



NAME: _____

Government Responses to Economic Expansions or Contractions

Look up what a responsible government could do in response to economic expansions and contractions.

Fill out at least 3 possible government responses for each situation.

Question #1: What are some possible government responses during expansions (the good times)?

Question #2: What are some possible government responses during contractions (the bad times)?



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Question #1: What are some possible government responses during expansions (the good times)?

- Raise interest rates to slow down spending.
- Cut spending and pay down debt with increased tax revenues.
- Use increased revenues to create rainy day funds for the bad times.

Question #2: What are some possible government responses during contractions (the bad times)?

- Lower interest rates to increase spending.
- Increase spending and increase debt to spend on social programs.
- Use savings from rainy day funds for public supports such as employment insurance.