



Section 1: Quiz

Understanding Fiscal Policy

CHAPTER 15

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. a twelve-month period that is used for financial calculations
- _____ 2. a written document indicating the amount of money the government will receive and spend
- _____ 3. fiscal procedures that try to increase economic output
- _____ 4. fiscal procedures that try to decrease economic output
- _____ 5. the federal government's use of taxing and spending to keep the economy stable

Column II

- a. fiscal policy
- b. expansionary policies
- c. contractionary policies
- d. federal budget
- e. fiscal year

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 6. What is the role of the Office of Management and Budget?
 - a. to manage the collection of all U.S. taxes
 - b. to make compromises between the federal and state budgets
 - c. to manage the federal government's budget
 - d. to suggest new rules for the Internal Revenue Service
- _____ 7. What is the purpose of "stop-gap" funding?
 - a. to close gaps in the funding when there is an unexpected expense
 - b. to stop the spending of unnecessary funds when money is being wasted
 - c. to make sure there is enough money to pay the government's bills when the budget is finished
 - d. to keep the government running when the budget has not been approved
- _____ 8. Why does the government sometimes use an expansionary fiscal policy?
 - a. to encourage growth and try to stop or prevent a recession
 - b. to expand the government's control over non-defense spending
 - c. to control the demand for consumer goods and services
 - d. to slow down the economy because fast-growing demand can exceed supply
- _____ 9. Why is it difficult for the federal government to increase or decrease spending?
 - a. Most government officials are reluctant to authorize any changes in spending.
 - b. Two-thirds of all government spending is on entitlements, which the government cannot easily alter.
 - c. Taxpayers and citizens get upset when the government decides to stop paying for something.
 - d. Different states may have different goals, so they may not agree with the monetary changes.
- _____ 10. What is one of the major uses of government fiscal policy?
 - a. to keep the amount of taxes collected directly from residents low
 - b. to prevent big changes in the level of the GDP
 - c. to allow the government to control its own spending on programs
 - d. to let lawmakers make changes in economic decisions



Section 2: Quiz

Fiscal Policy Options

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. the idea that the government can and should regulate the economy
- _____ 2. the idea that every dollar of change in government use of money is reflected in a greater change in the economy
- _____ 3. the idea that taxation is a major aspect of the economy
- _____ 4. the idea that markets regulate themselves

Column II

- a. classical economics
- b. Keynesian economics
- c. multiplier effect
- d. supply-side economics

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 5. What problem did the Great Depression in the 1930s highlight that classical economics did not address?
 - a. how often such an event would happen worldwide
 - b. how much the government should spend to revive the economy
 - c. how long the market would take to return to equilibrium
 - d. how many people would lose their jobs or homes
- _____ 6. What is the maximum output that the economy can sustain over a period of time called?
 - a. productive capacity
 - b. economic output
 - c. controlled incentive
 - d. maximum spending
- _____ 7. What are the two main economic problems that Keynesian economics seeks to address?
 - a. business and personal taxes
 - b. military and other defense spending
 - c. periods of depression and inflation
 - d. foreign aid and domestic spending
- _____ 8. When the government collects taxes and pays out transfer payments as a way to balance the economy, what are these fiscal tools called?
 - a. federal payments to states
 - b. automatic stabilizers
 - c. Internal Revenue Service aids
 - d. income equalizers
- _____ 9. What does experience show about the relationship of taxation and work?
 - a. When taxes are cut, workers work significantly more hours.
 - b. When taxes are raised, workers work significantly more hours.
 - c. A tax cut does not cause employers to raise wages significantly.
 - d. A tax cut does not cause workers to work significantly more hours.
- _____ 10. What is the current highest bracket for personal income taxes?
 - a. about 25 percent
 - b. about 40 percent
 - c. about 50 percent
 - d. about 90 percent



Section 3: Quiz

Budget Deficits and the National Debt

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. federal spending equal to federal revenue
- _____ 2. the total amount of money owed by the federal government
- _____ 3. government bond that is a substantial amount of money borrowed for as long as 30 years
- _____ 4. federal spending in excess of federal revenue
- _____ 5. government bond that allows the borrowing of small amounts of money

Column II

- a. United States Savings Bond
- b. Treasury bond
- c. budget deficit
- d. national debt
- e. balanced budget

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 6. When the government attempts to cover large deficits by creating more money, what is the probable result called?
 - a. government borrowing
 - b. hyperinflation
 - c. excess currency
 - d. full employment
- _____ 7. What is one of the major problems caused by a large national debt?
 - a. It does not allow small investments by private individuals.
 - b. It makes it hard for the government to carry on activities.
 - c. It makes it difficult for the country to operate internationally.
 - d. It decreases the amount of money available to be borrowed by businesses.
- _____ 8. What was the state of the federal budget at the start of the twenty-first century?
 - a. surpluses for the first time in 30 years
 - b. large surpluses for the last 10 years
 - c. minor deficit spending for the first time in 10 years
 - d. balanced spending for the last 10 years
- _____ 9. What can be expected when members of the baby boom generation begin to retire in large numbers?
 - a. increased gross domestic product
 - b. decreased interest paid
 - c. increased deficits
 - d. decreased services
- _____ 10. What is a major argument against a constitutional amendment requiring a balanced budget?
 - a. It would be hard to monitor.
 - b. It would be too unpopular.
 - c. It would be difficult to obey.
 - d. It would be too inflexible.