



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