**How to cure unemployment?**

For Keynesians, in a recession, when AD is low and unemployment is high, governments should examine ways in which to increase AD. For example this could be through increasing G on infrastructure projects (such as HS2). This increase in G will immediately increase the amount of people in work and lead to ………………….. …………………….

For Keynesians, initially the AS curve is quite ……….…………….. . As AD in the economy increases there are sufficient unutilised or ……………………………... economic resources in the economy (land, labour capital and enterprise) that can be quickly used by firms to increase output. Therefore government can expand AD with little impact on inflation until the economy reaches its ……………………. ……………….…… – where all resources are being used. At this point any increase in AD will not add to output but will instead cause ………………………. This is because the AS curve is now perfectly ……………………….

Use the words in the hint box below to help you complete the missing word exercise

**Hint**: elastic, inelastic, productive capacity, underutilised, inflation, unemployment, economic growth

**Keynesian Aggregate Supply**