



AP Macroeconomics Webinar Fiscal & Monetary Policy

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Meet Amanda Stiglbauer

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Economics & Business
Course Developer &
Facilitator- UC Scout

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B.A. Economics
M.T. Secondary Education



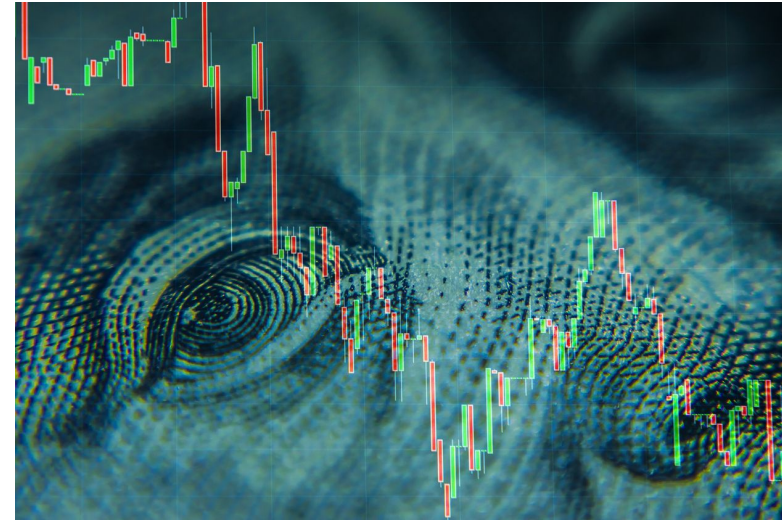
18

Years Teaching - AP Micro/Macro,
Econ & PF, AP Human Geography
AP Micro Question Leader



Agenda

- Fiscal Policy
- Fiscal Policy Activities
- Monetary Policy
- Monetary Policy Activities
- Questions?



Objectives

- Understand the role of monetary and fiscal policy in managing economic performance.
- Gain strategies for teaching monetary and fiscal policy concepts to high school students.
- Review key topics related to monetary and fiscal policy for effective AP Macroeconomics exam preparation.



What menu options do policy makers follow when adjustments need to be made to the economy?

1. Fiscal Policy
 - Government
 - Demand Side
2. Monetary Policy
 - Federal Reserve
 - Demand Side
3. (Supply Side Policies)

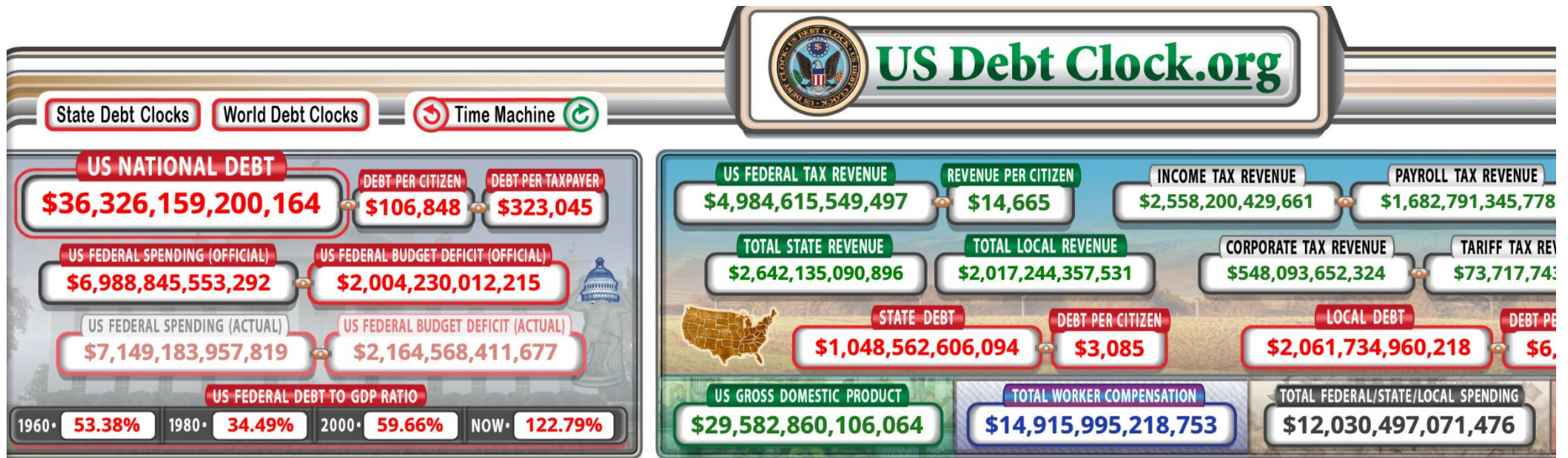


What is the current size of the US Federal Debt?

- A. \$920 Billion
- B. \$30 Trillion
- C. \$3.1 Trillion
- D. \$36 Trillion



www.USDebtClock.org





7 TRILLION
Chick-fil A
Sandwiches!!

All Policies Have Trade-offs

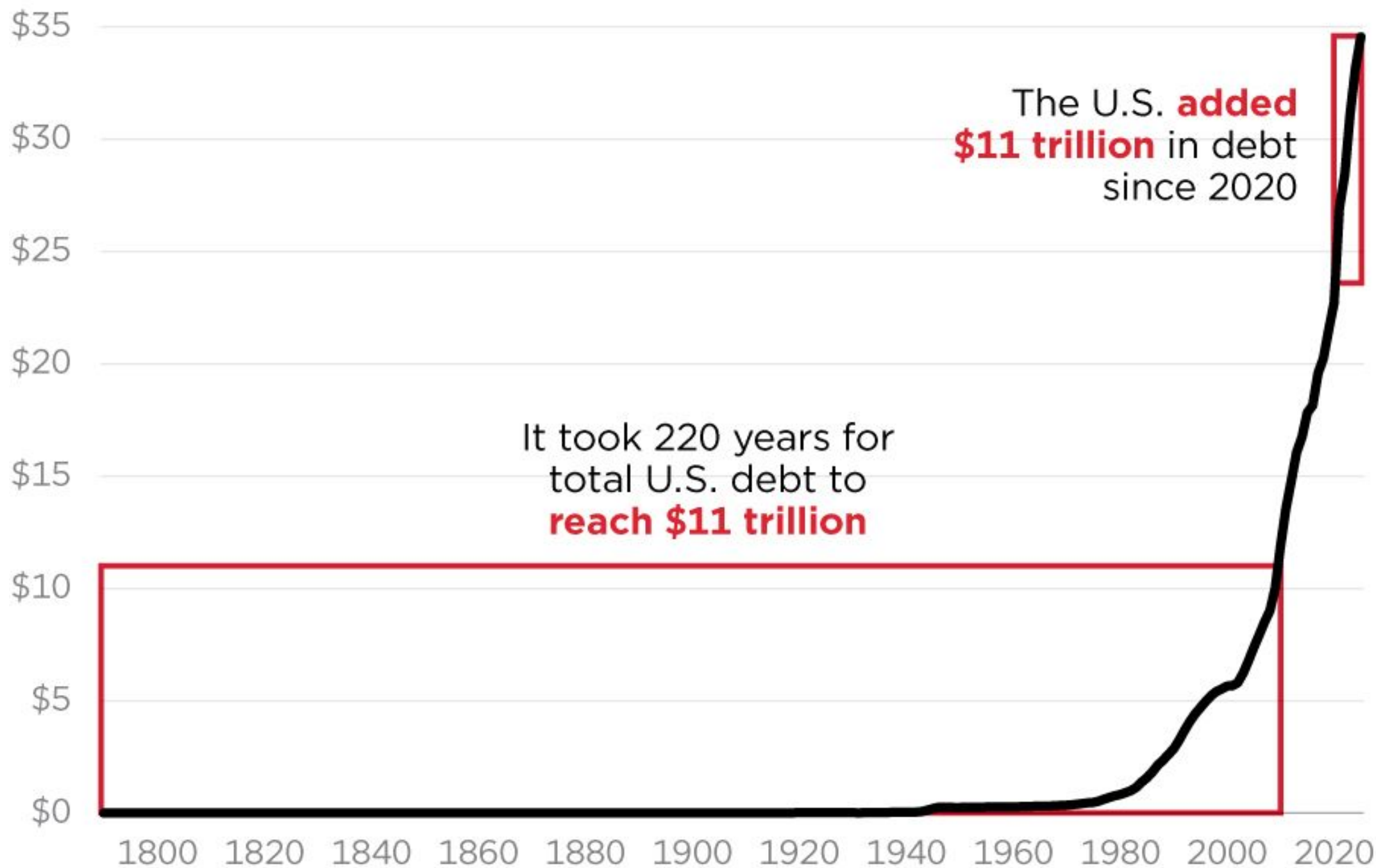
- **Budget Deficit**- when annual government spending and transfer payments are greater than tax revenue.

- **Budget Surplus**- when annual government spending and transfer payments are less than tax revenue – 2001 was the last budget surplus.

- The **National Debt** is the accumulation of all the budget deficits over time.

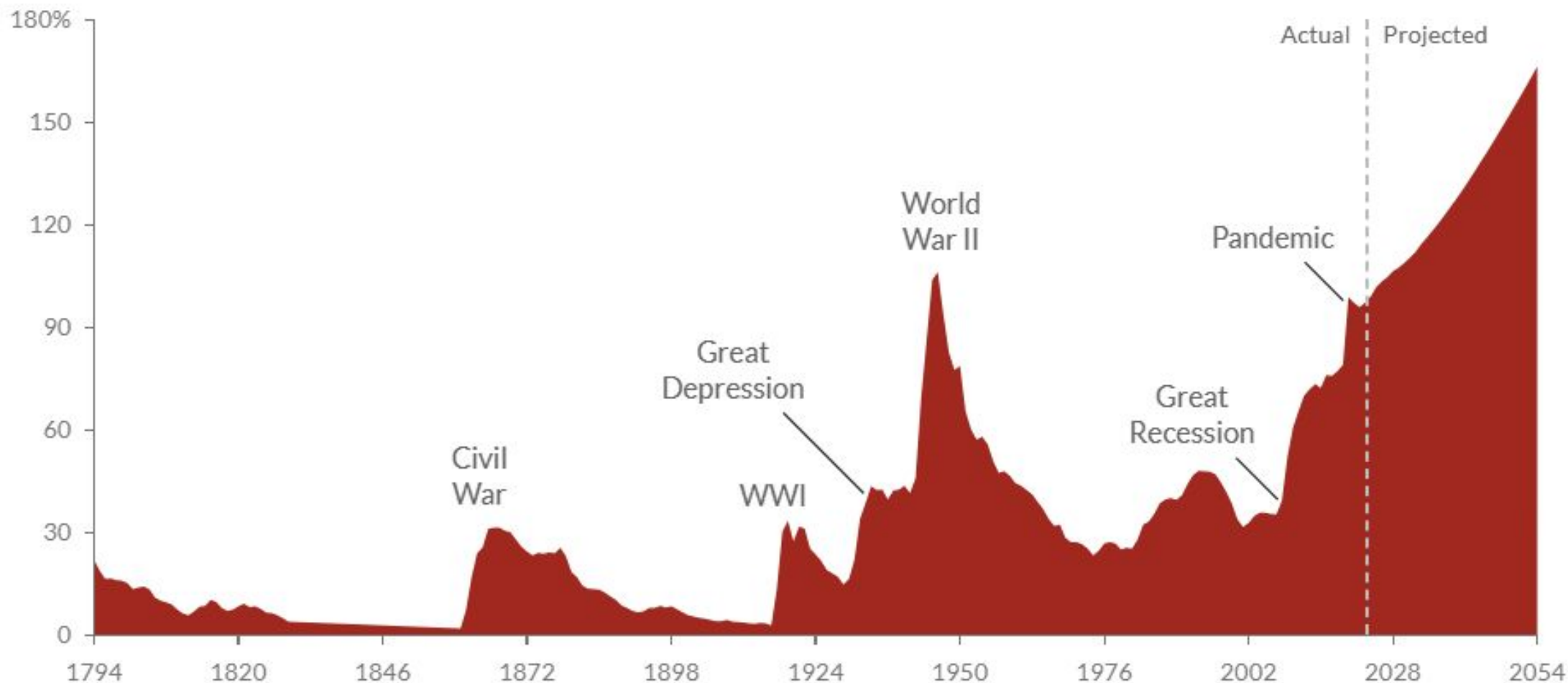
If the Government increases spending without increasing taxes they will increase the annual deficit and the national debt, all things held constant.

TOTAL OUTSTANDING DEBT, IN TRILLIONS OF DOLLARS



Federal debt is on an unsustainable path

Debt Held by the Public (% of GDP)



Source: Congressional Budget Office • [Embed](#) • [Download image](#)

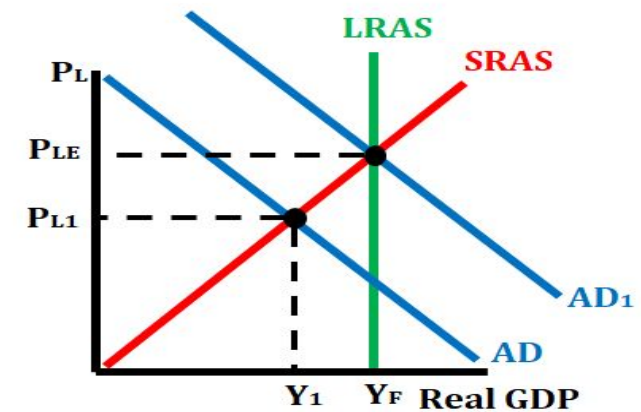
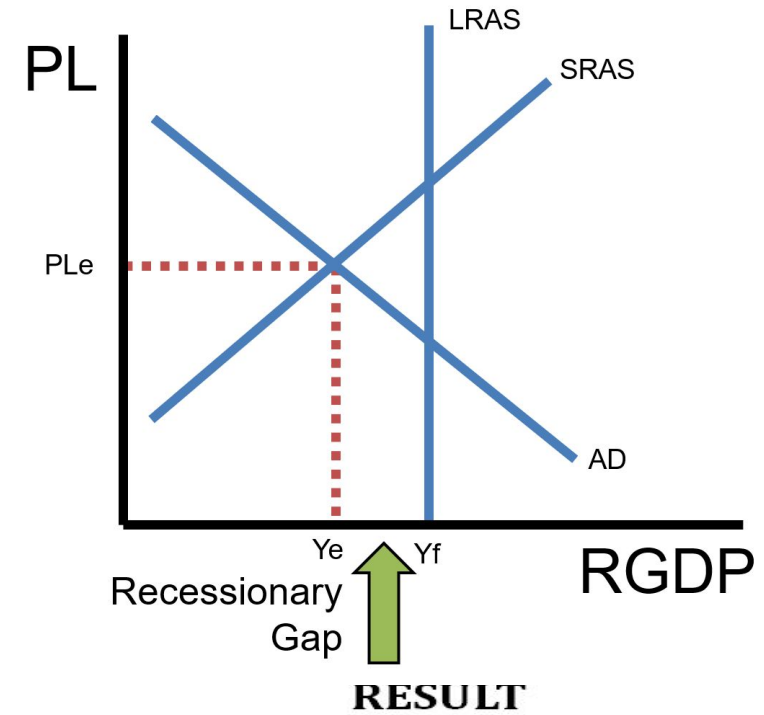
Note: Data includes the [long-term projections](#) and other previous projections.

Situation: Recessionary Gap Solution: Expansionary Fiscal Policy

Used to prevent or lessen the effects of a recession

Goal: Increase aggregate demand
(creates budget deficit/shrinking surplus)

- Increase government spending
- Decrease income taxes
- Decrease business taxes



Adjustment Back to Long Run
Equilibrium

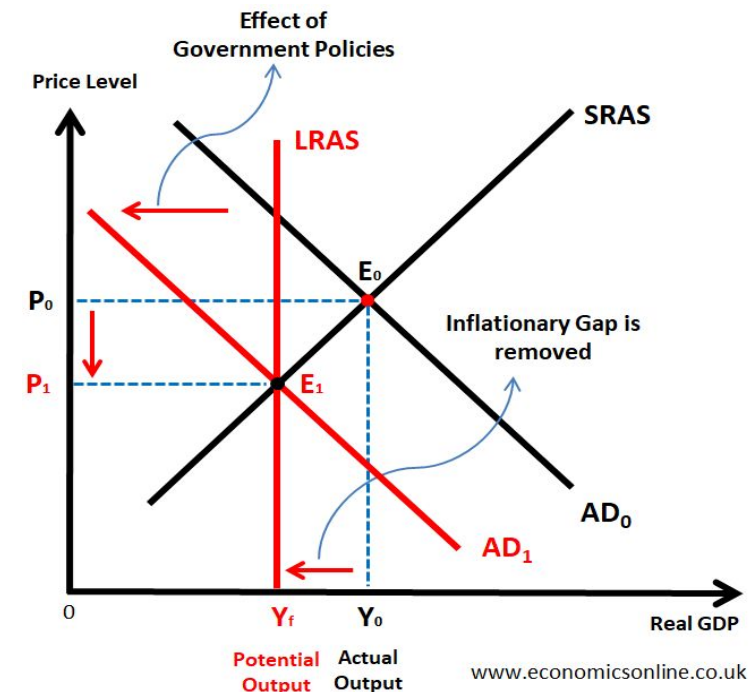
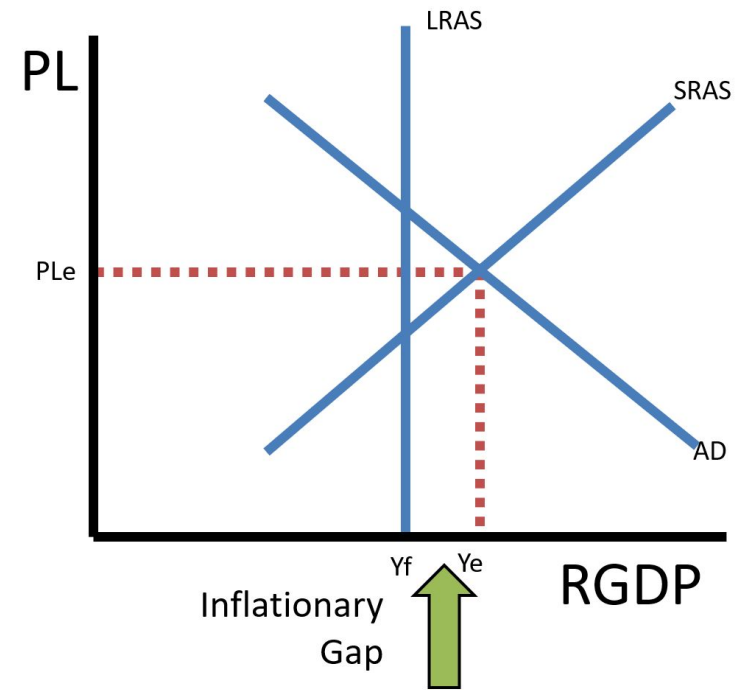
Situation: Inflationary Gap

Solution: Contractionary Fiscal Policy

Why? To help prevent inflation or an “overheating” economy

Goal: Decrease aggregate demand (creates budget surplus/ shrinking deficit)

- Decrease government spending
- Increase income taxes (after-tax income falls, less consumer spending)
- Increase business taxes (businesses spend less on investment)



Activity Menu

With a partner, find a political cartoon that shows fiscal policy. Explain the intent and whether its expansionary or contractionary.

01

MythBusters: The National Debt

Kahoot!

Making Sense of The Federal
Budget, Debt & Deficits
Lesson 1 Activity

Lesson Available at www.fte.org
Kahoot Game:

<https://create.kahoot.it/share/myth-busters-the-national-debt/9cc6a97e-503c-4496-9559-974f8538a1f9>



02

To the Penny

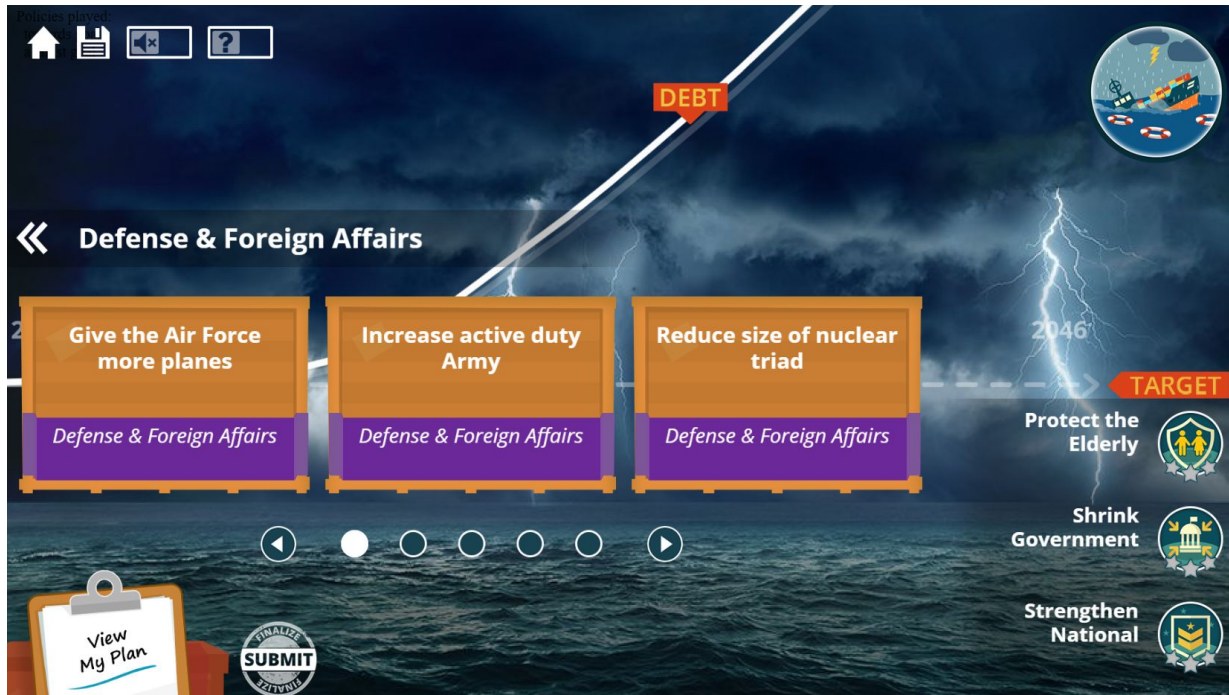
Making Sense of The Federal Budget,
Debt & Deficits
Lesson 2 Activity

Lesson available at www.fte.org



Lesson 3 Activity

Can You Fix It? The Fiscal Ship



Lesson 3 Activity: Can you fix it? The Fiscal Ship

Handout 3-1: My Governing Goal Priorities

DIRECTIONS: Which of the governing goals below are most important to you? Rank the list from 1-10, with #1 being the most important to you.

Rank	Governing Goals	
	Invest in the Future	"Invest now for rewards later" "Improve our roads and airports" "Invest in innovation"
	Fight Climate Change	"Save the Planet" "Reduce our carbon footprint" "Stop global warming"
	Tax Cutter	"Keep more of what you earn" "Tax cuts spur growth" "Will work harder for lower taxes"
	Reduce Inequality	"What about the 99%" "We're too rich to accept poverty" "Share the wealth"
	Shrink Government	"Government is best which governs least" "End tax and spend" "Smaller government = smarter government"
	Protect the Elderly	"Honor our senior citizens" "Keep our promises" "Retire with security and dignity"
	Fiscal Hawk	"Lower future debt, greater future opportunity" "We're borrowing from the future" "Live within our means"
	Strengthen National Defense	"Peace through Strength" "Protect our global leadership" "Support our Troops"
	Strengthen Social Safety Net	"Protect the vulnerable" "A society is only as strong as its weakest link" "A helping hand to those in need"
	Rein in Entitlements	"We all need to tighten our belts" "Good health care shouldn't cost so much" "Promote greater self-sufficiency"

Federal Budget: The Fiscal Ship Game

Time: 120 mins, Updated: September 26 2023, Author: [Joel Miller](#), [Ruth Cookson](#), [Elizabeth Healy](#)

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[TEACHER VERSION](#)

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[Standards](#)

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[Procedure](#)

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[Extension](#)

Objective

Students will be able to:

- Define debt, deficit, and surplus.
- Analyze the economic and political impact of different fiscal policy strategies.
- Apply their selected fiscal policy goals.
- Understand the implications of their policy choices on the national debt.

Standards

[National Standards in Economics](#)

[State Standards](#)

[Common Core State Standards](#)

Concepts

[Crowding Out, Debt, Economic Institutions](#)





Public Choice in Action

Making Sense of The Federal
Budget, Debt & Deficits
Lesson 5 Activity

05

Lesson Available at www.fte.org



Scenario

You are an elected representative in Washington D.C. representing constituents from your home state.

You are also a member of the House Budget Committee, and you have been tasked with finalizing a budget. The 12 policies on the Role Card are the ones on the table for discussion today.



The Policies & The Deficit

The deficit has received a lot of attention and your party leaders are committed to reducing the deficit. Some policies...

- Decrease deficit by raising revenue.
- Decrease deficit by cutting spending
- Increase deficit with hope of seeing a return on investment down the road.

1. Increase Social Security eligibility age
2. Increase Infrastructure Spending
3. Expand Pell Grant & Free Community College
4. Impose a Wealth Tax
5. Increase childcare subsidies
6. Increase Medicare Premiums
7. Decrease Defense and R&D Spending
8. Increase Teacher Salaries
9. Impose a Carbon Tax
10. Cut Active Duty Military
11. Increase Funding for the Arts & Humanities
12. Increase NASA budget



Review your Role Card

- Role 1 - "Retirement Community"
- Role 2 - "Military Base"
- Role 3 - "Families in the Suburbs"
- Role 4 - "Revitalize our Town"

Fill out the left side of Handout 5-5



DIRECTIONS: Review the 12 policies on your role card and determine which are most important to you and your constituents. Include those on your proposal on the left. Then after you meet and discuss the policies with your committee, use the proposal on the right to list the policies that your committee is pushing forward to be included in the final budget. NOTE: The score columns are specific to you.

Committee's Proposal

Policies to Include In the Final Budget

#	Policy	Change to Overall Spending (billions)	Score (+ or - points)
	TOTAL	\$	

Committees

1. Work together with your committee to come up with a proposal for which of the **12 policies** should be included in the final budget.
2. Then calculate YOUR “points” based on the final policies selected to determine if they can be reelected or not.



Handout 5-5

DIRECTIONS: Review the 12 policies on your role card and determine which are most important to you and your constituents. Include those on your proposal on the left. Then after you meet and discuss the policies with your committee, use the proposal on the right to list the policies that your committee is pushing forward to be included in the final budget. NOTE: The score columns are specific to you.

My Proposal

Policies to Include In the Final Budget

#	Policy	Change to Overall Spending (billions)	Score (+ or - points)
TOTAL		\$	

Committee's Proposal

Policies to Include In the Final Budget

#	Policy	Change to Overall Spending (billions)	Score (+ or - points)
TOTAL		\$	



The Outcome

- What policies did you include in your proposal?
- What happened to overall spending?
- Raise your hand if you were re-elected.

1. Increase Social Security eligibility age
2. Increase Infrastructure Spending
3. Expand Pell Grant & Free Community College
4. Impose a Wealth Tax
5. Increase childcare subsidies
6. Increase Medicare Premiums
7. Decrease Defense and R&D Spending
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What menu options do policy makers follow when adjustments need to be made to the economy?

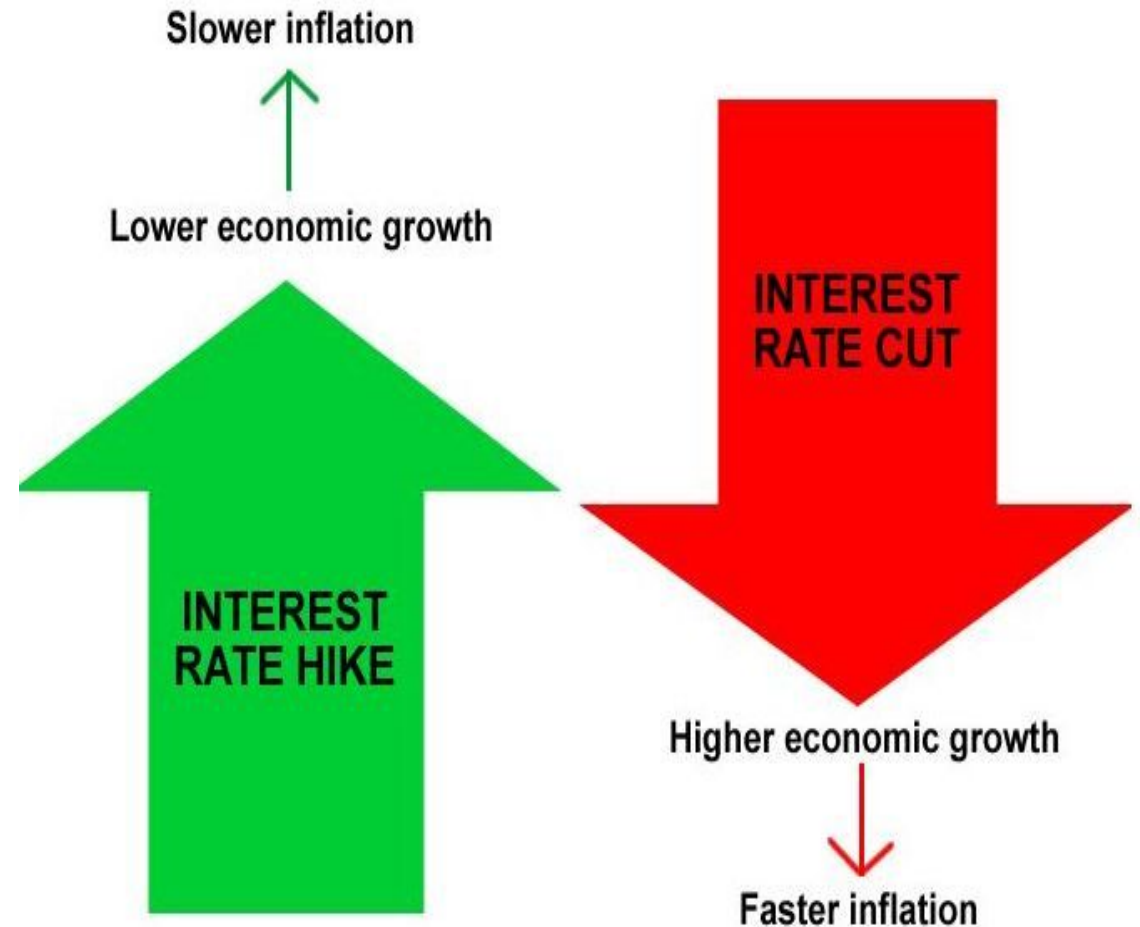
1. Fiscal Policy
 - Government
 - Demand Side
2. Monetary Policy
 - Federal Reserve
 - Demand Side
3. (Supply Side Policies)



Monetary policy

Process by which the central bank (Federal Reserve Bank in the U.S.) controls the money supply, which has a direct impact on aggregate demand.

- Often targets an inflation rate and/or interest rate to ensure price stability
- Decreased interest rates increase aggregate demand
- Increased interest rates decrease aggregate demand



Types of Monetary Policy

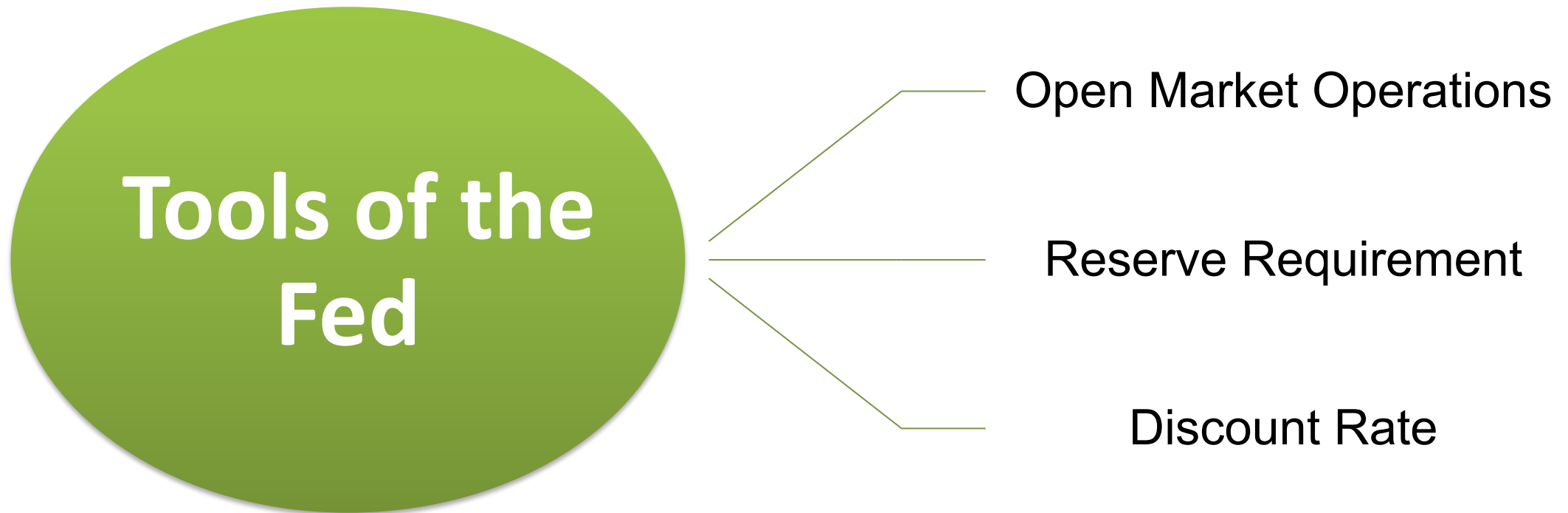
Expansionary Monetary Policy

- Goal is to stimulate the economy
 - often because of recession or fear of recession
- Achieved by Fed decreasing the interest rate
- Causes aggregate demand to rise

Contractionary Monetary Policy

- Goal is to slow down the economy
 - often because of fear of inflation or overheating economy
- Achieved by Fed increasing the interest rate
- Causes aggregate demand to fall

How exactly does The Fed influence monetary policy?



Manipulating the money supply

Three main methods a central bank can use in order to inject (or withdraw) money from the economy:

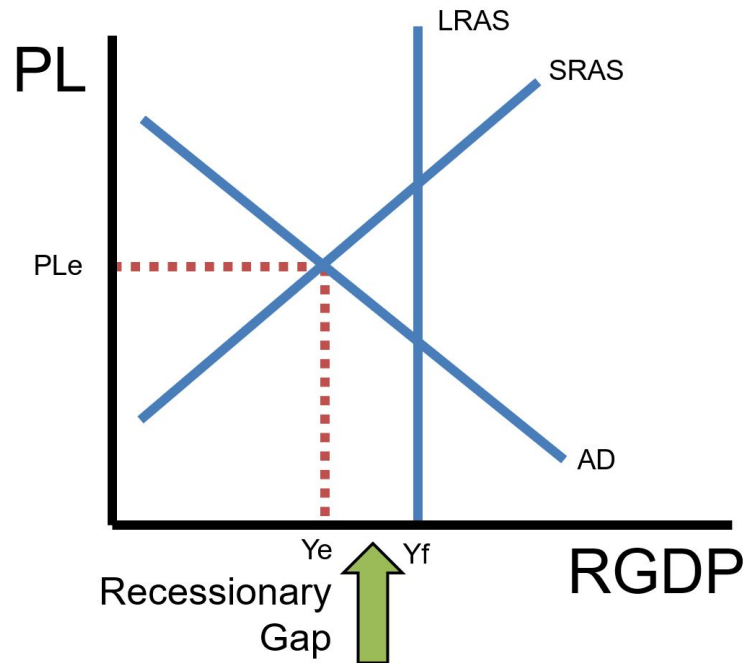
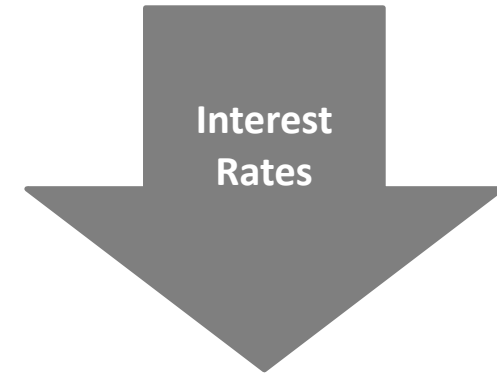
1. Reserve requirement
2. Discount rate (changing short term interest rates)
3. Open Market Operations (OMOs)
 - a. Buying/selling bonds/securities
 - b. Effectively changes the federal funds rate (short term interest rate)

Situation: Recessionary Gap

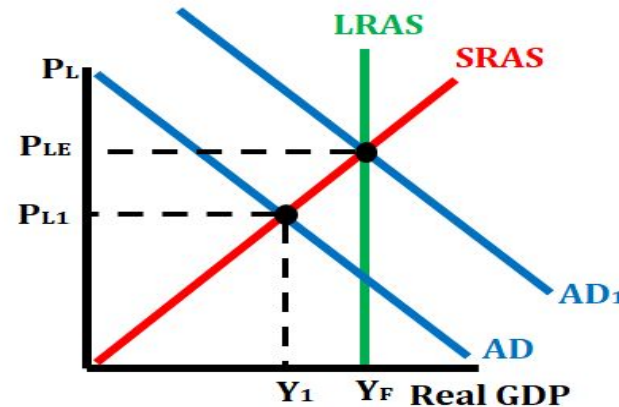
Solution: Expansionary Monetary Policy



The Fed can **stimulate the economy** by:
decreasing reserve requirement,
decreasing discount rate, buying bonds



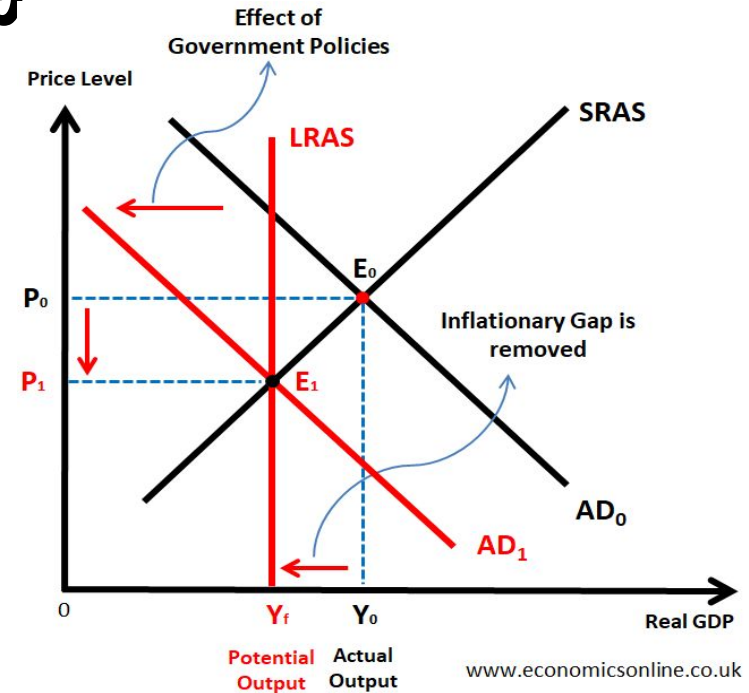
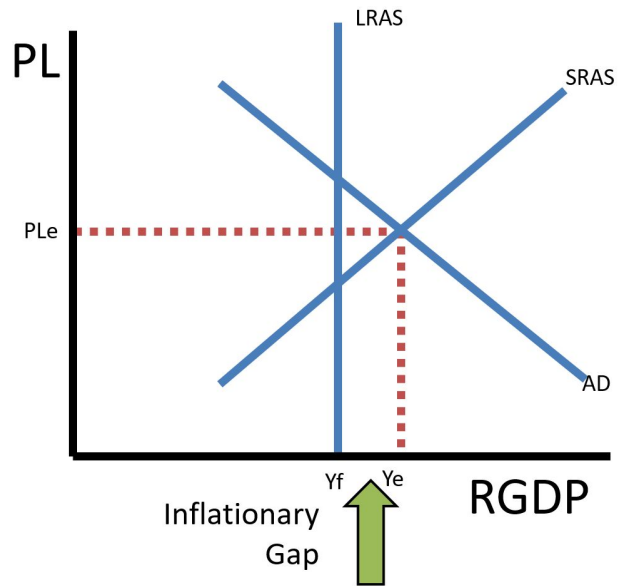
RESULT



Adjustment Back to Long Run
Equilibrium

Situation: Inflationary Gap

Solution: Contractionary Monetary Policy



The Fed can **rein in inflation** by: increasing reserve requirement, increasing discount rate, selling bonds



Just How Powerful is the Fed Chair?

Time: 90 mins, Updated: May 9 2024, Author: [Amanda Stiglbauer](#), [Scott Niederjohn](#)

[DIRECT INSTRUCTION](#)[TEACHER VERSION](#)[Objective](#)[Standards](#)[Summary](#)[Prodcedure](#)[Assessment](#)[Extension](#)[Resources](#)

Objective

Students will be able to:

- Explain how the tools of the Federal Reserve are used to influence monetary policy.
- Judge the power of the Chair of the Federal Reserve Bank.
- Evaluate how the Fed's tools are used to alter interest rates, aggregate demand, and the inflation rate.

Standards

[National Standards in Economics](#)

[State Standards](#)

[Common Core State Standards](#)



Fed Chair Power Rating

Name: _____ Date: _____

Directions: Sports fans often assign a “power rating” to teams and players to measure their strength. In today’s activity, we will research some of the most recent chairs of the Federal Reserve and assign them “power ratings” to express how truly influential they have been in the United States economy. In this activity, we will judge each person’s prerequisites, ability to play defense and offense.

Chair (circle one):

Janet Yellen

Ben Bernanke

Alan Greenspan

Paul Volcker

- 1. Prerequisites** will be measured by academic background, research, and previous career qualifications.
- 2. Offensive acumen** will be evaluated using the chair’s major accomplishments while in office and whether he/she was successful in accomplishing the goals for which he/she was originally selected.
- 3. Defensive strength** will be determined by the chair’s ability to overcome obstacles, both in the economy and political pressures, while holding the chairmanship.
- The chair in question may receive 1-4 points for each category. The rubric for awarding points is as follows:
1 - extremely weak 2 - relatively weak 3 - relatively strong 4 - extremely strong
- BONUS!** Your group may award up to 2 bonus points for other significant accomplishments not listed in the first three categories. You may also choose to *subtract* up to 2 points for major blunders or problems that emerged as a result of the chair’s policies.
- This is a group activity, so remember that you and your team members must come to a consensus!

	Prerequisites				Offensive Acumen				Defensive Strength				Other				
Details																	
Power Rating	1	2	3	4	1	2	3	4	1	2	3	4	-2	-1	0	+1	+2

Overall Power Rating is _____

Fed Chair Power Rating

	Strengths	Weaknesses	Overall Impression
Janet Yellen			
Ben Bernanke			
Alan Greenspan			
Paul Volcker			



Activity 6: Show Me the Money! A Fractional Reserve Banking Simulation

[Home](#) > [Teachers](#) > [Teacher Resources](#) > [Lesson Plans](#) > [Economic Forces In American History](#) > **Activity 6:**

Lesson Overview

[Download Activity and Handouts \(doc file\)](#)

Fractional Reserve Banking is a fundamental part of all modern economies. First introduced in Europe in the 16th Century, bankers ever since have made sure to lend out most – but not all – of the deposits held by their institutions. Originally the reason for holding a fraction in reserve was to protect the bank in case many or most of its depositors needed cash at the same time. Today there are reserve requirements imposed on American banks by the Federal Reserve System in its ongoing effort to manage the nation’s money supply.

Whether imposed by prudence or a banking regulation system, fractional reserve banking enables banks to “create money” through lending, thereby expanding the money supply during times of economic growth. In this activity, students will learn to:

- calculate the amount of money created by banks in the classroom economy;
- appreciate the role of banks as creators of money; and
- understand the importance of fractional reserve banking in the process of money creation.



Thoughts, Questions - Ask a Reader!

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