

Government Finances

TOPIC SUMMARY

The federal government prepares a budget each year. The president and Congress work together to create this budget. The income tax paid by individual Americans supplies nearly half of the federal government's revenue. In the United States, people pay different types of taxes, including proportional, progressive, and regressive taxes. The federal government's largest expenses include Social Security, national defense, and interest on national debt. State and local governments also prepare budgets every year. The main source of state government revenue is intergovernmental revenue. Local governments raise money through property taxes and revenue from utilities. The largest expense for state governments is human services. Education, police and fire protection, and water and sewage services are important expenses for local governments. Governments manage their budgets by selling bonds. Governments run a deficit when their expenditures exceed their revenues. Governments can stimulate the economy through sound fiscal policies.

FOLDABLES
Study Organizer

Comparing Information Foldable Make the following Foldable to help compare the revenues and expenditures of the different levels of government.

Step 1 Fold a sheet of paper into thirds from top and bottom.



Step 2 Open the paper and refold it into thirds from side to side.



Step 3 Unfold the paper and draw lines along the folds.

Government Finances	Federal Government	State and Local Government
Revenues		
Expenditures		

Reading and Writing Use this Foldable chart to compare how money is administered among the federal, state, and local governments.

TOPIC ACTIVITY IDEAS

Comparing

Have students use the completed Foldable activity above to discuss revenues and expenditures at the federal, state, and local government levels. Manage the discussion by calling out a specific type of revenue or expenditure. Then have students identify which level of government has that type of revenue or expenditure. Continue the activity until each student has had an opportunity to participate.

EXPLAINING

Have students label the Foldable as shown to define proportional and progressive taxes and provide examples of each. Then students should explain the effects of paying taxes on people of different incomes. When students have completed the Foldable, conduct a class debate on which taxes should be proportional and which taxes should be progressive.

National Debt	Effect on Taxpayer	Effect on Economy
Paying Interest		
Interest Rate		

Forms of Taxation	Low Income	High Income
Proportional		
Progressive		

CONCLUDING

Students should label the Foldable as shown to explain how the national debt affects taxpayers and increases interest rates. When students have completed the Foldable, ask them to draw conclusions about deficit spending and the importance of balancing the federal budget.

Student Study Tip

Remind students to examine graphs carefully to determine the type of information being presented. Tell them to read the title, labels, keys, and axes to identify the graph's subject and to understand how the material is organized.