

Name: _____ Date: _____

Taxing Times and Spending Crimes: 7th Grade Economy Boss

Aggregate demand, fiscal multipliers, and budget deficits—essential tools for managing a country's financial health during an interactive classroom review.

1. A nation is experiencing high inflation due to an 'overheated' economy. Which contractionary fiscal policy would a government most likely implement to cool down the market?

- A. Increasing the supply of physical currency in circulation.
- B. Decreasing corporate and personal income tax rates.
- C. Reducing government spending on new highway projects.
- D. Lowering the interest rates for small business loans.

2. When a government purposefully spends more money on public works than it collects in tax revenue during a single year, it is running a _____.

- A. Budget Surplus
- B. Budget Deficit
- C. Trade Embargo
- D. National Equity

3. Expansionary fiscal policy is most effective when a country is experiencing a period of rapid economic growth and low unemployment.

- A. True
- B. False

4. Consider the 'Multiplier Effect.' Why might \$1 billion in government spending on education have a larger impact on the economy than a \$1 billion tax cut for the wealthy?

- A. Wealthy citizens are more likely to save the extra money rather than spend it immediately.
- B. Education spending is considered a 'leakage' in the circular flow of income.
- C. Tax cuts strictly decrease the national debt while spending increases it.
- D. The government does not have to pay back the money spent on schools.

5. The theory that lower tax rates for businesses will eventually benefit everyone by encouraging production and investment is often called _____ economics.

- A. Demand-side
- B. Command
- C. Supply-side
- D. Traditional

6. Which of these scenarios represents a 'Transfer Payment' by the government, often used as a safety net during economic shifts?

- A. Paying a construction company to build a military base.

Name: _____ **Date:** _____

- B. Providing unemployment insurance checks to laid-off factory workers.
- C. Purchasing new laptops for the Department of Justice.
- D. Hiring a new team of park rangers for Yellowstone National Park.

7. Changing interest rates and controlling the money supply are the two primary tools of fiscal policy.

- A. True
- B. False

8. In a _____ tax system, the percentage of income paid in taxes decreases as the taxpayer's income increases.

- A. Progressive
- B. Regressive
- C. Proportional
- D. Flat

9. What is a potential negative side effect of long-term expansionary fiscal policy funded by borrowing?

- A. It can lead to a 'crowding out' effect where high debt raises interest rates for everyone.
- B. It consistently leads to a rapid increase in the value of the local currency.
- C. It forces the government to stop collecting all property taxes.
- D. It causes the national unemployment rate to hit 0% forever.

10. If a government wants to decrease Aggregate Demand, it should increase the tax rate on consumers.

- A. True
- B. False