

Problem 1. If a government's expenditures exceed its tax revenues, then the government has

- (a) a budget deficit
- (b) a budget surplus
- (c) a balanced budget
- (d) national debt

Problem 2. The government increases its spending by an amount equal to the increase in its tax revenue. This is called

- (a) printing money
- (b) deficit spending
- (c) surplus spending
- (d) balanced budget spending

Problem 3. The government increases its spending by an amount greater than the increase in its tax revenue. It sells bonds to the public to raise the needed money. Subsequently, the Fed buys back some of these bonds through an open market purchase. The Fed's action is called

- (a) monetizing the debt
- (b) deficit spending
- (c) surplus spending
- (d) automatic stabilizer

Problem 4. The government revenues and expenditures that move against real GDP, making it deviate from potential GDP from an amount less than it would otherwise in their absence, are called

- (a) fiscal policy measures
- (b) automatic stabilizers
- (c) self-correction variables
- (d) balanced-budget variables