

**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**

**2**

**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 \_\_\_\_\_.