

Name_____

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.
Answer: A
- 2) Key areas of provincial responsibility include 2) _____
A) education. B) welfare.
C) health. D) all of these answers are correct.
Answer: D
- 3) _____ are exclusively the domain of provincial and local governments, and the federal government does not receive any revenue from this source. 3) _____
A) Sales taxes B) Property taxes
C) Personal income taxes D) Payroll taxes
Answer: B
- 4) In 2009, provincial and local governments received the largest amount of revenue from 4) _____
A) property taxes. B) payroll taxes.
C) sales taxes. D) personal income taxes.
Answer: D
- 5) In 2009, the federal government received most of its revenue from 5) _____
A) personal income taxes. B) property taxes.
C) payroll taxes. D) sales taxes.
Answer: A
- 6) The federal government accounts for _____ of government spending at all levels. 6) _____
A) most B) two-thirds C) one-third D) half
Answer: C
- 7) At the end of fiscal year 2014, the federal government's net public debt was around 7) _____
A) \$682 thousand. B) \$682 trillion.
C) \$682 million. D) \$682 billion.
Answer: D

- 8) Complications in the computation of government expenditures arise because 8) _____
A) government is so large.
B) accounting decisions affect the outcome.
C) secrets are kept about what is spent.
D) government provides goods that have no resale value.
Answer: B
- 9) In evaluating changes in the growth of government, economists take into account 9) _____
A) inflation. B) population growth.
C) size of the economy. D) all of these answers are correct.
Answer: D
- 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) remained constant.
C) shrunk. D) grown.
Answer: D
- 11) In 2009, _____ represented the largest portion of total government (all levels of 11) _____
government) spending
A) education B) social services
C) health D) protections of persons and property
Answer: B
- 12) Education is 12) _____
A) financed on a voluntary basis.
B) generally financed at the federal level.
C) generally financed at the provincial and local level.
D) too expensive for the federal government.
Answer: C
- 13) Ideology is by itself _____ to determine whether any particular economic 13) _____
intervention should be undertaken.
A) all that is needed B) irrelevant
C) sufficient D) insufficient
Answer: D
- 14) Over time, the economic role of government has 14) _____
A) remained constant. B) grown tremendously.
C) declined significantly. D) been too small to matter.
Answer: B

- 15) The federal budget is presented _____ outlining anticipated changes in tax and spending. 15) _____
A) every 4 years with the election of a new government
B) several times throughout the year
C) every time there is a tax change
D) each year
Answer: D
- 16) Hidden costs to government include 16) _____
A) tax expenditures. B) accounting costs.
C) direct expenditures. D) none of these answers is correct.
Answer: A
- 17) Health care has become an increasingly large portion of total government spending, due in part to an aging population. 17) _____
A) True B) False C) Uncertain
Answer: A
- 18) A very small portion of government expenditures is financed by taxes. 18) _____
A) True B) False C) Uncertain
Answer: B
- 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
Answer: A
- 20) Government bills to tax and to spend must originate in the Senate. 20) _____
A) True B) False C) Uncertain
Answer: B
- 21) The federal government is required to finance all its expenditures by taxation. 21) _____
A) True B) False C) Uncertain
Answer: B
- 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
Answer: A
- 23) The Constitution Act has provisions for local governments' taxing and spending powers. 23) _____
A) True B) False C) Uncertain
Answer: B

- 24) One approach to measure the size of government is the volume of its annual expenditures. 24) _____
A) True B) False C) Uncertain
Answer: A
- 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
Answer: A
- 26) Property taxes are a major financing tool at the provincial and local government level. 26) _____
A) True B) False C) Uncertain
Answer: A
- 27) About 25 percent of federal spending are transfers to provincial, territorial, and local governments. 27) _____
A) True B) False C) Uncertain
Answer: A
- 28) Inflation increases the real value of debt. 28) _____
A) True B) False C) Uncertain
Answer: B

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.
Answer: 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) 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?
Answer: 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) Why do/should we care that total government expenditures are becoming an increasingly smaller portion of GDP?
Answer: 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) Discuss your views on government intervention regarding tobacco consumption.

Answer: 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.