

Exam

Name _____

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

- 1) Government bills to tax and to spend must originate in the Senate. 1) _____
A) True B) False C) Uncertain

Answer: B

Explanation: A)
B)
C)

- 2) Health care has become an increasingly large portion of total government spending, due 2) _____
in part to an aging population.
A) True B) False C) Uncertain

Answer: A

Explanation: A)
B)
C)

- 3) Inflation increases the real value of debt. 3) _____
A) True B) False C) Uncertain

Answer: B

Explanation: A)
B)
C)

- 4) In 2009, the federal government received most of its revenue from 4) _____
A) property taxes. B) sales taxes.
C) personal income taxes. D) payroll taxes.

Answer: C

Explanation: A)
B)
C)
D)

- 5) In 2009, provincial and local governments received the largest amount of revenue from 5) _____
A) sales taxes. B) payroll taxes.
C) personal income taxes. D) property taxes.

Answer: C

Explanation: A)
B)
C)
D)

- 6) Over time, the economic role of government has 6) _____
A) remained constant. B) been too small to matter.
C) grown tremendously. D) declined significantly.

Answer: C

Explanation: A)
B)
C)
D)

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

Answer: D

Explanation: A)
B)
C)
D)

- 8) _____ are exclusively the domain of provincial and local governments, and the 8) _____
federal government does not receive any revenue from this source.
A) Sales taxes B) Property taxes
C) Payroll taxes D) Personal income taxes

Answer: B

Explanation: A)
B)
C)
D)

- 9) A very small portion of government expenditures is financed by taxes. 9) _____
A) True B) False C) Uncertain

Answer: B

Explanation: A)
B)
C)

- 10) The federal government is required to finance all its expenditures by taxation. 10) _____
A) True B) False C) Uncertain

Answer: B

Explanation: A)
B)
C)

- 11) Property taxes are a major financing tool at the provincial and local government level. 11) _____
A) True B) False C) Uncertain

Answer: A

Explanation: A)
B)
C)

12) The federal budget is presented _____ outlining anticipated changes in tax and spending. 12) _____

- A) several times throughout the year
- B) every 4 years with the election of a new government
- C) every time there is a tax change
- D) each year

Answer: D

Explanation: A)
B)
C)
D)

13) Education is 13) _____

- A) too expensive for the federal government.
- B) financed on a voluntary basis.
- C) generally financed at the provincial and local level.
- D) generally financed at the federal level.

Answer: C

Explanation: A)
B)
C)
D)

14) The Constitution Act has provisions for local governments' taxing and spending powers. 14) _____

- A) True
- B) False
- C) Uncertain

Answer: B

Explanation: A)
B)
C)

15) About 25 percent of federal spending are transfers to provincial, territorial, and local governments. 15) _____

- A) True
- B) False
- C) Uncertain

Answer: A

Explanation: A)
B)
C)

16) In 2009, federal spending on protection of persons and property (which includes national defence) was larger than federal spending on health. 16) _____

- A) True
- B) False
- C) Uncertain

Answer: A

Explanation: A)
B)
C)

- 17) Key areas of provincial responsibility include 17) _____
A) health. B) welfare.
C) education. D) all of these answers are correct.
Answer: D
Explanation: A)
B)
C)
D)
- 18) In 2009, _____ represented the largest portion of total government (all levels of 18) _____
government) spending
A) social services B) health
C) protections of persons and property D) education
Answer: A
Explanation: A)
B)
C)
D)
- 19) The provincial role in public finance in Canada has grown significantly relative to that of 19) _____
the federal government.
A) True B) False C) Uncertain
Answer: A
Explanation: A)
B)
C)
- 20) Ideology is by itself _____ to determine whether any particular economic 20) _____
intervention should be undertaken.
A) insufficient B) sufficient
C) irrelevant D) all that is needed
Answer: A
Explanation: A)
B)
C)
D)
- 21) In evaluating changes in the growth of government, economists take into account 21) _____
A) population growth. B) inflation.
C) size of the economy. D) all of these answers are correct.
Answer: D
Explanation: A)
B)
C)
D)

- 22) Public finance 22) _____
- A) only works for local and provincial governments.
 B) develops principles for understanding the government's taxing and spending activities.
 C) is not like public economics.
 D) all of these answer options are correct.
- Answer: B
 Explanation: A)
 B)
 C)
 D)
- 23) Hidden costs to government include 23) _____
- A) tax expenditures. B) accounting costs.
 C) direct expenditures. D) none of these answers is correct.
- Answer: A
 Explanation: A)
 B)
 C)
 D)
- 24) If the size of government triples but at the same time the economy doubles, then the 24) _____
 relative size of government has
- A) no relevance. B) shrunk.
 C) remained constant. D) grown.
- Answer: D
 Explanation: A)
 B)
 C)
 D)
- 25) One approach to measure the size of government is the volume of its annual 25) _____
 expenditures.
- A) True B) False C) Uncertain
- Answer: A
 Explanation: A)
 B)
 C)
- 26) The federal government accounts for _____ of government spending at all levels. 26) _____
- A) most B) two-thirds C) one-third D) half
- Answer: C
 Explanation: A)
 B)
 C)
 D)

27) Expenditures, as a percentage of GDP for Canada, are not very different from those of other developed countries. 27) _____

- [illegible]

Answer: A

Explanation: A)
B)
C)

28) Complications in the computation of government expenditures arise because

- A) government provides goods that have no resale value.
- B) secrets are kept about what is spent.
- C) government is so large.
- D) accounting decisions affect the outcome.

Answer: D

Explanation: A)
B)
C)
D)

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

29) 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.

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) 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.

32) 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.

Answer Key

Testname: C1

- 1) B
- 2) A
- 3) B
- 4) C
- 5) C
- 6) C
- 7) D
- 8) B
- 9) B
- 10) B
- 11) A
- 12) D
- 13) C
- 14) B
- 15) A
- 16) A
- 17) D
- 18) A
- 19) A
- 20) A
- 21) D
- 22) B
- 23) A
- 24) D
- 25) A
- 26) C
- 27) A
- 28) D

- 29) 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.
- 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) 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.
- 32) 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.