

Name: _____ Date: _____

Answer Key: Middle School Debt and Deficits Fiscal Quiz

Public infrastructure, tax revenue, and surplus vs. deficit. These 10 questions help students analyze how government budgets impact community growth.

1. If a city government wants to build a new public library but doesn't have enough tax revenue saved up, which fiscal action are they most likely to take?

Answer: A) Issue municipal bonds to borrow money

Governments often borrow money for large infrastructure projects by issuing bonds, which are promises to pay back investors with interest over time.

2. True or False: A budget surplus occurs when a government spends more money in a year than it collects in taxes.

Answer: B) False

This is false; spending more than you collect is a budget deficit. A surplus is when you have extra money left over after all bills are paid.

3. When the government reduces taxes to encourage people to spend more money during a recession, they are using _____ fiscal policy.

Answer: B) Expansionary

Expansionary policy 'expands' the economy by putting more money in the hands of consumers and businesses to stimulate growth.

4. Imagine the national economy is growing too fast and prices are rising quickly (inflation). Which move would a government most likely make to slow things down?

Answer: C) Decreasing government spending on projects

Decreasing spending is a form of contractionary fiscal policy used to cool down an overheating economy and reduce inflation.

5. True or False: Public goods, such as street lights and national parks, are usually funded through the collection of various taxes.

Answer: A) True

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Public goods are services provided by the government for all citizens to use, and they are paid for by the tax revenue collected from the public.

6. The total amount of money that a national government owes to lenders over many years is known as the national _____.

Answer: C) Debt

While a deficit is the shortfall in a single year, the national debt is the accumulation of all yearly deficits minus any surpluses.

7. Which of these is a direct 'transfer payment' where the government gives money to individuals to support their well-being?

Answer: D) Providing Social Security checks

Transfer payments are redistributions of income where the government provides aid or benefits to individuals without receiving a specific good or service in return.

8. True or False: If the government increases the tax on gasoline, it is likely trying to increase the total number of cars on the road.

Answer: B) False

Increasing a tax (like an excise tax) usually discourages that behavior or raises revenue; it would likely lead to fewer cars or more fuel-efficient choices.

9. What is the main difference between 'discretionary' spending and 'mandatory' spending in a government budget?

Answer: B) Mandatory spending is required by law

Mandatory spending is funding for programs required by existing law, while discretionary spending is decided upon by lawmakers each year through appropriation bills.

10. A tax that takes a larger percentage of income from high-income earners than from low-income earners is called a _____ tax.

Answer: C) Progressive

A progressive tax system, like the income tax in many countries, applies higher rates to those with greater ability to pay.