

Government and the Economy

How should the U.S. government carry out its economic roles?

S p e a k i n g o f E c o n o m i c s

As you complete the Reading Notes, use these terms in your answers:

regulation	deregulation
eminent domain	common resource
regulatory agency	government failure
merger	poverty rate

P R E V I E W

Write these three statements in your notebook. Then write a sentence or two explaining whether you *strongly agree*, *somewhat agree*, *somewhat disagree*, or *strongly disagree* with each statement.

1. The government should increase taxes to expand programs for the elderly.
2. The government should ease up on regulations protecting the environment.
3. The government should break up existing monopolies.

R E A D I N G N O T E S

Create the matrix at the upper right in your notebook. For each role of government you read about, you will create a simple symbol, write a summary, and record at least one example of how the government carries out the role.

Role of Government	Symbol	Summary	Example
Protecting property rights			
Maintaining competition			
Protecting consumers, savers, and investors			
Protecting workers			
Addressing externalities			
Providing public goods			
Promoting economic stability			
Redistributing income			

Section 2

1. Complete the entries in your matrix for “Protecting property rights.”
2. What did economist Charles Wheelan mean when he said, “Good government makes a market economy possible. Period. And bad government, or no government, dashes capitalism against the rocks.”? Do you agree or disagree? Why?
3. A pictoword is a symbolic representation of a word that shows its meaning. Create a pictoword for the term *eminent domain*.

Section 3

1. Complete the entries in your matrix for “Maintaining competition,” “Protecting consumers, savers, and investors,” and “Protecting workers.”
2. Create an analogy that assesses government regulation in the economy by completing this statement: *Government regulation of the economy is like . . .* Use one of these analogies, or create your own:

- *a referee who makes sure everyone is playing by the rules.*
- *an overbearing parent who monitors your every activity.*
- *a dentist who cleans your teeth on a regular basis to prevent cavities.*
- *an ambulance worker who responds to emergency situations.*

Illustrate your analogy, and write at least two statements explaining it.

Section 4

1. Complete the entries in your matrix for “Addressing externalities” and “Providing public goods.”
2. Provide an example of a market-based policy. Explain why economists generally prefer market-based policies to command-and-control policies.
3. Think of a tragedy of the commons (or threatened common resource) in your community or state, such as a polluted lake, a filthy public park, or a congested road. Describe the situation, and explain what the government might do to preserve the resource.
4. Create a pictoword for the term *government failure*. Your pictoword should illustrate one of the reasons economists cite for government failure.

Section 5

1. Complete the entries in your matrix for “Promoting economic stability” and “Redistributing income.”
2. Create a flowchart showing how an economic stimulus package might promote economic stability. A sample flowchart has been started for you.

Government issues economic stimulus package.



Individual taxpayers receive tax rebate.



3. Examine the Key Concept on “Income Distribution.” What two things surprise you about these data?
4. Explain whether you agree or disagree with this statement: *Means-tested programs promote poverty.*

PROCESSING

Choose one of these two options.

Option A: Identify a current or proposed government intervention in the economy. For example, you might choose a tax increase, a public policy to address an externality, the proposed privatization of a public good, or a recent eminent domain case. Determine which role of government is reflected in this intervention. Then complete these tasks:

- Draw a political cartoon expressing your position on this question: *How well is the government carrying out its role in this case?*
- Describe what is happening in the cartoon. Identify which role of government it represents.
- Explain your position on this question: *How well is the government carrying out its economic role in this case?*

Option B: Find a political cartoon in a newspaper or online about a current government intervention in the economy. Tape the cartoon in your notebook. Then complete these tasks:

- Describe what is happening in the cartoon. Identify which role of government is represented.
- Explain what the cartoonist is saying about how the government is carrying out its role in this case.
- Explain whether you agree or disagree with the cartoonist about how the government is carrying out its role.