15.1 The Government Budget: Some Facts and Figures

1) Subtracting government investment from government purchases gives us the amount of government
   A) outlays.
   B) primary expenditures.
   C) secondary spending.
   D) consumption expenditures.
Answer: D
Diff: 1
Topic: Section 15.1
Question Status: New

6) The largest source of tax receipts for the government is
   A) personal taxes.
   B) contributions for social insurance.
   C) taxes on production and imports.
   D) corporate taxes.
Answer: A
Diff: 1
Topic: Section 15.1
Question Status: Previous Edition

7) The type of tax receipts that has shown the largest growth since the end of World War II has been
   A) personal taxes.
   B) contributions for social insurance.
   C) taxes on production and imports.
   D) corporate taxes.
Answer: B
Diff: 1
Topic: Section 15.1
Question Status: Previous Edition

8) The type of tax receipts that has shown the slowest growth since World War II has been
   A) personal taxes.
   B) contributions for social insurance.
   C) taxes on production and imports.
   D) corporate taxes.
Answer: D
Diff: 2
Topic: Section 15.1
Question Status: Previous Edition

10) State and local governments rely on _______ as their primary source of tax receipts.
    A) personal taxes
    B) contributions for social insurance
    C) indirect business taxes
    D) corporate taxes
Answer: C
Diff: 1
11) The primary deficit is equal to
   A) outlays − tax revenues.
   B) government purchases + transfers + net interest − tax revenues.
   C) outlays + net interest − tax revenues.
   D) government purchases + transfers − tax revenues.
Answer: D  
Diff: 1

12) The deficit is
   A) the amount by which government purchases, transfers, and net interest exceed tax revenues.
   B) the amount by which government purchases and transfers exceed tax revenues.
   C) the primary deficit minus net interest payments.
   D) total tax revenues minus net interest minus government expenditures.
Answer: A  
Diff: 1

13) The amount by which government purchases and transfers exceed tax revenues is known as the
   A) primary surplus.
   B) primary deficit.
   C) primary current deficit.
   D) government debt.
Answer: B  
Diff: 1

14) The current deficit is
   A) the deficit minus government investment.
   B) the deficit plus net interest payments.
   C) the deficit minus current expenditures.
   D) the deficit minus depreciation.
Answer: A  
Diff: 1

15) The current deficit is
   A) the deficit plus net interest payments.
   B) current expenditures minus tax revenues.
   C) outlays minus tax revenues.
   D) the deficit minus depreciation.
Answer: B  
Diff: 2

16) The primary current deficit is
A) current expenditures − tax revenues.
B) current expenditures + transfers + net interest − tax revenues.
C) current expenditures − net interest − tax revenues.
D) current expenditures + transfers − tax revenues.

Answer: C
Diff: 2

Topic: Section 15.1
Question Status: Previous Edition

17) The current deficit minus net interest is called the
   A) primary deficit.
   B) net current deficit.
   C) current surplus.
   D) primary current deficit.

Answer: D
Diff: 1

Topic: Section 15.1
Question Status: Previous Edition

15.2 Government Spending, Taxes, and the Macroeconomy

2) The political process by which fiscal policy is made
   A) is relatively rapid, contributing to the effectiveness of fiscal policy.
   B) requires only that the president approve changes to the budget, a decision that takes several months.
   C) is efficient in reaching a decision within a year.
   D) is slow and results in a long time lag for fiscal policy.

Answer: D
Diff: 1

Topic: Section 15.2
Question Status: Previous Edition

3) Provisions in the budget that cause government spending to rise or taxes to fall without legislation when GDP falls are known as
   A) primary deficit enhancers.
   B) expansionary fiscal stimulus.
   C) non-political fiscal policy.
   D) automatic stabilizers.

Answer: D
Diff: 1

Topic: Section 15.2
Question Status: New

5) Because of automatic stabilizers, in recessions the government budget deficit ________, while in expansions the deficit ________.
   A) falls; rises
   B) falls; falls
   C) rises; falls
   D) rises; rises

Answer: C
Diff: 1

Topic: Section 15.2
6) The amount the government budget deficit would be if the economy were at full employment is known as the
   A) primary deficit.
   B) full-employment deficit.
   C) natural deficit.
   D) current deficit.
   Answer: B
   Diff: 1
   Topic: Section 15.2
   Question Status: Previous Edition

8) Government capital consists of
   A) money owned by the government.
   B) securities owned by the government.
   C) the buildings owned by the government in Washington, D.C.
   D) long-lived physical assets owned by the government.
   Answer: D
   Diff: 1
   Topic: Section 15.2
   Question Status: Previous Edition

9) All of the following are government capital EXCEPT
   A) roads.
   B) schools.
   C) Treasury securities.
   D) mass-transit systems.
   Answer: C
   Diff: 1
   Topic: Section 15.2
   Question Status: Previous Edition

10) The total amount of taxes paid divided by before-tax income is the
    A) median taxpayer rate.
    B) rate of hysteresis.
    C) average tax rate.
    D) marginal tax rate.
    Answer: C
    Diff: 1
    Topic: Section 15.2
    Question Status: Previous Edition

12) An increase in the marginal tax rate, with the average tax rate held constant, will
    A) increase the amount of labor supplied at any real wage.
    B) not affect the amount of labor supplied at any real wage.
    C) decrease the amount of labor supplied at any real wage.
    D) increase the amount of labor supplied at any real wage if the average tax rate is above the marginal tax rate, but decrease the amount of labor supplied at any real wage if the average tax rate is below the marginal tax rate.
    Answer: C
    Diff: 2
    Topic: Section 15.2
    Question Status: Previous Edition
16) Taxes distort economic behavior because they
   A) change the composition of income and spending.
   B) cause deviations in economic behavior from the efficient, free-market outcome.
   C) change the balance between private and public expenditures.
   D) change the composition of consumption, investment, government spending, and net exports.
Answer: B
Diff: 1
Topic: Section 15.2
Question Status: Previous Edition

19) An example of tax smoothing is provided by evidence of
   A) temporary changes in defense expenditures by the government.
   B) reductions in tax rates prior to presidential elections.
   C) Keynesian tax cuts designed to help the economy recover from a recession.
   D) reliance on debt financing rather than taxation during World War II.
Answer: D
Diff: 1
Topic: Section 15.2
Question Status: Previous Edition

15.3 Government Deficits and Debt

1) The total value of government bonds outstanding at any particular time is called the
   A) government debt.
   B) government deficit.
   C) seignorage revenue.
   D) yield curve.
Answer: A
Diff: 1
Topic: Section 15.3
Question Status: Previous Edition

2) Increases in the debt-GDP ratio are primarily caused by
   A) a high growth rate of GDP.
   B) a high government deficit relative to GDP.
   C) increases in government borrowing through bonds.
   D) increases in interest rates.
Answer: B
Diff: 2
Topic: Section 15.3
Question Status: Previous Edition

3) If the deficit is 0.02 times GDP, the existing debt/GDP ratio is 0.5, and the growth rate of nominal GDP is 0.03, then the change in the debt-GDP ratio is
   A) +0.05
   B) +0.025.
   C) 0.005
   D) –0.025.
Answer: C
Diff: 2
Topic: Section 15.3
4) A Social Security system in which payroll taxes that workers and their employers pay in go directly to retirees and other beneficiaries is known as
   A) a pay-as-you-go system.
   B) an individual-account system.
   C) a primary-deficit system.
   D) a social-lockbox system.
   Answer: A
   Diff: 1
   Topic: Section 15.3

5) According to current projections, in about 2040, the Social Security trust fund will
   A) own all the government bonds that have been issued.
   B) own about half of all the stock issued on the New York Stock Exchange.
   C) run out of assets.
   D) start to run deficits.
   Answer: C
   Diff: 1
   Topic: Section 15.3

6) Which of the following policies would not prevent the Social Security trust fund from running out of assets?
   A) Reduce promised benefits
   B) Reduce taxes
   C) Increase taxes
   D) Earn a higher rate of return
   Answer: B
   Diff: 1
   Topic: Section 15.3

9) Recent proposals to allow the Social Security trust fund to invest in the stock market (instead of buying government bonds) are based on the premise that
   A) the returns to stocks are higher than the returns to bonds.
   B) the returns to stocks aren’t as risky as the returns to bonds.
   C) the transactions costs for investing in stocks are lower than the transactions costs for investing in bonds.
   D) stocks are more liquid than bonds.
   Answer: A
   Diff: 1
   Topic: Section 15.3
estimation
Status:

Previous Edition
Status:

Previous Edition