

CHAPTER SUMMARY *Activity* ★ ★ ★ ★ ★ ★ ★ ★ ★ ★



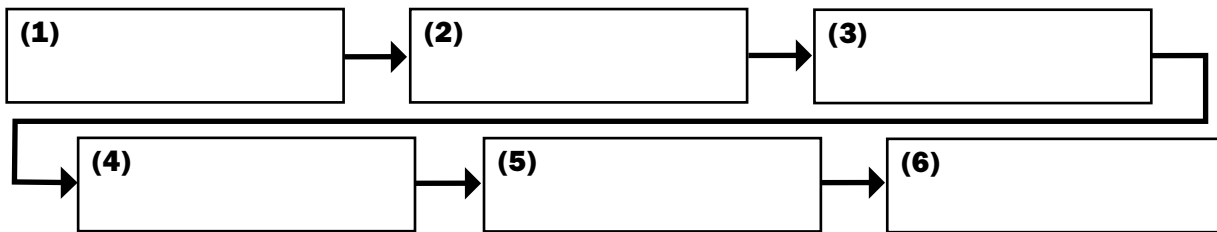
Taxing and Spending

★ DIRECTIONS Match each term in Column A with the statement that best applies to it in Column B. Write the correct letters in the spaces provided.

| COLUMN A | COLUMN B |
|---|--|
| _____ 1. taxable income | A. Levied on the assets (property and money) of a person who dies |
| _____ 2. social insurance taxes | B. Pay for programs such as Social Security and Medicare |
| _____ 3. excise taxes | C. The government influences the economy through control of the money supply and credit |
| _____ 4. estate taxes | D. Every budget item must automatically be cut if the president and Congress cannot agree on reductions |
| _____ 5. loopholes | E. The interest rate that the Federal Reserve System charges banks for loans |
| _____ 6. Gramm-Rudman-Hollings (GRH) | F. The total income of an individual after certain deductions and personal exemptions are subtracted |
| _____ 7. fiscal policy | G. Special exemptions in tax laws that favor specific groups |
| _____ 8. monetary policy | H. Levied on the manufacture, transportation, sale, or consumption of many goods and services |
| _____ 9. Federal Reserve System | I. The central banking system of the United States |
| _____ 10. discount rate | J. Taxation and spending used to influence the economy |

Organizing Information Write each step in the correct order on the flow chart.

FEDERAL BUDGET PROCESS



- concurrent resolution
- OMB/agency negotiations
- reconciliation bill
- appropriations bill
- president's guidelines
- initial agency spending plans

Critical Thinking Answer the following question on a separate sheet of paper.

11. How do you think banks and consumers might react if the Federal Reserve System lowers the prime interest rate?