Economic Policies and You | Lesson Plan

How do government actions and central bank decisions impact our daily lives and the overall health of the economy?

Students will understand the role of monetary and fiscal policy in shaping economic conditions, which influence inflation, employment, and personal finances.

Learning Objectives:

- Analyze the effects of monetary and fiscal policy on economic activities like borrowing, saving, and spending.
- Evaluate how changes in interest rates and government spending can lead to periods of economic expansion and contraction.
- Apply concepts of monetary and fiscal policy to real-world scenarios, considering how policy changes impact daily decisions, such as saving or borrowing.
- Explain how political influences can affect economic policies and the potential for unintended consequences.

Key Vocabulary:

- **Expansion**: A period of economic growth when spending and job opportunities increase.
- **Contraction**: A period of economic slowdown when spending decreases and job opportunities are fewer.
- **Monetary Policy:** Actions by the central bank to influence the money supply and interest rates to stabilize the economy.
- **Fiscal Policy**: Government actions related to taxing and spending to influence economic activity.
- **Federal Reserve**: The central bank of the United States, responsible for setting monetary policy to maintain economic stability.
- **Federal Funds Rate**: The interest rate banks charge each other for overnight loans, set as a target by the Federal Reserve to influence borrowing, spending, and economic growth.

Educational Standards: CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

Academic Subject Areas: Economics, Financial Literacy, Decision Making, Personal Responsibility

What You'll Need

- Video: *Ca$h Cour$e: Economic Policies and You* (Watch Here)
- Worksheet: *Ca$h Cour$e: Economic Policies and You* (Click Here)
- Lined notebook paper for taking notes

Scan to watch episode:

- Classroom whiteboard and dry-erase markers (or use a technology solution if available).

Lesson Plan (45 mins.)

Warm-Up: (10 mins.)

1. Hand out a note-taking sheet. As you introduce terms like expansion, contraction, monetary policy, and fiscal policy, prompt student to jot down examples on their sheets.
2. Label the board "Economic Cycles and Policies" and briefly introduce the idea of economic expansion and contraction cycles. Explain that our economy is a bit like the weather. There are times when the economy is "sunny" and growing (that's expansion) and times when it's "cloudy" or slowing down (that's contraction). Give some examples:
    - **Expansion** means people are spending more money, businesses are doing well, and more people have jobs. Everything feels active and positive.
    - **Contraction** is when people aren't spending as much, businesses might struggle, and sometimes people lose jobs. Things slow down, and people are more cautious about their money.
3. Next, explain the government's role with economic policies (monetary and fiscal policy) are designed to influence these cycles and help manage prices, jobs, and other aspects of the economy. Dig into each a bit before moving on:
    - **Monetary Policy** – This is handled by the central bank (in the U.S., it's called the Federal Reserve, or "the Fed"). The Fed influences the money supply and interest rates to guide how much people borrow and spend. Here are some examples:
        - Imagine you're going to the bank for a loan. If the Fed lowers its target Fed Funds Rate, it can lead to lower borrowing costs across the economy. This makes it easier and more affordable to take out a loan, often encouraging spending and investment. This action is designed to stimulate economic growth when needed while also maintaining stability and controlling inflation.
        - If the economy is growing too fast and prices are getting too high (inflation), the Fed might try to raise the target for interest rates. This makes borrowing more expensive, which can lead to reduced spending and help slow down the economy
        - Example: When rates are low, more people might buy houses or start businesses because borrowing money is cheaper.
    - **Fiscal Policy** – This is the government's responsibility. Fiscal policy refers to how the government adjusts taxes and spending to influence the economy. It can be categorized as either expansionary or contractionary:
        - Expansionary Fiscal Policy: If the government wants to stimulate the economy, it might lower taxes so people can keep more of their income or increase spending on large projects, such as building roads or schools. These actions aim to create jobs, boost spending, and encourage economic growth.

        - Contractionary Fiscal Policy**:** If the government needs to reduce demand in the economy—often to address inflation—it might raise taxes or decrease spending on public programs. These measures aim to slow down economic activity by reducing disposable income and government investment.
4. Guide students in discussing why they need to know this:
    - Prices and Jobs: Changes in the economy impact the prices you pay for everyday items, from gas to groceries, and can affect the job market. Knowing what causes these changes can help you plan and make better decisions as a consumer.
    - Voting and Government Policies: When you're old enough to vote, you'll be deciding on leaders who set economic policies. Understanding how monetary and fiscal policies work means you'll be able to make informed choices that align with what you want for the economy.
5. Transition to watching the video with the class.

Watch and Apply: (25 mins.)

1. Tell students they will be watching *Ca$h Cour$e: Economic Policies and You*. Instruct them to pay close attention to how the video explains the key concepts and to continue taking notes on their note-taking sheet.
2. After watching the video, hand out the worksheet for students to complete independently or in pairs.
3. Review the worksheet together as a class, asking students to share their answers and reasoning. Use this time to clarify any misunderstandings and reinforce the key concepts. Encourage students to ask questions or share additional examples from their own lives.

Wrap-Up: (10 mins.)

1. Give a quick recap of the information learned in this lesson:
    - The economy has natural cycles of expansion (growth) and contraction (slowdown).
    - Monetary policy (influenced by the Fed) adjusts the target for interest rates to encourage or discourage spending.
    - Fiscal policy (controlled by the government) changes taxes and spending to influence how much money people and businesses have.
    - Whenever you hear about interest rates going up or down or taxes changing, know that these are tools the government and the Fed use to try and keep our economy balanced.
2. Exit Ticket: End the lesson by asking students to answer this question on an index card or on the back of their worksheet:

- How might changes in monetary or fiscal policy affect a choice you make, like saving for something you want or deciding to buy something now? Give one example.

3. Collect the responses and completed worksheets as students leave to check their understanding and encourage them to reflect on the lesson.

Don't have time for the full lesson? Quick Activity (10-15 mins.)

Distribute the worksheet and allow students to complete it while they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.