

Chapter 16 Section 3

Stabilization Policies

Read pages 447- 455 to answer the following questions:

What do **demand side policies** try to do?

What if **fiscal policy**?

What are **Keynesian economics**?

According to Keynes' output expenditure model, what four factors determine the demand or GDP of an economy?

Which of the four factors in an economy does Keynes blame for the instability in economies that are in recession?

Which sector did Keynes think was big enough to offset declines in business investment?

During a recession, what does Keynes believe government should do to government spending to stimulate the economy?

During a recession, what does Keynes believe government should do to taxes to stimulate the economy?

What are **automatic stabilizers**?

How does **unemployment insurance** help workers when they are laid off?

List three other types of automatic stabilizers, designed to help workers when the economy is bad?

Why does the **progressive income tax** serve as an automatic stabilizer?

What are **supply side economic policies**?

When did supply side policies become popular? Which president adopted these policies?

What is a key idea of supply side economics when it comes to government's role in the economy?

What do supply side economists want in terms of taxes?

What are some problems with supply side economics?

What is **monetarism**?

How do monetarists propose to slow the inflation rate?