

Directions: Fill in the outline below. Filling in the blanks will help you as you read and study Chapter 16.

I. Section 1: Taxes and Other Revenue

A. Taxing Powers and Taxing Power Limits

1. The power to tax is the main source of _____ for the federal government.
2. The taxing powers of Congress are limited by the _____.

B. Current Federal Taxes and Nontax Revenue

1. Individual and corporate _____ taxes are progressive taxes. Social insurance taxes are _____ taxes.
2. Other important sources of tax revenue are _____ taxes imposed on luxuries; the _____ tax on the assets of a person who dies; and the _____ tax on a gift by a living person.
3. Customs duties are taxes levied on _____ brought into the United States from other countries.
4. Nearly \$50 billion a year is taken in by the federal government from _____ sources.

II. Section 2: Borrowing and the Public Debt

A. Federal Government Borrowing

1. The _____ gives the federal government the power to borrow money.
2. A _____ occurs when the government spends more money than it takes in.
3. A _____ occurs when the government takes in more money than it spends.

CHAPTER OUTLINE (continued)**Financing Government****2****B. Economic Theories**

1. The federal government may spend large amounts during times of high unemployment to create jobs and increase tax revenues.

This theory is called _____ - _____ economics.

2. The federal government may cut taxes to strengthen private businesses. This is the theory of _____ - _____ economics.

C. Borrowing and the Public Debt

1. _____ must approve all borrowing by the federal government.
2. The _____ Department issues securities to investors in order to raise money for the federal government.
3. The _____ is all the money the federal government has borrowed over the years and not repaid, plus the interest on that money.

III. Section 3: Spending and the Budget**A. How Federal Money is Spent**

1. _____ programs such as Social Security and Medicare represent the largest share of federal spending.
2. _____ spending, to protect and defend the United States, also takes a large share of the federal budget.

B. Types of Spending

1. Congress and the President can change _____ spending items in the budget, but they cannot change the funding of _____ spending items.
2. The public _____, _____ benefits, and food _____ are examples of uncontrollable spending.

CHAPTER OUTLINE (continued)

Financing Government

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C. The Federal Budget

1. The _____ prepares the federal budget each year, and _____ must then review it.
2. Congress must have the budget approved by the President by _____ of each year.

IV. Section 4: Fiscal and Monetary Policy

A. The Government's Economic Goals

The federal government tries to meet three economic goals: full _____, stable _____, and economic _____.

B. Fiscal and Monetary Policy

1. Fiscal policy is the government's power to _____ and _____ to influence the economy.
2. Monetary policy involves the _____ and the availability of credit.
3. The Federal Reserve can change the money supply through open market operations, the _____ requirement, and the _____.