

Name: _____ Date: _____

Master the Market: Fiscal Feats for 12th Grade Pros

Analyze tax structures and legislative spending to predict how national policy shifts will impact your future purchasing power and career path.

1. Which economic phenomenon identifies the situation where aggressive government borrowing to fund a deficit leads to increased interest rates, subsequently reducing private sector investment?

- A. The Multiplier Effect
- B. Crowding Out
- C. The Laffer Curve
- D. Stagflation

2. True or False: Evaluation of 'Automatic Stabilizers' suggests that progressive income taxes and unemployment benefits naturally mitigate economic fluctuations without requiring new legislative action.

- A. True
- B. False

3. If the Marginal Propensity to Consume (MPC) is 0.8, the government spending multiplier is _____, meaning an initial \$100 billion in spending could theoretically increase GDP by \$500 billion.

- A. 2
- B. 4
- C. 5
- D. 10

4. According to the Ricardian Equivalence hypothesis, why might a tax cut fail to stimulate consumer spending as predicted by traditional Keynesian models?

- A. Consumers save the tax cut in anticipation of future tax increases to pay off the debt.
- B. The tax cut leads to an immediate decrease in the velocity of money.
- C. Businesses utilize the tax cut exclusively for stock buybacks rather than wages.
- D. The central bank always counters tax cuts with contractionary monetary policy.

5. True or False: A 'Recognition Lag' refers to the specific time period between when a fiscal policy is signed into law and when it actually impacts the unemployment rate.

- A. True
- B. False

6. Supply-side fiscal policy focuses on shifting the ____ curve to the right by reducing corporate taxes and deregulating industries to foster long-term growth.

- A. Aggregate Demand (AD)
- B. Short-run Phillips (SRPC)

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- C. Aggregate Supply (AS)
- D. Liquidity Preference

7. In a scenario involving high inflation and low unemployment, which combination of fiscal actions would a 'Hawkish' fiscal conservative most likely advocate?

- A. Increasing transfer payments and lowering the capital gains tax.
- B. Running a budget surplus by cutting infrastructure spending and raising taxes.
- C. Increasing the deficit to fund new education initiatives.
- D. Decreasing the reserve requirement while increasing government subsidies.

8. The ___ tax, often debated in the context of fairness, imposes a higher percentage burden on low-income earners than on high-income earners, often seen with sales taxes.

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

9. True or False: The 'Decision Lag' in fiscal policy is generally shorter than the decision lag for monetary policy because Congress can vote faster than the Federal Reserve can meet.

- A. True
- B. False

10. A nation is experiencing a 'Deflationary Gap.' Which fiscal policy intervention would most likely lead to a Right-ward shift in Aggregate Demand while avoiding an increase in the long-term structural deficit?

- A. Permanent increase in public sector wages.
- B. A temporary investment tax credit for green energy installations.
- C. Indefinitely suspending all corporate income taxes.
- D. Instituting a permanent Universal Basic Income (UBI).