

## UNIT 6 Role of government in an economy or economies studied

**Recommended Prior Knowledge** This Unit can be studied without any prior knowledge but it does build on some of the ideas covered in the previous Units. The last two sections of Unit 1 looked at different economic systems and the role of government is crucial in planned and mixed economies. The first two sections of Unit 2 looked at different types of business organisation and these included the public, as well as the private, sector. The third section of Unit 4 also brought in the idea of a public sector in relation to the differences in earnings between the private and public sectors. Taxation was examined in the context of elasticity in the fourth section of Unit 3 and this will link in well with the description of the different types of taxation and the discussion on the impact and incidence of taxation in the last two sections of this Unit.

**Context** As already indicated, the Unit builds on the role of government in planned and mixed economies, business organisations in the public sector, taxation and the differences in earnings between the public and private sectors. It will also provide a link with some of the ideas covered in later Units, such as the construction of a retail price index in Unit 7 and the contrast between public and private expenditure in Unit 9.

**Outline** The Unit starts by describing the government as a producer of goods and services and as an employer and then goes on to describe the aims of government policy in relation to full employment, price stability, economic growth, the redistribution of income and balance of payments stability. It then describes the different types of taxation, both national and local, and finishes with a discussion of the government's influence on private producers, the possible conflicts between government aims and the impact and incidence of taxation.

	Learning Outcomes	Suggested Teaching Activities	Online Resources	Other Resources
6 a	Students should be able to describe the government as a producer of goods and services and as an employer.	The role of the government as a producer of goods and services links in well with the last two sections of Unit 1 on planned and mixed economies. Students need to work in groups and think of reasons why governments might need to get involved in economic activities. They could research their own country and think of examples of government intervention, analysing why it is felt such intervention is necessary. They could also try to find out about examples of intervention in other countries. They also need to evaluate the idea of market failure and to think of examples of merit goods and public goods. The tutor2u and s-cool websites are good on market failure. Anderton (pages 110-	URL – <a href="http://www.tutor2u.net/economics/content/topics/marketfailure/market_failure.htm">http://www.tutor2u.net/economics/content/topics/marketfailure/market_failure.htm</a>  URL – <a href="http://www.tutor2u.net/economics/content/topics/marketfailure/public_goods.htm">http://www.tutor2u.net/economics/content/topics/marketfailure/public_goods.htm</a>  URL – <a href="http://www.tutor2u.net/economics/content/topics/marketfailure/merit_goods.htm">http://www.tutor2u.net/economics/content/topics/marketfailure/merit_goods.htm</a>  URL – <a href="http://www.tutor2u.net/econo">http://www.tutor2u.net/econo</a>	Anderton, Unit 43, pages 110-111  Anderton, page 118  Anderton, Units 53-54, pages 134-137  Anderton, pages 140-141  Harrison and Nutter, Chapter 4, pages 19-20  Harrison and Nutter, Chapter 11, pages 112-118  Moynihan and Titley, Chapter

		<p>111) is very good on nationalisation and privatisation and he has some useful study points and check points. There is also a data response question on the possible privatisation of the fire service. He also deals with public and merit goods (pages 136-137). Moynihan and Titley are good on both public and merit goods (pages 19-20) and nationalisation and privatisation (pages 106-109). Harrison and Nutter cover public and merit goods (pages 19-20) and nationalisation and privatisation (pages 112-113).</p> <p>Students also need to consider the role of the government as an employer. They could research the different kinds of employees that are employed by the government in different organisations in their own country and try and find out what proportion of the total employed this represents. It would also be useful to find out if this proportion is increasing or decreasing. The government is likely to have a website containing this information. Anderton has a lot of information on public expenditure (pages 134-135) and Moynihan and Titley are good on the public sector organisations (pages 104-106) and public spending (pages 342-348). Paisley and Quillfeldt have an interesting database which compares government spending in seven countries. The bized, s-cool and tutor2u websites all have material on public spending.</p>	<p><a href="https://www.bized.ac.uk/virtual/economy/policy/tols/government/gexpex.htm">mics/content/topics/fiscalpolicy/public_spending.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/tols/government/gexpex.htm">http://www.bized.ac.uk/virtual/economy/policy/tols/government/gexpex.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/tools/government/gexpth2.htm">http://www.bized.ac.uk/virtual/economy/policy/tools/government/gexpth2.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/tools/government/gexpth3.htm">http://www.bized.ac.uk/virtual/economy/policy/tools/government/gexpth3.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/tools/government/gexpth4.htm">http://www.bized.ac.uk/virtual/economy/policy/tools/government/gexpth4.htm</a></p> <p>URL – <a href="http://www.s-cool.co.uk/quicklearn">http://www.s-cool.co.uk/quicklearn</a> Market Failure: Public, merit and demerit goods</p> <p>URL – <a href="http://www.s-cool.co.uk/quicklearn">http://www.s-cool.co.uk/quicklearn</a> Taxation and Government Spending: Government spending in the UK</p>	<p>2, pages 19-20</p> <p>Moynihan and Titley, Chapter 5, pages 104-109</p> <p>Moynihan and Titley, Chapter 16, pages 342-348</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.1, pages 196-204</p>
b	Students should be able to describe the aims of government policy, e.g. full employment, price stability, economic growth, redistribution of income, balance of	There are five areas that students need to focus on. Anderton (pages 168-169) has a Unit on Government Economic Policy in general with some relevant study points	<p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/advisors/geral2.htm">http://www.bized.ac.uk/virtual/economy/policy/advisors/geral2.htm</a></p>	<p>Anderton, Unit 56, pages 142-143</p> <p>Anderton, page 150</p>

	<p>payments stability.</p>	<p>and check points; he also has a useful data response question (page 174).  The first aim is full employment and students need to find out the extent to which there is full employment, either in their own country or in a country of their choice. The government of each country is likely to have a website with this information on and both the International Monetary Fund and the World Bank have very informative websites. Paisley and Quillfeldt have some useful information on employment and unemployment in the UK (pages 234-235).  The second aim is price stability. As above, students need to find out the degree to which governments have achieved this in particular countries. They also need to work in groups to consider why price stability is an important aim of governments.  Anderton (pages 152-153) has a useful discussion of price changes and Moynihan and Titley (pages 267-269) have two relevant exercises with questions.  The third aim is economic growth. Students will need to find out information about growth in a country of their choice. They will also need to think about how growth can be influenced by a government; they should work in groups and consider how a government could try and increase the rate of economic growth in a country.  Anderton (pages 160-161) has information on both the UK and a comparison of growth rates in different countries with accompanying study points. He also has a lot of data related to the causes of growth</p>	<p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/advisors/ge/neral3.htm">http://www.bized.ac.uk/virtual/economy/policy/advisors/ge/neral3.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/advisors/ge/neral4.htm">http://www.bized.ac.uk/virtual/economy/policy/advisors/ge/neral4.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/advisors/ge/neral5.htm">http://www.bized.ac.uk/virtual/economy/policy/advisors/ge/neral5.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/dc/trade/theory/th6.htm">http://www.bized.ac.uk/virtual/dc/trade/theory/th6.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/dc/copper/theory/th5.htm">http://www.bized.ac.uk/virtual/dc/copper/theory/th5.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/dc/copper/theory/th16.htm">http://www.bized.ac.uk/dc/copper/theory/th16.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/outcome/gdp/growex.htm">http://www.bized.ac.uk/virtual/economy/policy/outcome/gdp/growex.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/outcomes/gdp/growth3.htm">http://www.bized.ac.uk/virtual/economy/policy/outcomes/gdp/growth3.htm</a></p>	<p>Anderton, Unit 60, pages 152-153</p> <p>Anderton, Units 64-65, pages 160-165</p> <p>Anderton, Unit 67, pages 168-169</p> <p>Anderton, Unit 72, pages 180-183</p> <p>Anderton, Unit 76, pages 190-191</p> <p>Harrison and Nutter, Chapter 14, pages 150-152</p> <p>Harrison and Nutter, Chapter 15, pages 164-166</p> <p>Harrison and Nutter, Chapter 17, pages 188-191</p> <p>Moynihan and Titley, Chapter 13, pages 266-295</p> <p>Moynihan and Titley, Chapter 14, pages 300-310</p> <p>Moynihan and Titley, Chapter 15, pages 324-326</p> <p>Moynihan and Titley, Chapter 17, pages 369-377</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.4, pages 222-228</p>
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		<p>(pages 162-163). Moynihan and Titley (pages 288-294) have a comparison of growth rates in different countries and some relevant information on how to achieve economic growth and on the benefits and costs of growth.</p> <p>The fourth aim is the redistribution of income. Students need to find out information about the distribution of income in their own country, or another country of their choice, and they then need to consider what the government of the country is doing to try and achieve a more equitable distribution of income; they should then evaluate the extent to which such policies have achieved a redistribution of income over a period of time.</p> <p>Anderton (pages 180-181) is good on this and the study points and check points are very useful; he also has a very good data response question on the topic (page 183). Moynihan and Titley (pages 369-377) are also good with a number of exercises; exercise 3 is particularly relevant. Paisley and Quillfeldt (pages 256-260) have a useful database and a number of relevant questions.</p> <p>The last aim is balance of payments stability. Students need to find out information on the balance of payments of either their own country or another country of their choice and assess the extent to which there has been stability over a period of time. Anderton (pages 190-191) has some useful data on the balance of payments in the UK over a twenty year period and some study points linked to this data. Moynihan and Titley (pages 300-310)</p>	<p>URL – <a href="http://www.s-cool.co.uk/quicklearn">http://www.s-cool.co.uk/quicklearn</a> Macroeconomic Objectives: The main macroeconomic objectives</p> <p>URL – <a href="http://www.s-cool.co.uk/quicklearn">http://www.s-cool.co.uk/quicklearn</a> Macroeconomic Objectives: The importance of macroeconomic objectives</p> <p>URL – <a href="http://www.s-cool.co.uk/quicklearn">http://www.s-cool.co.uk/quicklearn</a> Macroeconomic Objectives: Which macroeconomic objectives are most important?</p> <p>URL – <a href="http://www.tutor2u.net/economics/content/topics/unemp/measuring_unemployment.htm">http://www.tutor2u.net/economics/content/topics/unemp/measuring_unemployment.htm</a></p> <p>URL – <a href="http://www.tutor2u.net/economics/content/topics/economic_growth/benefits_of_growth.htm">http://www.tutor2u.net/economics/content/topics/economic_growth/benefits_of_growth.htm</a></p> <p>URL – <a href="http://www.tutor2u.net/economics/content/topics/economic_growth/economic_growth.htm">http://www.tutor2u.net/economics/content/topics/economic_growth/economic_growth.htm</a></p> <p>URL – <a href="http://www.tutor2u.net/economics/content/topics/economic_growth/longrun_growth.htm">http://www.tutor2u.net/economics/content/topics/economic_growth/longrun_growth.htm</a></p>	<p>Paisley and Quillfeldt, Part 7, Unit 7.5, pages 234-241</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.6, pages 242-247</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.7, pages 248-255</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.8, pages 256-260</p> <p>Paisley and Quillfeldt, Part 8, Unit 8.2, pages 273-281</p>
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		are also good on this and they have some useful data.	<p>URL – <a href="http://www.tutor2u.net/economics/content/topics/macroeconomy/government_policy.htm">http://www.tutor2u.net/economics/content/topics/macroeconomy/government_policy.htm</a></p> <p>URL – <a href="http://www.statistics.gov.uk">http://www.statistics.gov.uk</a></p> <p>URL – <a href="http://www.imf.org">http://www.imf.org</a></p> <p>URL – <a href="http://www.worldbank.org">http://www.worldbank.org</a></p>	
c	Students should be able to describe the types of taxation (national and local).	<p>Students need to find out information about the types of taxation in either their own country or another country of their choice. Taxation will vary greatly between different countries but students will need to have an understanding of the main types of tax and how they differ, such as the distinction between direct taxes on income and indirect taxes on expenditure. They need to be able to compare and contrast the different types of taxation, putting forward the advantages and disadvantages of the different taxes. Most governments will have an annual statement or summary of their income, such as the annual budget in the UK. Students will need to use the website of the government to find out this information; for example, in the UK this would be the Treasury website. The Inland Revenue website is also very useful. Anderton (pages 138-139) is very good on taxation and there are useful study points and check points to complete; he also has a data response question (page 141)</p>	<p>URL – <a href="http://www.bized.ac.uk/virtual/via/theories/income_tax-theory.htm">http://www.bized.ac.uk/virtual/via/theories/income_tax-theory.htm</a></p> <p>URL - <a href="http://www.bized.ac.uk/virtual/economy/policy/tools/income/inctaxex.htm">http://www.bized.ac.uk/virtual/economy/policy/tools/income/inctaxex.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/tools/income/inctaxth1.htm">http://www.bized.ac.uk/virtual/economy/policy/tools/income/inctaxth1.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/tools/income/inctaxth2.htm">http://www.bized.ac.uk/virtual/economy/policy/tools/income/inctaxth2.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/tools/vat/vatex.htm">http://www.bized.ac.uk/virtual/economy/policy/tools/vat/vatex.htm</a></p>	<p>Anderton, Unit 55, pages 138-139</p> <p>Anderton, page 141</p> <p>Harrison and Nutter, Chapter 16, pages 178-187</p> <p>Moynihan and Titley, Chapter 16, pages 348-368</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.2, pages 205-213</p>

		<p>comparing taxation in different countries. Moynihan and Titley (pages 348-368) are also very good, especially on local taxation, and exercises 3-8 will help students gain a good understanding of the topic. They have a word search (pages 367-368) which students should enjoy doing. Harrison and Nutter (pages 178-187) have four exam questions on the topic with answers. The bized, s-cool and tutor2u websites all have very useful material on the different types of taxation.</p>	<p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/tools/vat/vatt h1.htm">http://www.bized.ac.uk/virtual/economy/policy/tools/vat/vatt h1.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/tools/vat/vatt h2.htm">http://www.bized.ac.uk/virtual/economy/policy/tools/vat/vatt h2.htm</a></p> <p>URL – <a href="http://www.s-cool.co.uk/quicklearn">http://www.s-cool.co.uk/quicklearn</a> Taxation and Government Spending: Some basic principles of taxation</p> <p>URL – <a href="http://www.s-cool.co.uk/quicklearn">http://www.s-cool.co.uk/quicklearn</a> Taxation and Government Spending: Taxation in the UK – some key tax issues</p> <p>URL – <a href="http://tutor2u.net/economics/content/topics/fiscalfpolicy/direct_taxes.htm">http://tutor2u.net/economics/content/topics/fiscalfpolicy/direct_taxes.htm</a></p> <p>URL – <a href="http://www.tutor2u.net/economics/content/topics/fiscalfpolicy/indirect_taxes1.htm">http://www.tutor2u.net/economics/content/topics/fiscalfpolicy/indirect_taxes1.htm</a></p> <p>URL – <a href="http://www.tutor2u.net/economics/content/topics/fiscalfpolicy/direct_v_indirect.htm">http://www.tutor2u.net/economics/content/topics/fiscalfpolicy/direct_v_indirect.htm</a></p>	
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			<p>URL – <a href="http://www.tutor2u.net/economics/content/topics/fiscalpolicy/taxation1.htm">http://www.tutor2u.net/economics/content/topics/fiscalpolicy/taxation1.htm</a></p> <p>URL – <a href="http://www.tutor2u.net/economics/content/topics/markets/nation/indirect_taxes.htm">http://www.tutor2u.net/economics/content/topics/markets/nation/indirect_taxes.htm</a></p> <p>URL – <a href="http://www.hm-treasury.gov.uk">http://www.hm-treasury.gov.uk</a></p> <p>URL – <a href="http://www.inlandrevenue.gov.uk">http://www.inlandrevenue.gov.uk</a></p>	
d	Students should be able to discuss and reach reasoned conclusions on: the government's influence on private producers, the possible conflicts between government aims and the impact and incidence of taxation.	<p>Unit 5 dealt with the private producer but in this last section of Unit 6, students need to consider the government's influence on private producers. They need to work in groups and discuss and evaluate the various ways in which this influence can take place, reporting their findings back to the whole class. There are various areas that could be examined, such as in relation to pollution, consumer protection, taxation, health and safety, planning applications and location of businesses.</p> <p>The second section of this Unit dealt with the various aims of government policy but in this final section, students need to consider the possibility that there may be possible conflicts between these aims; for example, the aim of reducing unemployment could conflict with the need to keep down the rate of inflation. They need to be given a task of aiming to achieve one aim but then consider whether</p>	<p>URL – <a href="http://www.s-cool.co.uk/quicklearn">http://www.s-cool.co.uk/quicklearn</a> Macroeconomic Objectives: Conflicts between macroeconomic objectives</p> <p>URL - <a href="http://www.bized.ac.uk/virtual/economy/policy/advisors/general.htm">http://www.bized.ac.uk/virtual/economy/policy/advisors/general.htm</a></p> <p>URL – <a href="http://www.bized.ac.uk/virtual/economy/policy/tools/vat/vat3.htm">http://www.bized.ac.uk/virtual/economy/policy/tools/vat/vat3.htm</a></p>	<p>Anderton, Unit 81, pages 202-203</p> <p>Anderton, page 208</p> <p>Moynihan and Titley, Chapter 15, pages 339-340</p> <p>Paisley and Quillfeldt, Part 7, Unit 7.4, pages 222-224</p>

		<p>this might conflict with the other aims. Anderton (pages 202-203) is good on this and he has some relevant study points and check points; he also has a data response question on the limits of government policy (page 208). Moynihan and Titley (pages 339-340) are also good on these policy conflicts and exercise 6 would be worth doing. The s-cool website resource is good on the conflicts between the various objectives.</p> <p>The last part of the Unit deals with the impact and incidence of taxation. This relates to the previous section of this Unit and students need to consider these two concepts in relation to taxation. The impact of a tax refers to the person or business on which a tax is levied; the incidence of a tax could be different if all or part of the tax burden is passed on to someone else. In the case of a sales tax, for example, the incidence will depend on the elasticity of demand and supply. The bized website resource on VAT is very helpful on this.</p>		
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