

Read Chapter 16 on Economic Policy and answer the following questions –

1. How is **full employment** defined?
2. What is the economic concept of **laissez faire**?
3. Explain how did the Great Depression change the outlook of Americans towards both dual federalism and laissez faire?
4. According to the graph, what impact have **wars** had on prices and the CPI? Why do you think this is?
5. Why do Keynesian economists argue that borrowing rather than taxation should be the main way that a government finances spending during recession or depression?
6. Who was the first president to **explicitly** use Keynesian policies?
7. What was one economic result of funding the War in Vietnam by borrowing money to finance the war?
8. How did Nixon choose to fight inflation? Were these methods successful?

9. How does the problem of “lag-time” effect government economic policy?
10. List several automatic stabilizers:
11. How did Bill Clinton practice Keynesianism in his economic policies?
12. What events have contributed to a growing debt since the Clinton years?
13. How did **Paul Volcker** tackle inflation?
14. When is monetary policy ineffective? How can fiscal policy overcome this problem?
15. What are the impact of **quotas and tariffs**, both positive and negative?
16. What are three examples of the way that we run a **current account deficit**?
17. What is the **marginal tax rate**?
18. What **loopholes** do some Americans enjoy in the tax code?
19. Do you support or oppose **progressive taxation**? Explain.
20. What is the current problem with Social Security?
21. What are several options for helping the Social Security system?