Fiscal Policy Word Search

Answer Key

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10 Terms & Definitions

DEFICIT
A budget deficit occurs when a government spends more money than it collects in tax revenues during a fiscal year. The difference is financed by borrowing — issuing Treasury bonds. The US has run a deficit in most years since 2001, adding to the national debt.

SURPLUS
A budget surplus occurs when government revenues exceed spending in a fiscal year. The US last ran a consistent surplus from 1998 to 2001, driven by strong economic growth during the dot-com boom, capital gains tax receipts, and spending restraint from the 1997 Balanced Budget Ac

STIMULUS
Government spending or tax cuts designed to boost economic activity during a downturn. Fiscal stimulus injects money into the economy, increasing consumer spending, business investment, and employment. The effectiveness depends on the size, speed, and targeting of the measures.

AUSTERITY
A fiscal policy approach that emphasizes reducing government spending and increasing taxes to reduce budget deficits, typically during or after a financial crisis. Austerity is controversial — proponents argue it restores fiscal sustainability; critics argue it deepens recessions

REVENUE
Government revenue is the income collected from taxes (income tax, payroll tax, corporate tax, excise taxes) and other sources (tariffs, fees). Tax revenue is the primary funding mechanism for all government spending programs. The US federal government collected approximately $4.

SPENDING
Government expenditure on goods, services, transfer payments (Social Security, Medicare, welfare), and interest on the national debt. In the US, mandatory spending (Social Security, Medicare, Medicaid) accounts for approximately 65% of the federal budget. Discretionary spending (

TAXATION
The compulsory collection of money by governments from individuals and businesses to fund public services and programs. The US uses a progressive income tax system, where higher earners pay a higher percentage of income. Other taxes include payroll taxes, sales taxes, property ta

DEBT
The national debt is the total amount of money the US federal government owes to all creditors — including US individuals, institutions, and foreign governments who hold Treasury securities. The debt grows when the government runs annual deficits. The US national debt exceeded $3

MULTIPLIER
The fiscal multiplier is the ratio of change in GDP to the change in government spending or taxation that caused it. A multiplier greater than 1 means government spending creates more economic activity than the initial spending amount, as money circulates through the economy mult

TRANSFER
Transfer payments are government payments to individuals that do not require the recipient to provide goods or services in return. The largest US transfer programs are Social Security, Medicare, Medicaid, and unemployment insurance. Transfer payments redistribute income and serve