

Public & Private Solutions

**Directions:** Use your notes, notes handouts, Stater's PowerPoints, and Edgenuity videos to help you complete the following.

**Note:** The purpose of this assignment is to prepare you for the Unit 5 test! If you do not turn this in, you will not be penalized. **If you do complete all or part of this, you may use it on the test, along with your vocab. If you would like extra credit, you must turn this in COMPLETED fully as soon as you finish the test.** It will boost one CW/HW grade by 15 points, OR boost a quiz grade by 15 points, OR boost a test grade by 10 points, but only if completed.

**Part 1: Fiscal Policy – Spending & Taxing**

1. What are the two major goals of decisions regarding government spending? Give one example of each.
2. Match the following definitions to the correct terms:
  - a. Expenditures = Revenue
  - b. Revenue > Expenditures
  - c. Expenditures > Revenue
  1. Budget deficit
  2. Budget surplus
  3. Balanced budget
3. Use the chart below to answer the question, then explain your answer in your own words.



- What conclusion can be drawn from this graph?
- a. Federal law requires the budget to be balanced.
  - b. Republicans do a good job in balancing the budget.
  - c. In most years, the federal budget shows a surplus.
  - d. The federal budget is usually unbalanced.

Explanation of answer:

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4. Describe the difference between mandatory and discretionary spending in regards to the federal budget. What is the third major category of government spending?
5. Which specific article and section of the Constitution grants Congress the power to tax in general? Which specific amendment allowed for income taxes?
6. Match the following definitions to the correct type of taxation.
- |   |                          |
|---|--------------------------|
| a. Charges individuals with higher incomes a higher percentage of their total income. | 1. Progressive taxation  |
| b. Charges citizens the same tax rate regardless of their income level.               | 2. Regressive taxation   |
| c. Charges individuals with higher incomes a lower percentage of their total income.  | 3. Proportional taxation |
7. Fill-in-the-blank with one of the following options: **sales tax, tariff, excise tax, corporate tax, property tax.**
- a. The government may impose a(n) \_\_\_\_\_ on something they want people to consume less of, such as cigarettes.
- b. Businesses must pay a(n) \_\_\_\_\_ on any money they earn throughout the year.
- c. State and local governments can collect a(n) \_\_\_\_\_ on most products and services their citizens purchase.
8. For each of the following, indicate whether the description falls under **expansionary** or **contractionary** fiscal policy.
- |   |       |
|---|-------|
| a. The government raises taxes.                       | _____ |
| b. One positive effect is job growth.                 | _____ |
| c. The government increase spending.                  | _____ |
| d. The government lowers taxes.                       | _____ |
| e. The government decreases spending.                 | _____ |
| f. One negative effect is reducing consumer spending. | _____ |

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**Part 2: Monetary Policy – The Federal Reserve**

9. Monetary policy occurs when a central bank manipulates the nation's money supply. What are the two main goals of monetary policy?
10. Circle the correct word choice for each set of parentheses:
- Monetary policy is used to steer the economy away from ( **recession** / **growth** ) and toward ( **recession** / **growth** ).
  - Expansionary policy attempts to lower unemployment by ( **increasing** / **decreasing** ) the money supply.
  - Contractionary policy attempts to decrease inflation by ( **increasing** / **decreasing** ) the money supply.
11. The Federal Reserve is the official name of the central bank of the United States, created in 1913. "The Fed" carries out three major tools of monetary policy. Describe what happens in each of the following:
- Open Market Operations
  - Interest Rate Changes
  - Reserve Requirement Changes
12. Define the federal funds rate.

**Part 3: Regulatory Policy**

13. Regulatory policy exists to serve as a balance between protecting \_\_\_\_\_ and protecting \_\_\_\_\_.
14. Define externality, and give an example of a positive externality and a negative externality.
15. **True or False?** Business are required to report revenue and earnings to the government. \_\_\_\_\_

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16. Give one example of how government regulatory agencies create and implement policies that accomplish the following:
- Protecting consumers
  - Protecting the environment
  - Protecting workers
17. Describe the purpose of the Securities and Exchange Commission (SEC).

**Part 4: Economic Policy: Influential Theories**

18. **Adam Smith** was the key thinker of **classical economics**. List three important characteristics of his school of thought.
19. **John Maynard Keynes** is the thinker behind the school of **Keynesian economics**. Did he advocate for expansionary or contractionary policy in response to the Great Depression? Give two more specific examples as well.
20. Why did von Hayek argue that expansionary policy could be dangerous?
21. What school of thought did Milton Friedman lead?

**Part 5: Labor**

22. Circle the correct word choice for each set of parentheses:
- During the Industrial Revolution, there was mass migration to (**cities / the countryside** ). At first, there was (**too much / very little** ) regulation of industrial workplaces such as factories.
23. During the rise of worker reform movements, what were three important issues that collective bargaining units were concerned about?
24. Describe one argument used against unions.

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25. What are two important responsibilities of the U.S. Department of Labor?

26. Describe one benefit and one drawback of government regulation.

27. Name one growing occupation and one declining occupation in the U.S. currently.

**Part 6: Business Structures**

28. For each of the following business structures, define it and list at least one example, one advantage, and one disadvantage.

**a. Sole proprietorship**

What is it?

Example:

Advantage:

Disadvantage:

**b. Partnership**

What is it?

Example:

Advantage:

Disadvantage:

**c. Corporation**

What is it?

Example:

Advantage:

Disadvantage:

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d. **Franchise**  
What is it?

Example:

Advantage:

Disadvantage:

e. **Cooperative**

What is it?

Example:

Advantage:

Disadvantage:

**Part 7: Entrepreneurship**

29. Define entrepreneur and list two characteristics one would likely have.

30. Place the following steps to starting a new business in order of 1 through 5.

- a. Finance the business (raise capital) \_\_\_\_\_
- b. Open your business \_\_\_\_\_
- c. Create a business plan \_\_\_\_\_
- d. Identify a business opportunity \_\_\_\_\_
- e. File the right paperwork (register with the state) \_\_\_\_\_

31. **True or false?** About 75% of new businesses stay in business at least 5 years.

32. What are two risks that new business owners take on? Two potential rewards?