

Name: _____ Date: _____

Tax Tides and Spend Strides: 10th Grade Fiscal Policy Quiz

Evaluate how 10 diverse fiscal levers influence national stability through 10 analytical scenarios and data-driven applications.

1. The 'Laffer Curve' is a theoretical framework often used by supply-side economists to argue which of the following regarding taxation?

- A. Lowering tax rates can potentially increase total tax revenue by incentivizing investment.
- B. A flat tax system is more equitable than a progressive tax system during recessions.
- C. High government spending creates a 'crowding out' effect on private borrowing.
- D. Taxation should only be used to fund transfer payments like Social Security.

2. A nation experiencing 'demand-pull' inflation would likely utilize a contractionary fiscal policy, such as decreasing government spending, to cool the economy.

- A. True
- B. False

3. When the government spends more than it collects in tax revenue within a single fiscal year, it creates a _____.

- A. Trade Surplus
- B. Budget Deficit
- C. Capital Gain
- D. Monetary Ease

4. Which of the following serves as an 'automatic stabilizer' in the U.S. economy, requiring no new legislation to mitigate economic swings?

- A. A one-time stimulus check sent to households
- B. Military spending on new defense technology
- C. Unemployment insurance benefits
- D. An increase in the federal minimum wage

5. A regressive tax, such as a flat sales tax on groceries, generally places a higher financial burden on low-income earners relative to their total income.

- A. True
- B. False

6. The 'Multiplier Effect' suggests that an initial \$1 billion in government infrastructure spending will result in _____.

- A. Exactly \$1 billion in total GDP growth
- B. Less than \$1 billion in growth due to taxes
- C. A total increase in GDP greater than the initial \$1 billion

Name: _____ Date: _____

D. Zero change in the long-term economy

7. During a period of 'stagflation' (stagnant growth and high inflation), why is fiscal policy particularly difficult to implement?

- A. Expansionary policy to fix growth may worsen inflation.
- B. Tax cuts are illegal during periods of high inflation.
- C. The government is forced to balance the budget by law.
- D. Stagflation only occurs in command economies where fiscal policy is irrelevant.

8. Social Security and Medicare are categorized as _____ spending because the government is legally required to fund them for all eligible citizens.

- A. Discretionary
- B. Mandatory
- C. Voluntary
- D. Peripheral

9. Fiscal policy is managed primarily by a nation's Central Bank, which adjusts interest rates to control the money supply.

- A. True
- B. False

10. If a government wants to encourage the production of 'green' energy as part of its fiscal strategy, which tool is it most likely to use?

- A. Raising the corporate income tax for all businesses
- B. Implementing a tariff on all imported machinery
- C. Providing tax credits and subsidies to solar panel manufacturers
- D. Increasing the discount rate for commercial banks