**Government “Fiscal” Policy homework questions**

Name and date submitted (3 pts.):

Instructions: Create space in the document below, and type or write your answers. When you are done, submit your work as an email attachment.

(10 questions, 100 possible points).

Hint: refer to the chapter and the ‘lecture summary’ on the student page

1. What famous British economist from the 1930’s developed the idea of Fiscal Policy? What was the title of his book?
2. What is the basic premise (idea) of Keynesian Economics? Summarize this theory and its basic principles.
3. The first tool of Fiscal Policy is Government Spending. Explain how this works. How can Government Spending (at least temporarily) speed up the economy?
4. According to the book, there are four (4) problems associated with using Government Spending to manage the economy. Explain each one and elaborate a bit….
5. Time lags
6. An uncertain multiplier
7. Politics
8. The source of additional spending
9. The second tool of Fiscal Policy is Taxation. Explain what each of the following means:
10. Proportional taxes
11. Progressive taxes
12. Regressive taxes
13. According to the book, there are two (2) problems associated with using Taxation as a Tool. Explain each one and elaborate…
14. Adverse effect on people’s ‘work ethic’
15. Confusion in the Marketplace
16. The third tool of Fiscal Policy is Government Borrowing. Explain how this works. How can Government Borrowing help get the economy going? What is meant by “pump priming” in this context?
17. According to the book, there are three (3) problems associated with Government Borrowing. Explain each one and elaborate…
18. There is no reserve “bucket” of idle money
19. Borrowing becomes addictive
20. Borrowing destroys a Nation’s future productivity

Questions 9 & 10 will require Internet Research and some careful thought….

1. Analyze the current economic climate in the United States. Is the U.S. Government following Keynesian economic policies? Can you state some ‘general’ examples? (hint: yes, there are lots of examples)
2. Now the opposite question: Is the U.S. Government following or promoting “laissez-faire” policies anywhere? Give a few ‘general’ examples. (hint: there are lots of examples…)