Unit 6: The Bond between Banking and Economics

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

Transfer Skills

Students will be able to independently use their learning to assess current and hypothetical economic conditions and use monetary policy to correct these conditions.

Enduring Understandings

Monetary Policies are set by the Federal Reserve in an effort to manipulate the money supply and interest rates of a country.

Monetary policy is also impacted by the money multiplier because the amount of spending that is generated (or prevented) by the policies gets spent throughout the economy based upon the country's propensity to consume.

Monetary policy also has unintended negative consequences because interest rate changes impact foreign markets while money supply changes impact inflation.

Monetary policy is a quicker vehicle of manipulating a country's economy because there is less political red tape in terms of policy and votes.

Essential Questions

How does monetary policy impact the short and long run Aggregate Supply and Aggregate Demand of a country?

What are the major policies that the Federal Reserve can use to impact the economy and how do they work?

What are the negative consequences of monetary policy and how can the government correct them?

How do interest rates impact how businesses in our country and businesses abroad do business with our banks?

How do debt ceilings and other limitations impact policy decisions by the Federal Reserve?

Content

Vocabulary

Reserves, Required Reserves, Required Reserve Ratio, Balance Sheet, Open Market Operations, Money Multiplier, Discount Rate, Federal Fund Rate, Bank Runs, FDIC

Skills

Calculate the spending multiplier and showing the impact of spending.

Graph the AS and AD curves and how they shift because of monetary policy decisions.

Discuss and Debate over which policy (monetary or fiscal) action is the better of the two and why.

Write a critique of the financial problems in America from an economist's point of view using monetary policy as a base..

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

Resources

Standards

PFL.9.1.12.D.9	Relate savings and investment results to achievement of financial goals.
SOC.6.1.12.C.2.a	Assess the effectiveness of the new state and national governments attempts to respond to economic challenges including domestic (e.g., inflation, debt) and foreign trade policy issues.
SOC.6.1.12.C.1.a	Explain how economic ideas and the practices of mercantilism and capitalism conflicted during this time period.
PFL.9.1.12.A.3	Analyze the relationship between various careers and personal earning goals.
PFL.9.1.12.A.11	Explain the relationship between government programs and services and taxation.
PFL.9.1.12.A.4	Identify a career goal and develop a plan and timetable for achieving it, including educational/training requirements, costs, and possible debt.
PFL.9.1.12.A.7	Analyze and critique various sources of income and available resources (e.g., financial assets, property, and transfer payments) and how they may substitute for earned income.
PFL.9.1.12.D.11	Assess the role of revenue-generating assets as mechanisms for accruing and managing wealth.
PFL.9.1.12.A.9	Analyze how personal and cultural values impact spending and other financial decisions.
SOC.6.1.12.C.3.b	Relate the wealth of natural resources to the economic development of the United States and to the quality of life of individuals.