Fiscal Policy: Problems

1. What is the difference between the total public debt and the debt held by the public?

2. Why might the government spending multiplier be greater than one? Why could it be negative?

3. True or False? The tax multiplier is almost always close to one.

4. How can high levels of sovereign debt reduce growth in the long-term?

5. Why do sovereign debt crises usually make recessions worse?

6. Why is default costly for a government?

7. True or False. Because the U.S. government can issue its own money, most economists do not view high debt levels as a macroeconomic concern.

8. Suppose that government spending and taxes increase by the same amount. How would you determine whether the AD curve shifts to the left or to the right?

9. True or False? The national debt is simply the sum of all past budget deficits.

From the textbook

10. What is an automatic stabilizer and provide an example?

11. True or False? Since World War II, the United States has never run a budget surplus.

12. What are the three biggest types of tax revenue for the United States Federal government.