

## *Tools of Fiscal Policy Worksheet*

*Directions:* Each statement below describes a tool of fiscal policy at work. In the space provided, write an “M” if the statement describes marginal tax rates, “T” for tax incentives, “G” for changes in government spending, “TP” for public transfer payments, and “P” for progressive income taxes.

- \_\_\_\_\_ 1. When BoothCo had to lay-off workers, several were now eligible to draw unemployment benefits, which helped keep them from declaring bankruptcy while searching for new work.
- \_\_\_\_\_ 2. Unfortunately, BoothCo had to cut your hours & you will now be making less money this year. But on the upside, you will be paying a smaller percentage of you income in federal taxes since your income is in a lower tax bracket.
- \_\_\_\_\_ 3. BoothCo has just been awarded a massive \$2 billion contract by the federal government & as a result, BoothCo hires 20,000 new employees.
- \_\_\_\_\_ 4. BoothCo just learned that the federal government is offering a lowered investment tax credit this year, so BoothCo has decided to postpone the building of a new factory in Oliver Springs for another year.
- \_\_\_\_\_ 5. BoothCo’s federal government contract was recently reduced to only a \$500 million contract; therefore BoothCo has to layoff some of the workers they recently hired.
- \_\_\_\_\_ 6. The new President has just announced that he will raise taxes so he can try to lower the national debt, which unfortunately had resulted in people buying fewer BoothCo products due to their diminished disposable incomes.
- \_\_\_\_\_ 7. You are an employee of BoothCo that just got a major promotion & a pay raise. While you will now be making more money a year, you will have to pay a larger percentage of your income in federal taxes.
- \_\_\_\_\_ 8. BoothCo learned that the federal government is offering an increased investment tax credit this year, so BoothCo decides to build a new factory in Oliver Springs with state of the art machines.
- \_\_\_\_\_ 9. Since BoothCo has built a new factory in Oliver Springs, several of the previously laid off workers were rehired. These previously laid off workers will not be drawing unemployment benefits anymore.
- \_\_\_\_\_ 10. After the nation began suffering from a recession, the President signed a bill that will lower taxes. With people now having more disposable income, more BoothCo products are now being purchased.