

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Public finance 1) _____
 - A) develops principles for understanding the government's taxing and spending activities.
 - B) is not like public economics.
 - C) only works for local and provincial governments.
 - D) all of these answer options are correct.

- 2) Key areas of provincial responsibility include 2) _____
 - A) education. B) welfare.
 - C) health. D) all of these answers are correct.

- 3) _____ are exclusively the domain of provincial and local governments, and the federal government does not receive any revenue from this source. 3) _____
 - A) Payroll taxes B) Personal income taxes
 - C) Sales taxes D) Property taxes

- 4) In 2009, provincial and local governments received the largest amount of revenue from 4) _____
 - A) sales taxes. B) property taxes.
 - C) payroll taxes. D) personal income taxes.

- 5) In 2009, the federal government received most of its revenue from 5) _____
 - A) personal income taxes. B) payroll taxes.
 - C) sales taxes. D) property taxes.

- 6) The federal government accounts for _____ of government spending at all levels. 6) _____
 - A) half B) two-thirds C) most D) one-third

- 7) At the end of fiscal year 2014, the federal government's net public debt was around 7) _____
 - A) \$682 billion. B) \$682 million.
 - C) \$682 thousand. D) \$682 trillion.

- 8) Complications in the computation of government expenditures arise because 8) _____
 - A) accounting decisions affect the outcome.
 - B) government provides goods that have no resale value.
 - C) secrets are kept about what is spent.
 - D) government is so large.

- 9) In evaluating changes in the growth of government, economists take into account 9) _____
 A) size of the economy. B) population growth.
 C) inflation. D) all of these answers are correct.
- 10) If the size of government triples but at the same time the economy doubles, then the 10) _____
 relative size of government has
 A) no relevance. B) shrunk.
 C) grown. D) remained constant.
- 11) In 2009, _____ represented the largest portion of total government (all levels of 11) _____
 government) spending
 A) education B) social services
 C) protections of persons and property D) health
- 12) Education is 12) _____
 A) generally financed at the federal level.
 B) generally financed at the provincial and local level.
 C) too expensive for the federal government.
 D) financed on a voluntary basis.
- 13) Ideology is by itself _____ to determine whether any particular economic 13) _____
 intervention should be undertaken.
 A) insufficient B) all that is needed
 C) sufficient D) irrelevant
- 14) Over time, the economic role of government has 14) _____
 A) been too small to matter. B) grown tremendously.
 C) remained constant. D) declined significantly.
- 15) The federal budget is presented _____ outlining anticipated changes in tax and 15) _____
 spending.
 A) every 4 years with the election of a new government
 B) every time there is a tax change
 C) several times throughout the year
 D) each year
- 16) Hidden costs to government include 16) _____
 A) tax expenditures. B) accounting costs.
 C) direct expenditures. D) none of these answers is correct.
- 17) Health care has become an increasingly large portion of total government spending, due 17) _____
 in part to an aging population.
 A) True B) False C) Uncertain

- 18) A very small portion of government expenditures is financed by taxes. 18) _____
 A) True B) False C) Uncertain
- 19) In 2009, federal spending on protection of persons and property (which includes national defence) was larger than federal spending on health. 19) _____
 A) True B) False C) Uncertain
- 20) Government bills to tax and to spend must originate in the Senate. 20) _____
 A) True B) False C) Uncertain
- 21) The federal government is required to finance all its expenditures by taxation. 21) _____
 A) True B) False C) Uncertain
- 22) The provincial role in public finance in Canada has grown significantly relative to that of the federal government. 22) _____
 A) True B) False C) Uncertain
- 23) The Constitution Act has provisions for local governments' taxing and spending powers. 23) _____
 A) True B) False C) Uncertain
- 24) One approach to measure the size of government is the volume of its annual expenditures. 24) _____
 A) True B) False C) Uncertain
- 25) Expenditures, as a percentage of GDP for Canada, are not very different from those of other developed countries. 25) _____
 A) True B) False C) Uncertain
- 26) Property taxes are a major financing tool at the provincial and local government level. 26) _____
 A) True B) False C) Uncertain
- 27) About 25 percent of federal spending are transfers to provincial, territorial, and local governments. 27) _____
 A) True B) False C) Uncertain
- 28) Inflation increases the real value of debt. 28) _____
 A) True B) False C) Uncertain

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

- 29) Write an essay discussing some of the reasons that government expenditures for health care are increasing.

- 30) Do you think it is correct policy that the federal government is not required to finance all of its expenditures with tax revenues and is allowed to borrow? What are the implications of this policy?
- 31) Why do/should we care that total government expenditures are becoming an increasingly smaller portion of GDP?
- 32) Discuss your views on government intervention regarding tobacco consumption.

Answer Key

Testname: UNTITLED1

- 1) A
- 2) D
- 3) D
- 4) D
- 5) A
- 6) D
- 7) A
- 8) A
- 9) D
- 10) C
- 11) B
- 12) B
- 13) A
- 14) B
- 15) D
- 16) A
- 17) A
- 18) B
- 19) A
- 20) B
- 21) B
- 22) A
- 23) B
- 24) A
- 25) A
- 26) A
- 27) A
- 28) B
- 29) Government expenditures for health care have increased since 1965 for several reasons, including an aging population, rising costs of health care, and a publicly provided health care system.
- 30) Answers will vary, but financing out of current spending ensures that there are no deficits at the end of the fiscal year. However, in times of crisis, such as war, this type of financing would limit the government's ability to accomplish its stated goals.
- 31) We should care that government expenditures are becoming an increasingly smaller portion of GDP because it may reflect a decline in the effectiveness and impact of government programs.
- 32) As with many social issues, tobacco consumption will not only impact the health of the population but the ability of people to work and be productive members of society. Some will argue that this is a private issue, and the government has no role in regulating how people treat their own bodies. Others will counter that the impacts are not just to the consumer but to third parties also.