

## FRQ 1

1. The US economy is in a deep recession.
  - (a) Draw and label an AS/AD graph showing the state of the US economy.
  - (b) What fiscal policies could the US Government use to move the economy out of recession?
  - (c) Draw and label an AS/AD graph showing the effect of the fiscal policies from (b) on the US economy.
  - (d) Explain the effect the fiscal policies from (b) will have on the price level and output in the US economy.
  
2. The US economy is experiencing high inflation.
  - (a) Draw and label an AS/AD graph showing the state of the US economy.
  - (b) What fiscal policies could the US Government use to move the economy out of high inflation?
  - (c) Draw and label an AS/AD graph showing the effect of the fiscal policies from (b) on the US economy.
  - (d) Explain the effect the fiscal policies from (b) will have on the price level and output in the US economy.
  
3. The US economy is in a deep recession.
  - (a) Draw and label an AS/AD graph showing the state of the US economy.
  - (b) Draw and label an AS/AD graph to show the effects an increase in aggregate supply would have on the US economy.
  - (c) Explain the effect an increase in aggregate supply will have on the price level and output in the US economy.
  - (d) Explain if an increase in aggregate supply brought the US economy out of recession.

*You'll need to know that fiscal policies include raising or lowering taxes and increasing or decreasing government spending. That's it. All fiscal policies essentially boil down to one of those. Those which increase the government's deficit spending will expand the economy and shift the demand line to the right. Those which decrease the government's deficit spending will contract the economy and shift the demand line to the left.*