

**SECTION 2**

# THE EXPRESSED POWERS OF MONEY AND COMMERCE

## TEXT SUMMARY

The Constitution gives Congress the power to **tax**—to impose a charge on people or property in order to fund public needs. Tax collecting must, however, be used in accord with all other provisions of the Constitution.

Over 90 percent of the revenue of the Federal Government comes from taxes, of which there are two kinds. **Direct taxes** are paid directly by the taxed person. Income tax is a direct tax. **Indirect taxes** are first paid by one person, such as a manufacturer, and are then passed on to others, such as consumers.

The Constitution allows Congress to borrow money. Until quite recently, the Federal Government spent more than it took in each year and borrowed to make up the difference. This practice, called **deficit financing**, led to a very large **public debt**, or money owed by the

nation. In recent years, the government has achieved a balanced budget.

Congress's **commerce power** allows it to regulate trade, or interstate and foreign business. The Supreme Court has ruled that "trade" includes transportation and other ways in which people interact. However, Congress may not tax exports or favor one State over another.

Only Congress has the power to "coin money." Money made by the government is called **legal tender**, or money that by law must be accepted in payment of debts.

Congress may also make laws about **bankruptcy**. A bankrupt person is one a court finds to be unable to pay his or her bills. Bankruptcy is the legal process by which this person's assets are divided among those owed.

**THE BIG IDEA**

Many of the expressed powers of Congress have to do with money and commerce or business.

## GRAPHIC SUMMARY: Congress's Expressed Powers of Money and Commerce

Money	Commerce
<ul style="list-style-type: none"> <li>• Tax</li> <li>• Spend</li> <li>• Coin Money</li> <li>• Borrow Money</li> <li>• Set Bankruptcy Laws</li> </ul>	<ul style="list-style-type: none"> <li>• Regulate Interstate Commerce</li> <li>• Regulate International Trade</li> </ul>

Congress has great power to regulate money and business.

## REVIEW QUESTIONS

1. What is the difference between a direct tax and an indirect tax?
2. **Chart Skills** What powers related to money does Congress have?