

14.17: Assignment- Policy Response to a Macro Shock

The Great Recession was the most serious economic downturn in U.S. history since the Great Depression. The recession began in December 2007. Interest rates at the time were very low, close to zero. Despite the American Recovery and Reinvestment Act of 2009, a nearly \$800 billion fiscal stimulus and an expansionary monetary policy, the economy is only now getting back to normal in 2015.

In retrospect, what set of macro policies, if anything, should we have conducted to achieve a better recovery? Show using the AD/AS model and explain your reasoning.

Rubric

Criteria	Not Evident	Developing	Proficient	Distinguished	Weight
Create a graphic to illustrate the recession using the AD/AS model					6
Explain why monetary policy is unlikely to work					6
Explain why fiscal policy is likely to work well in this scenario					6
Articulation of response (citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas.)					2
					Total: 20

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