

WHAT ARE THE ECONOMIC FUNCTIONS OF GOVERNMENT?

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Civics and Government: Focus on Economics, Unit II, Lesson 4

Lesson Description

INTRODUCTION

In order to ensure and support economic freedom as well as political freedom, the founders of our nation envisioned a very limited role for the government in economic affairs. In a market economy, such as the one established by our Constitution, most economic decisions are made by individual buyers and sellers, not by the government.

Economists, however, identify six major functions of governments in market economies. Governments provide the legal and social framework, maintain competition, provide public goods and services, redistribute income, correct for externalities, and stabilize the economy.

Citizens, interest groups, and political leaders disagree about how large a scope of activities the government should perform within each of these functions. Over time, as our society and economy have changed, government activities within each of these functions have expanded.

LESSON DESCRIPTION

The six economic functions of government are presented to students. Students categorize a series of newspaper headlines as examples of each of the six functions and locate additional examples in current newspapers and newsmagazines. The lesson concludes with a discussion of how limited the economic functions of government should be.

Grade Levels

Grades 6-12

Economic Concepts

- Role of Government

Content Standards and Benchmarks

National Standard Number: 16

There is an economic role, such as provide for national defense, address environment concerns, protect property rights, and make market more competitive, for government in a market economy whenever the benefits of a government policy outweigh its costs.

Objectives

Students will:

- Identify the six economic functions of government
- Classify examples of government actions and policies within various economic functions
- Identify and evaluate two different positions on the role of government in the economy

Materials

- Visual 1, "Economic Functions of Government"
- Activity 1, "Economic Functions of Government Worksheet"
- Activity 2, "Newspaper Headlines"
- Activity 3, "What Role Should The Government Play in the Economy?" Copies of recent newspapers and/or news magazines (for average to above average students)

Time Required Two class periods.

Procedure

Day One

1. Ask students to identify examples of the activities that local, state, and national governments carry out in the U.S. economy; for example: provide for national defense, collect social security taxes, pay social security benefits, build highways, and insure quality of food and medicines. Make a list of these activities on the chalkboard.
2. Show Activity/Visual 1 and explain each of the six functions:

Maintaining Legal and Social Framework

Example: Create laws and provide courts, provide information and services to help economy function better, establish a monetary system, define and enforce property rights.

Maintaining Competition

Example: Create and enforce antitrust laws; regulate natural monopolies.

Providing Public Goods and Services

Example: Provide goods and services that markets are unable or unwilling to provide, such as national defense.

Redistributing Income

Example: Higher income tax rates for rich than for poor, provide social security, and aid to dependent children, Medicare, Medicaid.

Correcting for Externalities

Example: Taxes to reduce negative externalities, such as environmental pollution; subsidies to encourage positive externalities, such as education. Externalities exist when some of the costs or benefits associated with the production or consumption of a product "spill over" to third parties other than the direct producer or consumer of the product.

Stabilizing the Economy

Example: Use government budgets and/or the money supply to promote economic growth, control inflation, and reduce unemployment.

3. Have students categorize some of their activities listed in Step 1 as examples of the economic functions of government.
4. Tell students that all levels of government work to maintain the legal and social framework, and provide public goods and services; that state and national governments have the major responsibility for maintaining a competitive framework, redistributing income, and dealing

with externalities; and that the national government has the responsibility for stabilizing the economy.

5. Distribute copies of Activity 1, "Economic Functions of Government Worksheet," and Activity 2, "Newspaper Headlines," to groups of students. Have students classify each of the headlines under the appropriate economic function category. Explain that some headlines may represent more than one function. Check their work to be certain they understand each of the six functions.
6. When students have completed the classification activity, distribute copies of recent newspapers/newsmagazines. Have students locate and classify three additional headlines that illustrate the economic functions of government.

Day Two:

1. Tell students that in a mixed market economy like that of the United States, where both markets and government decisions play important roles, citizens often do not agree on the role of government in the economy and how it should carry out the six economic functions.
2. Distribute Activity 3, "What Role Should The Government Play in The Economy?" to the small groups. Ask the students to read the activity and summarize each view.
3. Check to see that students can summarize each viewpoint. Ask students to take a personal stand on the role of government in the economy. Which position makes the most sense to them? Why?

Closure

Return to the classification form and ask students how they think conservatives and liberals would react to these headlines. Ask students to explain their answers.

Assessment

K-5 Lessons

6-12 Lessons