

AP Ch 17 Quiz

1. Which arguments do supporters of supply-side economics make?
 - A) The more revenue the government takes in and spends the better off the economy will be.
 - B) Leaving more money in the citizens' pockets will stimulate the economy and generate government revenues through other taxes.
 - C) The federal government should follow the ideas of John Maynard Keynes.
 - D) The government should increase the supply of currency into circulation to bring down inflation.
2. According to Keynesian Economic theory, increasing government spending
 - A) threatens the economy by raising the federal deficit.
 - B) Stimulates the economy by creating demand among consumers.
 - C) Does little to curb unemployment.
 - D) Creates supply among consumers and encourages them to save.
3. All of the following factors indicate that the US has a mixed economy EXCEPT
 - A) the federal government determines monetary policy.
 - B) The justice department can sue monopolistic companies.
 - C) Congress sets tariffs on imported goods.
 - D) The federal government owns the means of production.
4. Which of the following statements is one reason why Republican presidents usually focus their attention on controlling inflation?
 - A) controlling inflation is a bigger concern to investors than is unemployment.
 - B) They hope to attract the votes of the middle and lower class Americans.
 - C) They endorse Keynesian economics.
 - D) Controlling inflation keep people from buying too much.
5. Which of the following government institutions has the greatest impact in the economy?
 - A) Senate Appropriations Committee
 - B) Federal Reserve Board
 - C) Office of Management and Budget
 - D) Council of Economic Advisers.
6. Antitrust policies are designed to prevent
 - A) a company from having a monopoly over a specific good or service.
 - B) The expansion of large multinational corporations.
 - C) The government from interfering in international business transactions.
 - D) The Federal Reserve Board from gaining too much power over economic policy.
7. The government could exercise fiscal policy in which of the following ways?
 - A) Increasing agricultural subsidies
 - B) Buying bonds from banks
 - C) Selling bonds to banks
 - D) Establishing the federal funds rate
8. Which of the following statements about the Federal Reserve Board is accurate?
 - A) its members are elected directly by the public.
 - B) Its members serve at the discretion of the President, meaning the President can dismiss them at any time.
 - C) It is part of the judicial branch, but its members are appointed by the legislative branch.
 - D) Its members are appointed for 14-year terms to remain isolated from politics.

Free Response Questions:

9.

FREE-RESPONSE QUESTIONS

1. "[The College for All Act] would provide \$47 billion per year to states to eliminate undergraduate tuition and fees at public colleges and universities.

Today, total tuition at public colleges and universities amounts to about \$70 billion per year. Under the College for All Act, the federal government would cover 67% of this cost, while the states would be responsible for the remaining 33% of the cost. . . .

States would be able to use funding to increase academic opportunities for students, hire new faculty, and provide professional development opportunities for professors. . . .

[This program would be] fully paid for by imposing a Robin Hood tax on Wall Street. This legislation is offset by imposing a Wall Street speculation fee on investment houses, hedge funds, and other speculators of 0.5% on stock trades (50 cents for every \$100 worth of stock), a 0.1% fee on bonds, and a 0.005% fee on derivatives. It has been estimated that this provision could raise hundreds of billions a year which could be used not only to make tuition free at public colleges and universities in this country, it could also be used to create millions of jobs and rebuild the middle class of this country."

—Senator Bernie Sanders, Summary of College for All Act, April 2017

After reading the above, respond to A, B, and C below.

(A) Describe the political ideology behind Senator Sanders's proposed law.

(B) Explain how the proposed law would affect federal fiscal policy.

(C) Explain how the early stages of the policymaking process led to the proposed law.

10.

2. The federal government and its agencies have several tools for trying to control the economy. Two of the primary tools are monetary and fiscal policy.

a) Define monetary policy, and describe ONE way monetary policy is used to control the economy.

b) Define fiscal policy, and describe ONE way fiscal policy is used to try to control the economy.

c) Describe one reason the federal government and its agencies are not always successful in their attempts to control the economy.