

# GUIDED READING Activity 17-2

For use with the textbook pages 457–460

## THE FISCAL POLICY APPROACH TO STABILIZATION

### OUTLINING

**Directions:** Locate the heading in your textbook. Then use the information under the heading to help you write each answer.

**I.** John Maynard Keynes

**A.** Introduction

1. What is fiscal policy?

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2. What did John Maynard Keynes believe about serious recessions?

**II.** The circular Flow of Income

**A.** Introduction

1. How does the circular flow of income work?

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2. What factors of production do households control?

3. What are examples of economics leakages and injections of the economy?

**a.** Leakages:

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**b.** Injections:

**III.** Fiscal Policy and Unemployment

**A.** Introduction

1. How might have the Keynesian theory been applied to the Great Depression?

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2. How can the government use taxes to help the economy?

**IV.** Fiscal Policy and Inflation

**A.** Introduction—How do fiscal-policy supporters believe inflation can be controlled?

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