



Section 2: Quiz

Fiscal Policy Options

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. 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

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