Name: ______________________ Date: ____________

1. Fiscal policy can best be defined as:
   A) the use of government expenditure and taxation to mitigate recessions only.
   B) the use of government expenditure, government borrowing, and taxation to influence the business cycle.
   C) the manipulation of the money supply to influence the business cycle.
   D) the use of international political relations to influence the business cycle.

2. When consumers cut back on spending what falls?
   A) the velocity of money
   B) the money supply
   C) interest rates
   D) tax rates

3. Other things being equal, a decrease in government spending growth causes:
   A) the dynamic AD curve to shift to the right.
   B) the dynamic AD curve to shift to the left.
   C) the Solow growth curve to shift to the right.
   D) the Solow growth curve to shift to the left.

4. A decrease in consumption growth will cause the Solow growth curve to
   A) shift inward.
   B) shift outward.
   C) remain unchanged.
   D) first shift outward and then shift inward.

5. As the government builds new schools, the construction workers and material vendors employed on the project spend more in the community where they work. What is the economic term for this effect?
   A) hastening
   B) multiplier
   C) duplicator
   D) spending

6. When the government increases its spending growth, the subsequent increase in non-government spending stimulates aggregate demand and is called the _________ effect.
   A) crowding out
   B) endowment
   C) multiplier
   D) automatic stabilizing

7. Which of the following refers to the decrease in private spending when government spending increases?
   A) the multiplier effect
   B) the timing effect
   C) the automatic stabilizing effect
   D) the crowding out effect

8. When consumers spend all of their tax rebate checks, what will take place in the economy?
   A) Aggregate demand shifts up and right.
   B) Aggregate demand shifts down and left.
   C) The Solow growth curve shifts left.
   D) Inflation decreases.

9. Consumers are more likely to spend tax rebates that they believe are:
   A) permanent.
   B) temporary.
   C) large.
   D) small.

10. When consumers save their tax cut for a future tax increase they are adhering to:
   A) the bandwagon effect.
   B) intertemporal substitution.
   C) the multiplier effect.
   D) Ricardian equivalence.

Answer Key

1. B
2. A
3. B
4. C
5. B
6. C
7. D
8. A
9. A
10. D