EPISODE 8:

**S T U D E N T Q U E S T I O N S**

1. What does the business cycle demonstrate about the economy?
2. What was the economy like during the Great Moderation of the mid-1980s?
3. What era was the result of the 2008 financial crisis?
4. High unemployment doesn’t just mean that people are out of work. What other social effects has it been linked to?
5. Fiscal policy, explained simply, means that if the economy is going too fast or too slow, the government will try to fix it by changing two things. What are they?
6. When the economy is in deep recession, what are the two fiscal policy strategies used to return things to normal?
7. What stimulus bill attempted to heal the Great Recession, adding more than 800 billion dollars to the economy by pursuing both strategies?
8. What one word do economists use to describe this kind of fiscal policy?
9. What is the goal of contractionary fiscal policy?
10. Why don’t we see contractionary fiscal policy used more?
11. What do classical economic theories assume about the economy when it’s in trouble?
12. What British economist became one of the most influential and controversial of the 20th century by arguing against this classical view?
13. According to Keynes, what can make up for a decrease in consumer spending?
14. People who don’t like Keynesian policy have one basic complaint against it. What is their complaint?
15. When looking at the actual performance of troubled economies that received government stimulus compared to economies that didn’t, what becomes clear?
16. During the Great Recession, many European countries adopted a policy of raising taxes and cutting government spending. Give the one-word name for this policy.
17. What does the “ripple” effect of increasing government spending mean when the government provides $100 of stimulus?
18. Infrastructure projects like building roads and bridges have strong multipliers, making government spending look very worthwhile. What drawback does this kind of fiscal stimulus have, though?