**Domain 3: Vocabulary 2**

**Eleven Words in Context**

*In the space provided, write the letter of the meaning closest to that of each* ***boldfaced*** *word. Use the context of the sentences to help you figure out each word’s meaning.*

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| 1. **Fiscal Policy**

\_\_\_ Fiscal Policy means | * The President had to decide on a new **fiscal policy** once the economy began backsliding after the tech bust.
* Some constituents in our country disagree with our president's **fiscal policy**, and they say that he spends too much of their money.
1. Government economic policy **b**. Federal Reserve economic policy **c**. Budgeting
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| 1. **Monetary Policy**

\_\_\_ Monetary Policy means | * The **monetary policy** was criticized as it was not operating in the best interests of the companies doing business there.
* The change in interest rates was directly related to the availability for borrowing under the current **monetary policy**.
1. Government economic policy **b**. Federal Reserve economic policy **c**. Budgeting
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| 1. **Bonds**

\_\_\_ Bonds means | * When my grandmother bought me an investment **bond** for one dollar I bet she didn't think it would be worth a thousand dollars thirty years later.
* Sally bought government **bonds** for her children when they were young so that they could cash them out when they were headed to college.
1. Government loan **b**. Private investment **c**. Debt
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| 1. **Open Market Operations**

\_\_\_ Open Market Operations means | * When we realized the economy was doing poorly, the Federal Reserve began offering government securities to banks and investment agencies through **open market operations**.
* The Federal Reserve uses Open Market operations daily so they can influence the money supply in our economy.
1. Taxation policy **b**. Government spending **c**. Buying and selling of bonds
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| 1. **Discretionary Spending**

\_\_\_ Discretionary Spending means | * **Discretionary spending** in times of recession often seem like a burden to middle class voters seeking tax relief as the government changes their tax burden.
* You need to know how a **discretionary spending** may affect you as Congress makes changes and be able to adapt to it as it goes along.
1. Flexible spending choices **b**. automatic spending and tax changes **c**. policies to manipulate the money supply
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| 1. **Automatic Stabilizer**

\_\_\_ Automatic Stabilizer means | * Thanks to the **automatic stabilizers** currently in place, as my income was cut, my taxes decreased.
* The government prefers **automatic stabilizers** because they respond to changes in the economy without any interference.
1. Flexible spending choices **b**. automatic spending and tax changes **c**. policies to manipulate the money supply
 |
| 1. **National Debt**

\_\_\_ National Debt means | * The **national debt** seems to grown every year which means that nearly all presidential candidates talk about how they would reduce it, but few actually seem able to reduce it once in office.
* Some citizens believe that the **national debt** will never be repaid since the United States government continues to spend more money than it takes in year over year.
1. Amount owed in one year for all borrowing **b**. amount US citizens owe the government for services **c**. total amount owed by the government for all borrowing
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| 1. **National Deficit**

\_\_\_ National Deficit means | * All this spending was going to create a **national deficit** yet again this year, which was not a good thing for the country.
* The **national deficit** has a seemingly simple solution that is not easy to swallow as it involves the government spending less than earnings each year.
1. Amount owed in one year for all borrowing **b**. amount US citizens owe the government for services **c**. total amount owed by the government for all borrowing
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| 1. **Progressive Tax**

\_\_\_ Progressive Tax means | * If you start to make to much money in your business then you may get hit with a higher **progressive tax** then you were getting before.
* Once Donna took her new job, she began to make $50,000 a year, causing her to have to pay more in income tax since the IRS has a **progressive tax** on incomes
1. Tax stays the same **b**. Tax increases **c**. Tax decreases
 |
| 1. **Regressive Tax**

\_\_\_ Regressive Tax means | * Some countries use a **regressive tax** that favors the rich people and ends up costing the poor people more money.
1. Tax stays the same **b**. Tax increases **c**. Tax decreases
 |
| 1. **Proportional Tax**

\_\_\_ Proportional Tax means | * Many Americans favor the idea of **proportional tax** so that everybody pays the same percentage of their income no matter how much they make.
1. Tax stays the same **b**. Tax increases **c**. Tax decreases
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**Matching Words with Definitions**

*Following are definitions of the eleven words. Clearly write or print each word next to its definition. The sentences above and on the previous page will help you decide on the meaning of each word.*

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Government taxing and spending decisions to manipulate the economy.
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Governments deliberate changes to their spending and tax rates
3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Actions that the Federal Reserve takes to manage inflation and economic change.
4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Tax rates that increase as income increases
5. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Formal contract for a loan to the government.
6. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Total amount of money the government owes to bondholders
7. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Tax rates that decrease as income increases
8. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Government buying and selling treasury bonds to change the money supply
9. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Tax rates that stay the same as income increases
10. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Total amount the government overspends in a fiscal year
11. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Automatic adjustments to taxes and government spending as the economy changes.