Multiple Choice Questions

1. Federal Spending in 2006 was
   a. $2.0 billion
   b. $2.0 trillion
   c. $2.2 trillion
   D. $2.8 trillion

2. Federal Spending as a percentage of GDP peaked in
   a. 1973
   b. 1976
   C. 1982
   d. 2005

3. Between 1955 and 2006, Federal Spending as a percentage of GDP ranged between
   A. 16% and 22%
   b. 22% and 30%
   c. 35% and 45%
   d. 47% and 61%

4. The United States Constitution states that
   a. Congress and the President must agree on spending
   B. A law must be passed to approve spending for a government activity
   c. The President may spend money according to his/her own priorities
   d. A and B

5. Federal tax dollars can be spent only if
   a. Congress passes a law that the President signs
   b. Congress passes a law and overrides a veto
   c. Congress passes a law and fails to override the veto
   D. A or B
6. A continuing resolution allows
A. Spending to continue as it has been for a specified period of time
b. Spending on Presidential priorities without Congressional approval
c. Congress to spend money directly without Presidential signature
d. Spending to continue a program forever

7. A continuing resolution allows spending to go on
A. As long as the resolution states
b. For no longer than a week
c. For no longer than a year
d. For no longer than a day

8. In planning for a Fiscal year which of the following is supposed to happen first
a. An appropriations bill
b. A continuing resolution
C. A budget bill
d. A Presidential veto

9. Laws that change the tax code must begin
A. In the House of Representatives
b. In the Senate
c. With the President
d. None of these, they may begin anywhere

10. The Fiscal Year for the Federal Government begins
a. January 1
b. July 1
C. October 1
d. December 1
11. Programs such as Social Security and Medicare
   a. Have to be re-authorized every year
   B. Do not require re-authorization
   c. Can be cut by the President without congressional approval
   d. A and C

12. Logrolling occurs when
   a. Budget deficits snowball out of control
   B. Members of Congress trade votes to get their programs passed
   c. Forest companies use their political muscle
   d. Members of Congress doctor their expense logs

13. If logrolling occurs during the creation of a highway construction bill, this means that
   a. Members of Congress are taking brides
   B. Members of Congress are agreeing to support someone else's highway so that other Members will support their own projects
   c. The total costs are being trimmed
   d. The bill is moved so fast through the process that no Member of Congress can get their project included

14. The large budget deficits of 2003 and 2006 meant that the federal government was borrowing upwards of $1.7 trillion over this four-year period. If that borrowing limits the ability of the private sector to get financial capital for its purposes economists would call this
   a. Crowding in
   b. Forcing in
   C. Crowding out
   d. Forcing aside
15. The trends in the share of mandatory and discretionary spending suggest that the percentage attributable to
a. Mandatory spending is rising but so is the percentage attributable to discretionary spending
b. Mandatory spending is falling but so is the percentage attributable to discretionary spending
C. Mandatory spending rose from the late 1960s through the middle 1990s stabilized for a few years and then began to rise again
d. Discretionary spending rose from the late 1960s through the middle 1990s but has stabilized

16. When Congressional decision makers chose not to raise taxes to fight the war on terrorism they
a. Showed that there is no opportunity cost to defense spending when you are required to spend it
b. Showed opportunity cost exists by eliminating Social Security
c. Showed that borrowed money has no opportunity cost
D. Borrowed the money but the opportunity cost still existed in the form of higher interest rates and/or crowding out

17. When Congressional decision makers chose not to raise taxes to fight the war on terrorism they
a. Eliminated the opportunity cost of war
B. Borrowed the money, moving the opportunity cost into higher interest rates and/or crowding out
b. Exploited the fact that borrowed money has no opportunity cost
c. Printed all of the money required to fight the war on terrorism

18. Crowding out is the idea that
A. When government spending is increased private spending must decrease
b. When government spending is increased in one area it must be decreased in another
c. When private spending is increased it must be decreased in another
d. When one entitlement recipient enters a program, another must leave
19. Crowding out is an example of
A. Opportunity cost
b. Correlation is not necessarily causation
c. Fallacy of composition
d. A lost cause

20. Generally, economists believe that crowding out is
a. Complete; one extra dollar in government spending decreases private spending by a dollar
b. Complete fiction
C. Important but less than complete; one extra dollar of government spending decreases private spending by less than a dollar
d. Actually reversed; one extra dollar of government spending increases private spending

21. Spending on programs for which there is an existing legal obligation is labeled
a. Discretionary
b. Entitlement spending
C. Mandatory
d. Obligatory

22. Spending on programs for which there is no existing legal obligation to continue is called
A. Discretionary
b. Entitlement spending
c. Mandatory
d. Non-obligatory

23. Mandatory spending makes up
a. Well under half of all spending
b. Just over half of all spending
c. Just under exactly half of all spending
D. Well over half of all spending
24. Discretionary Spending makes up
   A. Just over 30% of all federal spending  
   b. Just over 50% of all federal spending  
   c. Exactly half of all federal spending  
   d. Well over 65% of all federal spending

25. The largest single item in the Federal Budget is
   a. Defense  
   b. Interest on the Debt  
   C. Social Security  
   d. Foreign Aid

26. The percentage of the federal budget devoted to Social Security has
   a. Increased dramatically over the last decade  
   b. Decreased dramatically over the last decade  
   C. Remained steady over the last decade  
   d. Has always been negligibly small

27. Which of the following is part of non-defense discretionary spending?
   a. Medicare  
   b. Interest on the debt  
   c. Social Security  
   D. Education and training

28. The portion of Federal Spending devoted to national defense has
   a. Risen constantly since 1960  
   b. Remained constant since 1960  
   C. Decreased markedly with small increases during Vietnam, the early 1980's and 2001  
   d. Bounced around with no apparent pattern
29. Real federal spending on Health Care functions has
   A. Risen constantly since 1960
   b. Remained constant since 1960
   c. Decreased markedly with small increases in early 1980's
   d. Bounced around with no apparent pattern

30. Compared to other industrialized nations around the globe, defense spending as a percentage of GDP is
   A. Substantially higher than that of the next highest nation
   b. Somewhat higher than France and the United Kingdom but much less than Germany and Japan
   c. Somewhat higher than France and the United Kingdom and much higher than Germany and Japan
   d. Lower than France, the United Kingdom, Germany or Japan

31. In advising Congress and the President on how much to increase defense spending in response to security concerns, economists would suggest that they evaluate
   a. Total cost of defense versus its total benefit
   b. The average cost per citizen of defense versus its average benefit
   C. The marginal cost of each additional dollar spent on defense versus its marginal benefit
   d. The median cost per citizen of defense versus its median benefit

32. Suppose Congress and the President are negotiating over whether to increase spending on defense or higher education, economists would suggest that they set the amount of spending
   a. Must be held constant
   b. Where the total benefit to each is equal
   c. Where the average amount spent per student equals the average amount spent per soldier
   D. On each program so that the marginal benefit of the last dollar spent on each area is equal
33. Using marginal analysis, an economist would judge the proper size of government by comparing
a. Whether the last dollar spent on one program would have been better spent on another
B. Whether the last dollar spent would have been better left in private hands
b. Whether the last dollar spent garnered any value to society
c. The amount spent with the amount spent in the previous year

34. Using marginal analysis, an economist would judge the proper distribution of government spending by comparing
A. Whether the last dollar spent on one program would have been better spent on another
b. Whether the last dollar spent would have been better left in private hands
b. Whether the last dollar spent garnered any value to society
c. The amount spent with the amount spent in the previous year

35. Using baseline budgeting,
A. An increase in spending is spending greater than last year's spending
b. An increase in spending is spending greater than that needed to keep up with inflation
c. An increase in spending is spending greater than that needed to provide an unchanged level of services
d. All budgets revert to zero at the beginning of each fiscal year

36. Using Current Services Budgeting
a. An increase in spending is spending greater than last year's spending
b. An increase in spending is spending greater than that needed to keep up with inflation
C. An increase in spending is spending greater than that needed to provide an unchanged level of services
d. All budgets revert to zero at the beginning of each fiscal year

37. If $20 billion was spent on a program last year and $21 billion would be required to maintain services at the same level, then a budgeted figure of $20.5 billion would represent
a. An increase using current services budgeting and a cut using baseline budgeting
b. An increase using either current services or baseline budgeting
c. A cut using either current services or baseline budgeting
D. An increase using baseline budgeting and a cut using current services budgeting
38. Prior to September 11, 2001, Defense Spending had _____ in inflation adjusted terms over the past 10 years and was at its ________ by that measure since WWII.
   a. Risen, highest
   b. Risen, lowest
   c. Fallen, highest
   D. Fallen, lowest

39. After the September 11, 2001 terrorist attacks federal government spending
   a. Was cut
   b. Increased, but at a rate much slower than it had before the attacks
   c. Increased, but at a rate almost exactly the same as it had before the attacks
   D. Increased at a rate much faster than it had before the attacks

40. After the September 11, 2001 terrorist attacks, non-defense, non-homeland security government spending
   a. Was cut
   b. Increased, but at a rate much slower than it had before the attacks
   c. Increased, but at a rate almost exactly the same as it had before the attacks
   D. Increased at a rate much faster than it had before the attacks

41. Foreign Aid represents
   a. Less than a billion dollars in spending
   B. Between 20 and 30 billion dollars
   c. Is more than we spend on education loans, grants and work study combined
   d. No longer exists

42. The increases in defense and federal law enforcement after the September 11, 2001 terrorist attacks was
   a. In line with the increases before the attacks
   b. Less than the increases that were slated before the attacks
   c. Greater than the increases that preceded them but less than increases in spending in the other parts of the government
   D. Greater than the increases that preceded them and greater than the increases in spending in the other parts of the government
43. Federal spending as a percentage of GDP is currently expected to
   a. Increase dramatically between 2008 and 2011
   b. Remain constant at 40% between 2008 and 2011
   c. Remain constant at 20% between 2008 and 2011
   **D.** Decrease between 2008 and 2011

44. Promises to quell logrolling for pet projects that were made by Democrats during the 2006 election
   a. Have been faithfully honored
   **B.** Have not been honored, so that pet projects could be used to induce support for other priorities
   c. Were thoroughly repudiated once the election was over
   d. Have been declared unconstitutional by the U.S. Supreme Court

45. The appropriations process is
   a. Always smooth, regardless of the political landscape
   b. Always rough, especially when the same political party controls both Congress and the White House
   **C.** Seldom smooth, especially when different parties control Congress and the White House
   d. Characterized by brief and dignified budget debates

46. The federal spending appropriation for Transportation projects in Fiscal Year 2008 was
   **A.** $79 billion
   b. $179 billion
   c. $979 billion
   d. $1,979 billion

47. The federal spending appropriation for Education and Training in Fiscal Year 2008 was
   a. $3 billion
   b. $13 billion
   **C.** $83 billion
   d. $183 billion
48. The federal spending appropriation for Agriculture in Fiscal Year 2008 was
a. $2 billion
**B.** $20 billion
c. $200 billion
d. $283 billion

49. The initial effect upon the federal budget deficit of hurricanes Katrina and Rita was
**A.** $60 billion, reflecting aid authorized immediately by Congress
b. Approximately $78 billion, reflecting $60 billion of aid authorized immediately by Congress and $18 billion in Federal Flood Insurance costs
c. Approximately $92 billion, reflecting $60 billion of aid authorized immediately by Congress, $18 billion in Federal Flood Insurance costs, and a $14 billion decrease in federal tax revenue
d. Minimal, because increased federal spending was approximately matched by federal tax increases

50. The opportunity cost of rebuilding the Gulf Coast after hurricanes Katrina and Rita could be
**A.** Delay in availability of up-armored vehicles for use by U.S. troops in Iraq
b. Delay in rebuilding of highway bridges in Minnesota
c. Decrease in available Federal Student Loan funds
d. All of the above