

THE PURPOSE OF PUBLIC SPENDING

Public spending serves many functions. The roads we drive on, the schools we attend, and the hospitals we visit are just a few examples of how public money is put to use in Saskatchewan. Other examples include seniors' drug plans, farm income stability programs, and provincial parks. The list is very long: in total, the Government of Saskatchewan spends over \$20 billion a year.

To help understand the purpose of public spending, consider the example of how roads are planned, built, and maintained.

Without government, how would roads be constructed? Perhaps you could build the road directly in front of your home, then hope your neighbours would continue the road. But even if that could be done, who would plan where the road should ultimately go? How would the road be maintained? And who would build connecting roads across areas where nobody lived?

By having government build and maintain roads, there are many positive results:

- **Costs are reduced**
the theory of “economies of scale” suggests it is cheaper to build roads through central planning than to build them piece-by-piece
- **Citizens have greater mobility**
facilitating travel by foot, bike, or vehicle gives citizens more freedoms
- **Businesses generate wealth**
access to businesses is created for customers, employees, and suppliers
- **Society has more freedom**
freeing individuals and businesses from the task of creating their own road network gives people more time to devote to their personal interests
- **All citizens have an equivalent say**
if suggestions about or problems with the road arise, each person is entitled to have their say as an equal owner of the road.

The above example of roads, although simplified, illustrates economist and Nobel Prize winner Amartya Sen's research on the purpose of public spending. In *Development as Freedom*, Sen pointed out that countries with higher public spending have healthier and better educated citizens. He believed when government adequately provides core services, citizens are free to pursue individual choices that bring about personal and social development.

Public spending can also make society more fair. For example:

- social assistance programs help ensure the poorest in society—such as seniors and the unemployed—have a minimum income and affordable housing
- agriculture stabilisation programs help protect farmers and farm communities from fluctuations beyond their control, such as bad weather and global market shocks
- health care and education ensure that all citizens receive services essential to a healthy and informed life

When government provides goods and services to all citizens, the middle class and the poor have access to the same services as the rich. In other words, public spending helps equalise society. This benefits everyone in society, including the rich. *The Spirit*



THE PURPOSE OF PUBLIC SPENDING... CONTINUED

Level, Richard Wilkinson and Kate Pickett's book about equality in societies, found that when the gap between the rich and the poor narrowed, life was better for everyone:

- crime was reduced
- drug misuse was less prevalent
- child well-being was higher
- educational achievement was stronger
- communities exhibited higher degrees of mutual trust
- people lived longer and healthier lives

Investing in public goods and services builds up the well-being of individuals in a society, which in turn builds up the well-being of society as a whole.

Discuss

1. What basic services or facilities do you believe should be available to all citizens?
2. What services and facilities are actually available to all citizens through public means?
3. How do the public goods and services you have identified in Questions #1 and #2 enable citizens to pursue individual choices that bring about personal and social development?
4. What kinds of goods and services should not be provided by government? Why not?

