Economics U$A – Fiscal Policy *(Can we control our economy?)*

1. At the close of the Korean War, why was there a recession following the termination of government contracts for military supplies? (what was missing at the time which had been present at the end of WWII?)

2. Eisenhower did not have to make the drastic moves that Roosevelt made during WWII… instead relying on “automatic stabilizers.” What is the primary reason that “automatic stabilizers” were all that were needed? (Richard Gill explains)

3. Kennedy was faced with two potential scenarios when he came to office resulting from the government taking in more money than it was spending. What were his options? Which did he choose?

4. Why did Galbraith try to lobby Kennedy against tax cuts? (*Think politics*)

5. The tax cut of 1964 was a success. Demonstrate on the graphs below the two ways the recession could have been remedied.

**Reason:\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Reason:\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**GNP**

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6. President Obama used the power of government to address the needs of the crumbling economy. What were the goals of the “stimulus?” What were potential ways that the stimulus money could be distributed into the economy?

7. What strategy is more favored by Republicans? Democrats?