

Section 1: Guided Reading and Review

Understanding Fiscal Policy



A. As You Read

As you read Section 1, fill in two supporting facts or details under each main idea by answering each question.

Main Idea: The president and Congress work through a budget process to draw up a spending plan for the following fiscal year.

1. Which part of the executive branch is responsible for preparing the president's budget proposal? _____
2. Which congressional committees submit the final bills that authorize specific spending? _____

Main Idea: The federal government may use fiscal policy to try to make the economy run more smoothly.

3. Under what conditions might the government use expansionary fiscal policies? _____
4. Under what conditions might the government use contractionary fiscal policies? _____

Main Idea: The federal government has specific policies that it uses to influence the economy.

5. What are its two main expansionary policies? _____
6. What are its two main contractionary policies? _____

Main Idea: Although fiscal policies may appear to be powerful economic tools, they can be difficult to put into practice.

7. What kinds of entitlement programs make it difficult to change spending levels? _____
8. Why does it take so long to put fiscal changes into effect? _____

B. Reviewing Key Terms

Answer each of the following questions.

9. What is the federal budget? _____
10. What is the main function of the Congressional Budget Office? _____
11. What is the overall goal of expansionary policies? _____
12. What is the overall goal of contractionary policies? _____