

Unit #3: The U.S. Budget and Fiscal & Monetary Policy

As you read this, the current federal debt is \$22+ TRILLION. In this unit, we will learn how the growth of the three main “entitlement” programs—Medicare, Medicaid, and Social Security—have led to large yearly budget deficits and an increasingly large overall debt. We will analyze potential problems this may cause, and how the U.S. debt level compares with that of other countries. We will examine how the classical economic theory of Adam Smith came to be challenged by John Maynard Keynes during the Great Depression, and we will study the basics of what are called fiscal and monetary policy, government policies meant to smooth out the painful stages of the business cycle. We will look at both the opportunity benefits and opportunity costs of such policies.

The culminating project of the unit will involve you and a group of three of your classmates using your increased knowledge of the government budget, the debt, and fiscal and monetary policy to come up with a detailed plan of action that will attempt to simultaneously address the debt problem while promoting economic growth.

What key factors are driving up the enormous federal debt of the U.S., and how big of a problem is the debt ?

How can fiscal and monetary policy be used to influence the economy, and to what extent is use of these tools desirable?

In your Economics textbook, the following pages recap and go into greater depth about topics we are learning in class. If you get confused during the unit, here is where to turn for clarification:

Fiscal Policy--pp. 386-401
Federal Reserve—pp. 413-23

Budget Deficits & National Debt—pp. 403-8
Monetary Policy—pp. 424-35

**Text HW #2 and QUIZ: Due Thursday 4/18*

On binder paper, write out the answers to the following questions in complete sentences:

Page 393: Questions 6 & 7

Page 401: Questions 1-4

Page 410: Questions 9, 11, 18, 19 [I suggest you also do the Key Terms practice 1-7 but you do not have to write the answers out]

Page 423: Questions 1, 3

Page 434: Questions 3, 4

Page 436: Questions 9-17 [I suggest you also do the Key Terms practice 1-7 but again you do not have to write the answers out]

Unit Assignments:

Fiscal & Monetary Policy Text HW and Quiz (see above): Due Thursday 4/18

***President’s Dilemma Group Plans and Presentations:
Tues. 4/30 + Thurs. 5/2***

Study Guide Due Tues. 5/7

Unit Test and Unit Assignments Packet: Due Block Day, Thurs. 5/9