Solutions

Each answer shows the steps, then the **result**.

2.1

- a feature of the economy that dampens the business cycle automatically, without new laws

2.2

- progressive taxes; transfer payments such as unemployment benefits

2.3

- automatic stabilizers act without new laws; discretionary policy requires deliberate new legislation

3.1 B

3.2 B

3.3

(a)

- they rise

(b)

- AD is supported (does not fall as far)

(c)

- no