Unit 5: Fiscal Policy

Content Area: **Social Studies**
Course(s): **AP Macro Economics**
Time Period: **January**
Length: **4 weeks**
Status: **Published**

Transfer Skills

Students will be able to independently use their learning to exam different types and uses of fiscal policy and correct problems in the economy using fiscal policy.

Enduring Understandings

Fiscal Policy is the way that the government can impact the economy through increasing and decreasing taxes and government spending.

Government Spending is the stronger of the two policies because the spending multiplier is always greater than the tax multiplier.

Changing taxes and government spending both have unintended consequences that limits their effectiveness. When governments spend, they need to borrow money which crowds out private business from borrowing money.

Taxes are slow moving and do not stimulate or slow down the economy fast enough.

Even the Federal Government has limits on how much they can spend and if exceeded could result in a collapse of a nation's financial system

Essential Questions

How do governments decide on which policy to choose and how do these decisions impact the economy.

What are the unintended consequences of Fiscal Policy and what do governments do to counter balance these effects?

How does politics play a role in the economic decisions of the government?

How does money get multiplied throughout the economy as a result of fiscal policy?

How does a balanced budget vs. deficit spending impact an economy?

How does fiscal policy impact both the short and long aggregate supply curves and the aggregate demand curve?

Content

Vocabulary

Fiscal Policy, Crowding out Effect, Supply Side Economics, Time Lag, Automatic Stabilizers, Built in Stabilizers, Gross Public Debt, Budget Deficit, National Debt, Debt Ceiling

Skills

Calculation of the spending and tax multiplier and showing the impact of spending and taxes.

Graphing of AS and AD curves and how they shift because of fiscal policy decisions.

Discussion and Debate over which policy action is the better of the two and why.

Writing a critique of the financial problems in America from an economist's point of view.

Analyze the past fiscal policy decisions and the impact they had on the economy.

Evaluate the United States' handling of the debt ceiling problem both past and present.

Resources

Standards

PFL.9.1.12.A	Income and Careers
PFL.9.1.12.B	Money Management
PFL.9.1.12.B.5	Analyze how changes in taxes, inflation, and personal circumstances can affect a personal budget.
PFL.9.1.12.B.6	Design and utilize a simulated budget to monitor progress of financial plans.
PFL.9.1.12.C.8	Identify the types and characteristics of predatory lending practices (e.g., payday loans, car title loans, high-risk mortgages).
PFL.9.1.12.D	Planning, Saving, and Investing
PFL.9.1.12.F	Civic Financial Responsibility
PFL.9.1.12.G	Insuring and Protecting
SOC.6.1.12.C.14	Economics, Innovation, and Technology
SOC.6.2.12.C.4	Economics, Innovation, and Technology
SOC.6.2.12.C.5	Economics, Innovation, and Technology