

For Additional Review

Make a table outlining the budgetary process. For each step, list the institutions involved and their specific responsibilities. Make a note of any political motivations that influence each participant's role in making the budget. Use this table when reviewing and studying for the unit test and for the AP Government and Politics exam.

Make a list of the sources of funding for the federal government. Include in this list the consequences of tax expenditures and borrowing. Use this list when reviewing and studying for the unit test and for the AP Government and Politics exam.

□ Review Questions

Multiple-Choice Questions

1. Congress's authority to levy an income tax comes from which of the following?
 - a. interstate commerce clause
 - b. Sixteenth Amendment
 - c. Budget Act (1974)
 - d. Bill of Rights
 - e. *Marbury v. Madison*
2. The institution responsible for compiling the president's budget proposal is the
 - a. Department of the Treasury.
 - b. Congressional Budget Office.
 - c. Senate Appropriations Committee.
 - d. Office of Management and Budget.
 - e. Council of Economic Advisors.
3. The largest contribution to federal revenue comes from
 - a. taxes on businesses.
 - b. interest on foreign debt.
 - c. entry fees at national parks.
 - d. individual income taxes.
 - e. capital gains taxes.
4. All of the following statements accurately describe the data in Figure 13.2 on page 448 of the textbook EXCEPT
 - a. Individuals pay far more income taxes than corporations.
 - b. Social insurance taxes are the fastest-growing source of federal revenue.
 - c. Excise taxes are the smallest source of federal revenue.
 - d. Federal revenue increased very little between 2008 and 2010.
 - e. The only time that federal revenue has dropped significantly since 1970 was during the early part of the George W. Bush administration (which began in 2003).

5. Which of the following statements is true about U.S. budget deficits?
- The first federal budget deficit did not occur until the 1990s.
 - The Constitution requires a balanced federal budget.
 - Large budget deficits make the U.S. government more financially dependent on foreign investors.
 - Budget deficits have no practical effect on individual citizens.
 - The Democratic and Republican parties have agreed that the deficit issue should not become an issue in presidential campaigns.
6. Two conditions associated with the dramatic government growth in the United States over the past half century are
- growth in the national security state and growth in the social service state.
 - accelerated global warming and the rising cost of energy.
 - growth in the number of cabinet offices and growth in the number of unfunded mandates.
 - increased immigration and a growing birth rate.
 - increased use of presidential vetoes and new public works projects.
7. Which of the following initiates the budget process?
- the House Ways and Means Committee
 - the president
 - the Senate Finance Committee
 - the Congressional Budget Office
 - the Council of Economic Advisors
8. The biggest category of federal expenditures is spending for
- foreign aid.
 - salaries and benefits for public employees.
 - interest on the national debt.
 - national defense.
 - aid to the elderly and the poor.
9. All of the following are examples of entitlement programs EXCEPT
- Social Security.
 - Medicare.
 - defense contracts.
 - veterans' benefits.
 - agricultural subsidies.
10. Which of the following conclusions may be drawn from the graph on page 450 of your textbook?
- The Clinton administration closed the budget deficit to reach a balanced budget in 1998.
 - The federal deficit decreased dramatically during the Reagan administration.
 - Between 1972 and 1992, the deficit grew by about five times the 1972 deficit.
 - The federal deficit decreased significantly between 1975 and 1980.
 - The administration of George W. Bush is primarily responsible for reversing the deficit and balancing the federal budget.

11. All the money borrowed by the federal government over the years and still outstanding is known as
 - a. federal revenues.
 - b. national debt.
 - c. tax expenditures.
 - d. tax reductions.
 - e. entitlements.

12. Government spending determined by how many eligible beneficiaries there are for a program which cannot be easily controlled are known as
 - a. entitlements.
 - b. incrementalism.
 - c. revenues.
 - d. uncontrollable expenditures.
 - e. controlled expenditures.

13. Policies for which Congress has obligated itself to pay a certain level of benefits to a certain number of recipients are known as
 - a. entitlements.
 - b. incrementalism.
 - c. revenues.
 - d. uncontrollable expenditures.
 - e. controlled expenditures.

14. The body which advises Congress on the probable consequences of its budget decisions is the
 - a. House Ways and Means Committee.
 - b. Senate Finance Committee.
 - c. Congressional Budget Office.
 - d. Government Accountability Office.
 - e. Executive Office of the President.

15. _____ is the description of the budget process in which the best predictor of this year's budget is last year's budget, plus a little more.
 - a. Estimation
 - b. Revenue sharing
 - c. Deficit spending
 - d. Incrementalism
 - e. Reconciliation

16. _____ is the congressional process through which program authorizations are revised to achieve savings.
 - a. Estimation
 - b. Revenue sharing
 - c. Deficit spending
 - d. Incrementalism
 - e. Reconciliation

17. When Congress is unable to pass appropriation bills, these allow agencies to continue spending at the level of the previous year.
 - a. income taxes
 - b. appropriation bills
 - c. continuing resolutions
 - d. budget resolutions
 - e. authorization bills

18. An act of Congress that establishes, continues, or changes a discretionary government program or entitlement is known as
 - a. reconciliation.
 - b. appropriation bills.
 - c. continuing resolutions.
 - d. budget resolutions.
 - e. authorization bills.

19. Losses in revenue which result from special exemptions, exclusions, or deductions are known as
 - a. tax expenditures.
 - b. tax reductions.
 - c. uncontrollable expenditures.
 - d. entitlements.
 - e. refunds.

20. Tax expenditures were established by
 - a. the Constitution.
 - b. 1974 Budget Act.
 - c. the Social Security Act.
 - d. 16th Amendment.
 - e. the Reagan Administration.

Free-Response Questions

1. The rise of the national security state and the rise of the social service state have long been associated with government growth and budget deficits in the United States.
 - a. Briefly describe what is meant by “growth in the national security state.”
 - b. Briefly describe what is meant by “growth in the social service state.”
 - c. Identify one piece of legislation passed by Congress since 1970 that was designed to reform the budget process and control deficit spending by the government.
 - d. For the legislation you identified in “c,” briefly explain one goal it was designed to accomplish.

2. Budget deficits and increasing federal debt are perennial concerns for national policymakers.
 - a. Define budget deficit.
 - b. Define federal debt.
 - c. Describe two negative consequences of a large federal debt.

□ Answers and Explanations

Multiple-Choice Questions

1. Congress's authority to levy an income tax comes from which of the following?
 - (a) is incorrect because the interstate commerce clause did not give Congress the authority to levy an income tax.
 - (b) is correct because the Sixteenth Amendment, ratified in 1913, explicitly gives Congress the authority to levy a tax on income.**
 - (c) is incorrect because the Budget Act of 1974 did not give Congress the authority to levy an income tax.
 - (d) is incorrect because the Bill of Rights did not give Congress the authority to levy an income tax.
 - (e) is incorrect because the *Marbury v. Madison* did not give Congress the authority to levy an income tax.

Page reference: 446, AP Topic: Policymaking in a federal system

2. The institution responsible for compiling the president's budget proposal is the
 - (a) is incorrect because the Department of the Treasury is not responsible for compiling the president's budget proposal.
 - (b) is incorrect because the Congressional Budget Office is not responsible for compiling the president's budget proposal.
 - (c) is incorrect because the Senate Appropriations Committee is not responsible for compiling the president's budget proposal.
 - (d) is correct because the Office of Budget and Management was established to coordinate the budget proposals of all government agencies into the president's final proposal. It has a significant amount of budgetary power, but this is checked by Congress's approval of the president's nominee for its director.**