

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## Answer Key: You Control the Treasury: A 5th Grade Fiscal Policy Quest

Calculate trade-offs and analyze 10 financial scenarios to balance a city budget using tax adjustments and infrastructure spending.

---

**1. The Town of Sunnyvale is facing high unemployment. As the Mayor, which fiscal policy move would most likely help create new jobs quickly?**

**Answer:** C) Starting a new project to build a public library and sports complex

Increased government spending on infrastructure projects creates immediate jobs for construction workers, architects, and suppliers, stimulating the local economy.

**2. If a government decides to decrease taxes, people generally have more 'disposable income' to spend at stores and restaurants.**

**Answer:** A) True

Lower taxes mean fewer dollars are taken out of paychecks, leaving citizens with more personal money to spend on goods and services.

**3. When a government's spending is higher than the tax money it collects in a year, it creates a \_\_\_\_\_.**

**Answer:** B) Budget Deficit

A deficit occurs when the government outspends its revenue. It often happens during economic downturns when the government tries to boost the economy.

**4. Imagine prices for bread and milk are rising too fast (inflation). What 'contractionary' fiscal policy might a government use to slow this down?**

**Answer:** B) Raising taxes to reduce the total amount of money people have to spend

By raising taxes, the government removes money from the economy. This reduces demand, which can help slow down rising prices (inflation).

**5. Fiscal policy is exactly the same thing as Monetary Policy, which is controlled by the central bank.**

**Answer:** B) False

**Name:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Fiscal policy is handled by the legislative and executive branches (taxing and spending), while Monetary Policy is handled by a central bank (interest rates and money supply).

**6. A tax placed on specific 'luxury' items, like private jets or expensive jewelry, is often used to \_\_\_\_\_.**

**Answer:** C) Generate revenue from those with the most wealth

Luxury taxes target non-essential high-cost items, allowing the government to collect revenue from wealthy consumers without burdening lower-income families.

**7. If the government provides a 'subsidy' (financial help) to farmers who grow corn, what is the most likely economic goal?**

**Answer:** C) To keep food prices stable and support the farming industry

Subsidies are a form of government spending used to support important industries, ensuring they stay in business and keep their products affordable for the public.

**8. When a government spends money on \_\_\_\_\_ services, like the military or public schools, it is providing goods that benefit all citizens.**

**Answer:** C) Public

Public goods and services are funded by tax dollars because they are things that individuals usually cannot provide for themselves, like national defense or education.

**9. Governments must always keep their budget perfectly balanced every single month of the year.**

**Answer:** B) False

While balancing a budget is a long-term goal for some, governments often use 'deficit spending' during emergencies or recessions to help the economy recover.

**10. Which of these is a likely 'opportunity cost' of a government spending \$1 billion on a new space exploration program?**

**Answer:** B) The same money cannot be used to improve the school system

Opportunity cost is what you give up when you make a choice. Spending money on space means that specific billion dollars is no longer available for other needs like schools.