

# LESSON TWENTY-FOUR

## Taxes Provide Public Goods and Services

### TEACHERS

#### Introduction

The U.S. economy is based on free enterprise where people have the right to make decisions about spending and investing their money. Businesses produce many of the goods and services we want, but sometimes it is more efficient for the government to provide them. Products provided by business are private goods while those produced by the government are public goods. Private goods and services are individual transactions between the buyer and seller; public goods are purchased indirectly with the taxes we pay and are available to everyone. Examples of public goods include roads, police and fire protection, national defense, etc. Some goods and services are provided by both, such as schools, parks and hospitals. The federal government relies primarily on income tax to pay for the goods and services it provides, while states rely primarily on sales tax. Cities and counties receive most of their revenue from property taxes. Our government, at all levels, provides us with goods and services that are difficult for private companies and individuals to produce.

### Definition of the Week

**Public Goods and Services:** Goods and services provided by the government and paid for by taxes.

#### Purpose

This lesson will help students identify the differences between public and private goods and services. Students will use their spatial skills to create a community.

#### Tool Kit

Scissors, glue or tape, construction paper, markers or crayons, newspaper ads

#### Procedure

1. Ask students to describe a community. Have them identify different places within their community, including businesses that provide private goods and services as well as available public goods and services.
2. Put students in small groups, giving each group a set of supplies to create their community. They may choose to illustrate their local neighborhood or create their own community on paper. Tell them each piece of paper is a city block and they should leave room on their blocks for roads, sidewalks, parks or other desired public amenities. After completing their individual blocks, each group will assemble their pieces of paper into a community. You may also choose to have the groups combine their communities into a larger "class" city. Have each student write a story describing their assembled community, listing the public and private goods and services.
3. Let students search newspaper ads for prices of specific goods and services purchased in their communities. Using Oklahoma's basic state sales tax rate of 4.5%, have them calculate the state sales tax for those goods. (You may choose to have them compute the class cumulative state sales tax; you may also want to use the local sales tax rate and explain the difference.)

*Coming next week: Money: More Than Just Dollars*

## PARENT OPTION

Visit the following website with your child and discuss the role of taxes in our economy: <http://www.treas.gov/education/fact-sheets/taxes/economics.html> Discuss the different public and private goods and services your family uses. Help your child track your sales tax on all household purchases for the following week. Visit your local library and research Oklahoma's state expenditures and sources of state income. Have your child write a letter to a public official, such as a firefighter or police officer, thanking them for their public service to the community. You may either mail the letter or deliver it in person. Help your child research different career options for public service. Identify goods and services that are provided by both the government and private business in your community.

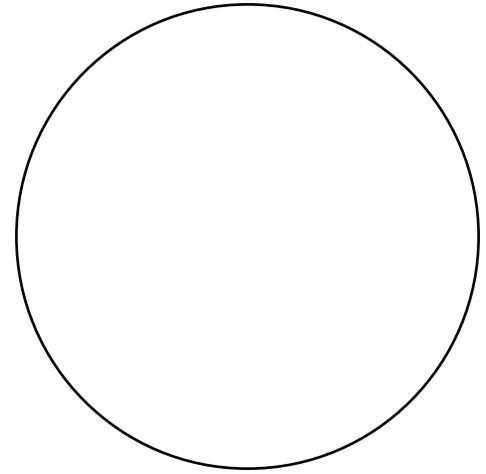
Here's another way to look at federal spending. Suppose you pay \$1,500 in federal taxes each month. This is how your money would be spent. Draw a bar graph showing how the federal government uses your \$1,500.

\$393—military	\$48—education
\$339—interest on national debt	\$38—nutrition spending
\$285—healthcare	\$24—housing
\$83—income security	\$24—environmental protection
\$51—veterans' benefits	\$216—everything else



In 2004, the federal budget for the United States was about \$2 trillion. That number may also be written as \$2,000,000,000.00 Use the numbers below to draw a pie chart of the federal spending for 2004.

26.2%—military	3.3%—education
22.6%—interest on the debt	2.5%—nutrition spending
19%—health care	1.6%—housing
5.5%—income security	1.6%—environment
3.4%—veterans' benefits	11.4%—everything else



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