

## Macroeconomics, Module 16: Government Expenditure

### *Homework Assignment:* Types of Government Expenditures

(The attached PDF file has better formatting.)

Government services are of many types. Consider three groups of people – poor, middle class, and wealthy – and several types of government services. For each type of government service, which group of people benefits most?

- A. Police protection, courts of law
- B. Public schools, student loans for college
- C. Welfare, medicaid
- D. National defense

For Part A: Police protection helps people with assets: homes, cars, and money. Courts help firms and people do business.

For Part B: Children of wealthy families are in private schools. Children of poor families often do not attend college and may not finish high school.

For Part C: Most social welfare programs are means adjusted. Welfare and medicaid benefit only persons with no income. Even in social security, the wealthy subsidize the poor.

For Part D, consider which people are hurt most by losing a war. All people benefit from national defense, but which group benefits the most? For empirical evidence, consider the war in Iraq, the wars in South-East Asia twenty years ago (Viet Nam, Laos, Cambodia), or the recent wars in Africa (Congo, Rwanda, Sri Lanka).

- Poor people don't own much before the war. If wealth is re-distributed, they may gain.
- Wealthy people lose their wealth (businesses, money, and lands) in a war.
- Conquerors want poor persons to stay after the war to provide industrial or farm labor. They eliminate the educated classes: lawyers, journalists, professors, businessmen, and civic leaders who might organize resistance.