# *Public Policy in the United States Challenges Opportunities and Changes 6th edition Rushefsky Test Bank*

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Chapter 2 Test Bank

Multiple-Choice Questions

1. The tools of fiscal policy include
a) regulations
b) taxation
c) spending
d) b and c*

2. The tools of monetary policy include
a) interest rates
b) the money supply
c) regulations
d) a and c*

3. Which of the following is one of the most important generic policy tools in economic policy?
a) inducements*
b) powers
c) interests
d) manipulation

4. If you wanted to stimulate the economy, you would most likely
a) raise taxes
b) lower taxes*
c) raise interest rates
d) restrict growth in the money supply

5. What is likely to happen when the economy is stimulated because of federal government policy?
a) nothing
b) we will move into a recession
c) our trade deficit will decrease
d) the federal deficit will likely increase*

6. If you wanted to slow down an overheated economy, you might
a) lower taxes
b) lower interest rates
c) increase the growth in the money supply
d) raise interest rates*

7. The interest rate that the Fed charges other banks when they borrow money from the fed is known as
a) the discount rate*
b) the federal funds rate



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c) the mortgage rate
d) the stabilization rate

8. The largest component of gross domestic product is
a) consumer spending*
b) private sector investment
c) the trade deficit/surplus
d) government consumption expenditures.

9. Based on the table presented in Chapter 2, which decade, based on several measures, had the best record for overall economic growth?
a) the 1960s*
b) the 1970s
c) the 1990s
d) the 2000s

10. In times of recession, what happens to the government deficit?
a) nothing
b) it goes up and down
c) it goes up*
d) it goes down

11. Which programs have permanent appropriations?
a) Medicare
b) Social Security
c) Medicaid
d) all of the above*

12. According to public opinion polls, the public's view on the federal government deficit is that
a) it is shrinking
b) it is growing*
c) it is really unimportant
d) most of the public does not understand economic policy

13. The total amount of money that the federal government is allowed to owe is known as the
a) debt
b) deficit
c) trade deficit
d) debt ceiling*

14. Allowing deductions for interest on home mortgages is known as
a) a tax expenditure*
b) a budget deficit
c) a standard deduction



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d) none of the above

15. Social Security is funded by
a) the income tax
b) the federal sales tax
c) tariffs placed on goods imported into the United States
d) payroll taxes*

16. A defined-contribution plan is when
a) an employer makes a contribution to the employee's pension plan while the employee is working, and then the employer contributions stop when the employee retires*
b) an employer pays for the pension of the employee after the employee retires.
c) the employee makes a specific contribution to the pension plan
d) the employee continues to contribute to the pension after retirement

17. The average amount of money a family saves for retirement is
a) $35,000*
b) $50,000
c) $100,000
d) $150,000

18. The average amount that a retiree receives from Social Security is
a) $16,000*
b) $25,000
c) $30,000
d) $45,000

19. The largest single federal program is
a) defense
b) interest on the debt
c) Medicaid
d) Social Security*

20. The income distribution in the United States
a) is skewed toward the bottom quintile
b) is evenly distributed
c) is skewed toward the upper quintile*
d) is about the same as other Western industrialized countries

21. Compared to the income distribution in the United States, the distribution of wealth is
a) about the same
b) less evenly distributed than the income distribution*
c) more evenly distributed than the income distribution
d) not really a good indicator of economic inequality



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22. The text argues that the middle class in the United States since the 1970s has
a) grown
b) gotten smaller*
c) stayed about the same size
d) has gotten bigger and smaller over the years

23. Compared to whites,
a) a smaller percentage of blacks believe in the American Dream
b) both races believe in the American Dream at about the same rate
c) a larger percentage of blacks believe in the American Dream*
d) neither race believes any more in the American Dream

24. Compared to people in other countries concerning economic mobility, Americans are
a) more optimistic about the chances of moving up*
b) less optimistic about the chances of moving up
c) likely to view the chances of moving about the same
d) are less interested in economic mobility

25. One important cause of economic inequality is
a) the racial divide between whites and blacks
b) government policies that favor the rich
c) the decline in the manufacturing sector*
d) the poor quality of our educational system

26. One of the groups that Donald Trump appealed to in the 2016 presidential elections was
a) corporate elites
b) the middle class
c) establishment Republicans
d) the white working class*

27. One prominent cause of economic inequality is
a) the decline of unions
b) trade agreements with countries such as China and Mexico
c) the wage gap between those with and those without a college education
d) all of the above*

28. A policy of austerity, to deal with budget deficits, would include
a) raising taxes
b) cutting taxes
c) reducing spending
d) a and c*



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29. What is the impact of Social Security on the federal deficit?
a) it increases the deficit
b) it reduces the deficit*
c) it has no effect on the deficit
d) it doesn't matter because Social Security is self-paid

30. Which of the following is part of the pillars of retirement?
a) personal savings
b) private pensions
c) Social Security
d) all of the above*

Short-Answer Questions

1. _____ is the agency that puts together the president's budget.
Ans.: Office of Management and Budget

2. Fiscal policy is primarily made by _____.
Ans.: Congress

3. Monetary policy is primarily conducted by _____.
Ans.: Federal Reserve System

4. The buying and selling of government securities is known as _____.
Ans.: open market operations

5. When government spending is greater than revenue, this is known as _____.
Ans.: a budget deficit

6. The total amount that the federal government owes is known as _____.
Ans.: debt

7. During the period of the Obama administration, _____ were likely to think that the federal deficit went up, and _____ were likely to think that the federal deficit went down.
Ans.: Republicans, Democrats

8. There is an argument that can be made that much government assistance is hidden through the use of _____.
Ans.: tax expenditures

9. The country with the most unequal distribution of wealth is _____.
Ans.: The United States



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10. Moving from one economic class to another (either up or down) is known as _____.
Ans.: social mobility

11. Living in a high-poverty neighborhood (an impoverished neighborhood) is related to _____.
Ans.: downward mobility

12. The tendency to marry within one's economic class is known as _____.
Ans.: assertive mating

13. The largest income tax expenditure is _____.
Ans.: employer-provided health insurance

14. The attempt to garner excess profits in known as _____.
Ans.: rent-seeking

15. The total amount of money the federal government is allowed to borrow is called the _____.
Ans.: debt ceiling

Essay Questions

1. Write an essay in which you describe the tools available to the federal government to influence the direction of the economy.

2. The United States owes a considerable amount of money (the debt). Write an essay in which you discuss why owing so much money (about $12 trillion) is a problem. Then describe three policies that might reduce the debt. Which of those do you think would have the greatest impact on debt reduction? Support your answer.

3. A lot of people depend on Social Security during their retirement years. Write an essay in which you describe the program. In your answer, discuss what problems the program faces and three policies designed to address those problems. Do you think that Social Security does face serious problems? Which of the policies described above do you think would be the best to adopt? Support your answer.

4. The case study focuses on economic inequality. Some have argued that this is a serious problem facing the United States. Others have argued that the problem is not a serious one and is overstated. Write an essay in which you discuss where you stand on this issue.

5. One the key concepts discussed in Chapter 2 is political polarization. Write an essay in which you describe how political polarization affects the way the political system addresses economic issues.



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6. The chapter on economics spends some time comparing the performance of the economy during various presidencies and in various decades. Write an essay in which compare and contrast the post–World War II decades in terms of economic performance. Be sure in your essay to describe what you mean by economic performance. Which decade do you think had the best economic performance? Why? How much credit or blame should we give presidents for the country's economic performance? Support your answer.



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