

Name: _____ Date: _____

When Taxes Move Markets 11th Grade Fiscal Quiz

Differentiate between expansionary and contractionary tools using real-world scenarios to prepare for unit assessments or high-stakes economics exams.

1. Which government action is a primary tool of expansionary fiscal policy intended to jumpstart a sluggish economy?

- A. Increasing corporate tax rates
- B. Decreasing government spending on infrastructure
- C. Reducing personal income taxes
- D. Raising interest rates on consumer loans

2. Fiscal policy is primarily managed by a nation's central bank rather than the legislative or executive branches.

- A. True
- B. False

3. When the government spends more money than it collects in tax revenue during a single year, it is running a ____.

- A. Budget Surplus
- B. Budget Deficit
- C. National Debt
- D. Trade Imbalance

4. To combat high inflation, which combination of fiscal actions would a government most likely take?

- A. Decrease taxes and increase spending
- B. Increase taxes and decrease spending
- C. Decrease taxes and decrease spending
- D. Increase taxes and increase spending

5. Public works projects, such as building the interstate highway system, are examples of discretionary government spending.

- A. True
- B. False

6. Programs like unemployment insurance that automatically increase government spending during a recession without new legislation are called ____.

- A. Required reserves
- B. Automatic stabilizers
- C. Direct transfers
- D. Open market operations

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7. What is the likely effect on the GDP if a government decides to significantly increase its spending on aerospace research and development?

- A. The GDP will likely decrease
- B. The GDP will stay exactly the same
- C. The GDP will likely increase
- D. The GDP will cause an immediate recession

8. The _____ effect describes how an initial increase in government spending leads to a proportionately larger increase in national income.

- A. Crowding-out
- B. Substitution
- C. Multiplier
- D. Deadweight

9. A regressive tax system is one where the tax rate increases as the person's income increases.

- A. True
- B. False

10. Which of the following describes 'crowding out' in the context of fiscal policy?

- A. Government borrowing leading to higher interest rates and reduced private investment
- B. The government forcing private companies to shut down to prevent competition
- C. Raising taxes so high that consumers stop buying imported goods
- D. An increase in the number of people qualifying for social welfare programs