housing assistance; Social Security, TANF; Head Start; and Medicaid*)
 - What does the SNAP provide? (*The program provides food.*)
 - How does low-income housing assistance help families? (*Low-income housing assistance provides a place to live for families who cannot afford to pay rent.*)

- How does Head Start help families? (*Head Start prepares children from low-income families for success in school.*)

Assessment

14. Use *Visual 1: Economic Equity* to assign a brief essay covering each of the following points as a separate paragraph. Points that might be included are noted after each question.

Economic Equity

- What does economic equity mean? (*Economic equity means a more equal distribution of goods and services among citizens.*)
- Is economic equity an important goal for our government? If so, why? If not, why not? (*Answers will vary.*)
- How is economic equity achieved? (*Economic equity is achieved through transfer programs.*)

Transfer Programs

- What are transfer programs? (*Students can discuss any of the various programs, including SNAP, a.k.a. food stamps; low-income housing assistance; Social Security, TANF; Head Start; and Medicaid or research a program that was not mentioned in this lesson.*)
- Who are transfer programs for? (*Transfer programs are designed to aid low-income families.*)
- How do transfer programs address economic equity? (*Transfer programs provide goods and services for low-income families, which brings low-income families closer to having the number of goods and services higher-income families have.*)

Taxes and Transfers Payments

- What are taxes? (*Taxes are required payments to the government.*)
- From whom are taxes collected? (*Taxes are collected from nearly everyone. Taxes are collected through several means, including income tax.*)
- How is money received from tax payments spent? (*The money received from tax payments is spent on government-provided goods and services, operation of the government, and transfer programs.*)

The Student's Conclusion

- Is economic equity an important goal for our society? Explain your answer. (*Answers will vary.*)
- Should transfer programs be provided by the government? Explain your answer. (*Answers will vary.*)

Visual 1: Economic Equity**Economic Equity**

- What does economic equity mean?
- Is economic equity an important goal for our government? If so, why? If not, why not?
- How is economic equity achieved?

Transfer Programs

- What are transfer programs?
- Who are transfer programs for?
- How do transfer programs address economic equity?

Taxes and Transfer Payments

- What are taxes?
- From whom are taxes collected?
- How is money received from tax payments spent?

The Student's Conclusion

- Is economic equity an important goal for our society? Explain your answer.
- Should transfer programs be provided by the government? Explain your answer. (Restate your opinion from the first paragraph.)

Handout 1: Situation and Program Cards (page 1 of 3)

Situation	Program
<p>The Smith family recently moved from Michigan to Ohio in search of a job for Mr. Smith. Money is tight. The move was expensive. The Smiths had to find an apartment, pay the first and last month's rent, and pay the security deposit. They have very little money left over for food, and it seems that this could be a problem that will last for a while.</p>	<p>Supplemental Nutrition Assistance Program (SNAP, also known as "food stamps")</p>
<p>Mrs. Jackson is a widow with four children. She works, but her wages are so low she earns only about one-third of what most people in her city earn. She lives in a run-down, two-bedroom apartment but was recently told she'd have to move. Her landlord has not been making payments on the property, and it is being foreclosed. As shabby as the apartment is, it is cheap, and Mrs. Jackson can't find anyplace else that she can afford. She is afraid she will have to move her family to a homeless shelter.</p>	<p>Low-income housing</p>
<p>Mr. Rocko is retiring soon, so his regular paycheck from the company where he works will stop coming soon. He will, however, begin to receive some income from the government.</p>	<p>Social Security</p>

Handout 1: Situation and Program Cards (page 2 of 3)

Situation	Program
<p>Carmen and Jasmine are twin sisters getting ready to go to college. Next year they will be living in a dorm with many other girls. They are about as happy and excited as they could possibly be. However, 10 years ago they weren't certain they would ever be happy again. That's when their dad died in a car accident. Their mom couldn't afford the house payment, so on top of the sadness they were terribly worried that they would have to move. Fortunately, there was a government benefit that each of them was eligible to receive. They were able to stay in their home.</p>	<p>Social Security</p>
<p>Sam and Elyze have three children, 1-year-old twins and a 3-year-old. Neither Sam nor Elyze has been able to get more than a minimum-wage job and, at the moment, neither one is working. They have contacted their state's aid office and have been told that they are eligible for cash payments to get them through this rough time. However, as a requirement of the program, they will both have to commit to a job-training program. That's all right with them!</p>	<p>Temporary Assistance for Needy Families (TANF)</p>
<p>John and Mary are young parents. John is 22 and Mary is 21, and they have three children ages 1, 2, and 3. The 3-year-old child does not speak yet. John and Mary are afraid that their own lack of education may be a disadvantage to their children and that each of their children could benefit from starting an early-education program.</p>	<p>Head Start</p>

Handout 1: Situation and Program Cards (page 3 of 3)

Situation	Program
<p>Leah has three children, and she can't find work. She already receives Temporary Assistance for Needy Families and she receives food stamps. However, her youngest daughter needs to get her vaccinations, and those programs do not help with the doctor bills.</p>	<p>Medicaid</p>

Standards and Benchmarks

National Standards in Economics

Standard 16: There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also have direct or indirect effects on people's incomes.

- **Benchmark 9 for Grade 12:** Governments often redistribute income directly when individuals or interest groups are not satisfied with the income distribution resulting from markets; governments also redistribute income indirectly as side-effects of other government actions that affect prices or output levels for various goods and services.
- **Benchmark 11 for Grade 12:** Governments provide an alternative to private markets for supplying goods and services when it appears that the benefits to society of doing so outweigh the costs to society. Not all individuals will bear the same costs or share the same benefits of those policies.

Common Core State Standards: English Language Arts, Grades 9-12

Writing

- **Text Types and Purposes**

W.9-10.1, W.11-12.1: Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence.

W.9-10.1a, W.11-12.1a: Introduce precise, knowledgeable claim(s), establish the significance of the claim(s), distinguish the claim(s) from alternate or opposing claims, and create an organization that logically sequences claim(s), counterclaims, reasons, and evidence.

- **Research to Build and Present Knowledge**

W.9-10.7, W.11-12.7: Conduct short as well as more sustained research projects to answer a question (including a self-generated question) or solve a problem; narrow or broaden the inquiry when appropriate; synthesize multiple sources on the subject, demonstrating understanding of the subject under investigation.

W.9-10.8, W.11-12.8: Gather relevant information from multiple authoritative print and digital sources, using advanced searches effectively; assess the strengths and limitations of each source in terms of the task, purpose, and audience; integrate information into the text selectively to maintain the flow of ideas, avoiding plagiarism and overreliance on any one source and following a standard format for citation.

W.11-12.9: Draw evidence from literary or informational texts to support analysis, reflections, and research.

Common Core State Standards: Literacy in History, Social Studies, and Technical Subjects, Grades 9-12

Writing

- Text Types and Purposes

WHST.9-10.1, WHST.11-12.1: Write arguments focused on discipline-specific content.

WHST.9-10.1a, WHST.11-12.1a: Introduce precise, knowledgeable claim(s), establish the significance of the claim(s), distinguish the claim(s) from alternate or opposing claims, and create an organization that logically sequences the claims(s), counterclaims, reasons, and evidence.