

Chapter 18 Test

Key Terms

From the box below, choose the term that matches each definition. Write the letter of the answer in the space provided.

- | | | |
|---------------------|-------------------------------|-------------------------|
| a. full employment | d. national income accounting | g. economic growth |
| b. proportional tax | e. progressive tax | h. regressive tax |
| c. balanced budget | f. deficit budget | i. entitlement programs |

- ___ 1. provides benefits to those who receive them, according to law
- ___ 2. keeping track of national income and spending
- ___ 3. each taxpayer pays the same percentage of income
- ___ 4. spending equals income from taxes
- ___ 5. takes a larger percentage of taxes from a person with a higher income than one with a lower income
- ___ 6. anyone who wants to work can find work
- ___ 7. more and better production of goods and services to provide a higher standard of living
- ___ 8. takes a larger percentage from a person with a lower income than from one with a higher income
- ___ 9. government spends more than it receives from taxes

Main Ideas

Write the letter of the correct answer in the space provided.

- ___ 10. Policymakers try to set economic goals that avoid deflation, or the
- a. increases in the level of prices throughout the nation.
 - b. income payments that businesses make to banks on borrowed money.
 - c. decreases in the level of prices throughout the nation.
 - d. money left in a business after all costs have been paid.
- ___ 11. Which is an example of national income accounting?
- a. measuring the GDP
 - b. calculating the value of intermediate goods
 - c. exchanging paper assets, such stocks and bonds
 - d. selling a used CD to a friend
- ___ 12. A sales tax is an example of
- | | |
|------------------------|-----------------------|
| a. a proportional tax. | c. a progressive tax. |
| b. a direct tax. | d. an indirect tax. |

- ____ 13. A tax on income is a direct tax if
 - a. it generally ends up as part of the price consumers pay for a product.
 - b. consumers are willing to pay higher prices for a product, even if the taxes increase.
 - c. consumers eventually pay for a tax on a business.
 - d. the person who pays it has no choice but to pay it.

- ____ 14. Economic policymakers may create a surplus budget when
 - a. there is an overall decrease in prices throughout the country.
 - b. the economy is in a period of inflation.
 - c. the government wants to stimulate the GDP.
 - d. government spending and income from taxes is equal.

- ____ 15. An overall rise in prices is called
 - a. a surplus.
 - b. a tax.
 - c. inflation.
 - d. national income accounting.

- ____ 16. Most state and local governments are required by law to have a
 - a. balanced budget.
 - b. surplus budget.
 - c. deficit budget.
 - d. public sector budget.

- ____ 17. An economy that involves both the public and the private sectors is called?
 - a. a market economy.
 - b. a mixed economy.
 - c. a deficit economy.
 - d. all of the above

Critical Thinking

Answer each of the following questions on the lines provided. Write your answers in complete sentences.

18. **Link past and present** In what ways have federal, state, and local government spending and revenue changed in the last 50 years?

19. **Evaluate information** In what ways is the benefits-received principle of taxation good for some taxes and not for others?

20. **Identify cause and effect** Why is the effect of a tax one of the most controversial issues in the United States?
