# Fiscal policies

## Keywords

Define the keywords in your own words.

Recession: A time of downward trends in the economy when the GDP is down

Depression: Long term downtime in the economy. GDP is down, unemployment is up

Recovery: A time period where the economy gets better. GDP goes up and unemployment is going down

Expansionary fiscal policy: An increase in government purchases, decrease in taxes

Contractionary fiscal policy: Decrease in government spending, increase in taxes

Federal income tax: Taxes that is proportional to income

Sales tax: A tax based on the cost of the product

Property tax: Tax on the market value of a privately owned property

## Note It and Think About It

Answer Note It and Think About It questions as you read.

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| Note It | Think About It |
| Note the definition of *fiscal policy*.  The government spending and taxing policies used to influence the economy  Note the difference between a recession and a depression.  In a recession, the economy goes in a downward trend. A depression is a long period of the economy in a downward trend.  What are the three choices the government has in expansionary fiscal policy?  Increase GDP, control inflation, control employment |  |

# taxes, spending, deficits, and debt

## Keywords

Define the keywords in your own words.

Tax: Money paid to the government

Balanced budget: Equal to taxes and spending

Budget surplus: More taxes than spending

Budget deficit: Less taxes than spending

Deficit spending: Continued spending in debt

National debt: The debt of the country

## Note It and Think About It

Answer Note It and Think About It questions as you read.

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| Note It | Think About It |
| How is government’s power to tax different today than when the founding fathers wrote the U.S. Constitution?  There was no federal income tax originally.  What are some examples of goods and services provided by the government?  School, welfare, police, fire department, elders, town parks |  |

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