

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

## Answer Key: Cash and the Capital: A 5th Grade Fiscal Policy Quest

Calculate how community budgets transform through tax revenue and public park projects to stabilize a local economy.

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**1. If the Mayor of Sunnyville decides to build three new libraries to create jobs and improve reading, which part of fiscal policy is being used?**

**Answer:** B) Government Spending

When a government uses money for public projects like libraries or schools, it is called government spending.

**2. True or False: Fiscal policy is the main tool the government uses to influence the economy through taxes and spending.**

**Answer:** A) True

Fiscal policy refers specifically to how the government adjusts its spending levels and tax rates to monitor and influence a nation's economy.

**3. When the government wants people to have more money to spend during a slow economy, it might \_\_\_\_\_ tax rates.**

**Answer:** B) Lower

By lowering taxes, the government allows families and businesses to keep more of their earnings, which encourages shopping and growth.

**4. Imagine the government charges a 'Sugar Tax' on soda to encourage healthier habits. What is the primary purpose of this tax?**

**Answer:** C) To influence consumer behavior

Governments often use taxes not just for revenue, but to discourage activities they believe are unhealthy or harmful.

**5. The money a government collects from citizens to pay for public services like police and fire departments is called \_\_\_\_\_.**

**Answer:** C) Revenue

Revenue is the total amount of money a government receives, mostly through taxes, to fund its operations.

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**6. True or False: If the government spends more money than it collects in taxes in one year, it has a budget surplus.**

**Answer:** B) False

This is false; spending more than you collect results in a budget deficit. A surplus is when you have money left over.

**7. Which of these is a likely result of the government investing in a new high-speed train system across the state?**

**Answer:** B) New jobs will be created for construction

Government spending on infrastructure like trains creates jobs for workers and improves the way goods and people move.

**8. During an 'Economic Boom' when prices are rising too fast, the government might \_\_\_\_\_ spending to cool down the economy.**

**Answer:** B) Decrease

Decreasing spending can help slow down inflation and keep the economy stable if it is growing too quickly.

**9. True or False: Public parks and national forests are examples of goods provided through government spending.**

**Answer:** A) True

Public goods are services or spaces provided by the government for everyone to use, funded by tax dollars.

**10. If a city uses a 'Sales Tax' to pay for a new community pool, who is paying for that pool?**

**Answer:** B) People who buy things in that city

Sales tax is a percentage added to the cost of items sold, meaning anyone shopping in that city contributes to the revenue.