

Name: \_\_\_\_\_ Date: \_\_\_\_\_ Block: \_\_\_\_\_

## **SSEMA3 Crash Course Video “Fiscal Policy and Stimulus”**

1. When real GDP output is below its possible potential, what do economists say is occurring? What is the definition of this situation?
2. What situation is occurring if real GDP is actually exceeding potential GDP? What is the definition of this situation?
3. What do all modern industrialized nations experience in regards to the business cycle?
4. How does the real GDP growth rate of the United States between 1950 and 1980 help illustrate the boom and bust cycle?
5. What began in the 1980s, which seemed to predict the times of large booms and busts were over? Was this prediction correct?
6. Why are recessionary gaps, and the accompanying high unemployment rates, bad for society?
7. What do many economists argue should happen, in order to flatten out the up and down swings of the business cycle?
8. What is the idea behind fiscal policy?
9. In the United States, who is in charge of the national fiscal policy?
10. When the economy falls into a deep recessionary gap, how can the government respond?
11. What is the theory behind expansionary fiscal policy?

12. When did the United States last pursue an expansionary fiscal policy?
13. When the economy is over heated and experiencing an inflationary gap, how can the government respond?
14. What is the theory behind a contractionary fiscal policy?
15. Why is a contractionary fiscal policy rarely used in practice?
16. What classical theory regarding government intervention in the economy hampered any recovery early in the Great Depression?
17. What did economists argue at the onset of the Great Depression?
18. What is deficit spending?
19. Even though there was massive government stimulus spending in the United States in 2009, what happened to employment levels and GDP? Was the stimulus a failure?
20. How did European nations respond to the 2009 financial crisis?
21. By looking at the more recent GDP of the United States and Europe, which policy was more successful in dealing with the 2009 financial crisis?
22. In the end, what does the government need to instill in its citizens during times of economic recession? Why?