

SESSION 12: Fiscal Policy

Session Description

The fiscal policy of Congress works to stabilize and promote the growth of the U.S. economy. This session will provide students with an overview of the fiscal policy of Congress.

Talking Points

Fiscal Policy

1. Fiscal policy involves actions of the federal government—the administration and Congress—to set government spending and tax rates in an effort to affect the economy.
2. Expansionary policies, such as increases in government spending and/or decreases in taxes, in theory are thought to increase overall demand for goods and services. These actions move the budget toward a deficit. Congress and the president might use expansionary policies during a recession.
3. Contractionary policies, such as decreases in government spending and/or increases in taxes, in theory are thought to decrease overall demand for goods and services. These actions move the budget position toward a surplus. Contractionary policies are rarely used.
4. If the government runs a deficit, it borrows to cover the deficit spending. This borrowing increases the demand for loanable funds. An increase in the demand for loans could increase interest rates and “crowd out” (reduce/replace) private investment spending. Crowding out tends to lower overall demand.

Session 12: Standards and Benchmarks

Arkansas Economic Standards

Strand: National Economy

Content Standard 6: Students will analyze monetary and fiscal policies for a variety of economic conditions.

- NE.6.E.3 Examine fiscal policy tools used by the executive and legislative branches of the government (e.g., taxation, spending)

Common Core State Standards

- CCSS.ELA-Literacy.RH.9-10.1 Cite specific textual evidence to support analysis of primary and secondary sources, attending to such features as the date and origin of the information.
- CCSS.ELA-Literacy.RH.9-10.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary of how key events or ideas develop over the course of the text.
- CCSS.ELA-Literacy.RH.9-10.4 Determine the meaning of words and phrases as they are used in a text, including vocabulary describing political, social, or economic aspects of history/social science.
- CCSS.ELA-Literacy.SL.9-10.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 9–10 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
- CCSS.ELA-Literacy.SL.9-10.1d Respond thoughtfully to diverse perspectives, summarize points of agreement and disagreement, and, when warranted, qualify or justify their own views and understanding and make new connections in light of the evidence and reasoning presented.
- CCSS.ELA-Literacy.L.9-10.4 Determine or clarify the meaning of unknown and multiple-meaning words and phrases based on *grades 9–10 reading and content*, choosing flexibly from a range of strategies.
- CCSS.ELA-Literacy.L.9-10.6 Acquire and use accurately general academic and domain-specific words and phrases, sufficient for reading, writing, speaking, and listening at the college and career readiness level; demonstrate independence in gathering vocabulary knowledge when considering a word or phrase important to comprehension or expression.
- CCSS.ELA-Literacy.RH.11-12.1 Cite specific textual evidence to support analysis of primary and secondary sources, connecting insights gained from specific details to an understanding of the text as a whole.
- CCSS.ELA-Literacy.RH.11-12.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.

- CCSS.ELA-Literacy.SL.11-12.1 Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with diverse partners on grades 11–12 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.
- CCSS.ELA-Literacy.SL.11-12.1d Respond thoughtfully to diverse perspectives; synthesize comments, claims, and evidence made on all sides of an issue; resolve contradictions when possible; and determine what additional information or research is required to deepen the investigation or complete the task.
- CCSS.ELA-Literacy.L.11-12.4 Determine or clarify the meaning of unknown and multiple-meaning words and phrases based on *grades 11–12 reading and content*, choosing flexibly from a range of strategies.
- CCSS.ELA-Literacy.L.11-12.6 Acquire and use accurately general academic and domain-specific words and phrases, sufficient for reading, writing, speaking, and listening at the college and career readiness level; demonstrate independence in gathering vocabulary knowledge when considering a word or phrase important to comprehension or expression.

Session 12: Resources

1. High School Economics (*Virtual Economics*® 4.5)
 - a. Lesson 21: Fiscal Policy: The Multiplier Effect

2. Online Course: Fiscal Policy (Federal Reserve Bank of St. Louis)
 - a. Go to <https://www.stlouisfed.org/education>.
 - c. Choose  Teachers: Go directly to the Online Course Login .
 - d. Register or, if you already have an account, log in.
 - e. Register your class for the course as follows:
 - i. Choose the "COURSES" tab.
 - ii. In the "COURSE NAME" column choose "Fiscal Policy."
 - iii. Choose "ADD TO CLASSROOM" and follow the prompts.

3. Entrepreneurship in the U.S. Economy (*Virtual Economics*® 4.5)
 - a. Lesson 32: Government Policies, the Economy, and the Entrepreneur