Economics Info Sheet

Quarter 4: Week 7 **Dates: May 18 – May 24** DUE MAY 26

This Week's assignment will combine some of last week's topics with some new topics: Fiscal and Monetary Policy (found in chapter 14). You can also access your textbook at home via your clever account online.

What is GDP? The total value of goods and services a country produces in a year. To simply put it, it's an equation we created to judge how an economy is doing.

What's included in GDP? To help break down the number, we can look at the textbook formula for measuring it, where: C + I + G + (X-M) = GDP

C is Personal Consumption Expenditures	Also known as consumer spending, or the tally of all goods and services that consumers buy—from grocery items to health care coverage.
I is Gross Private Investment (Businesses)	Includes business spending on fixed assets such as machinery, equipment and buildings, plus inventory investment; also incorporates consumers' home purchases.
G is Government Purchases	Comprises federal, state and local government spending for the provisioning of goods and services—from schools and roads to national defense.
X-M is Exports minus Imports (Net Exports)	Or, net exports: the value of exports to other countries minus the value of imports into the U.S. (The dollar value of imports is subtracted to ensure that only spending on domestic goods is measured in GDP.)

Why GDP Matters? Policymakers, government officials, businesses, economists and the public alike rely on GDP and related statistics to help assess the economy's well-being and to make informed decisions.

- Policymakers will look to GDP when contemplating decisions on interest rates, tax and trade policies.
- The pace at which our economy is growing affects business conditions and investment decisions, as well as whether workers can find jobs.
- State and local governments rely on GDP and similar statistics to help shape policy or decide how much public spending is affordable. Economists study GDP and related statistics to help inform their research.

Monetary Policy vs. Fiscal Policy: An Overview

Monetary policy and fiscal policy refer to the two most widely recognized tools used to influence a nation's economic activity. Monetary policy is primarily concerned with the management of interest rates and the total supply of money in circulation and is generally carried out by central banks, such as the U.S. Federal Reserve. Fiscal policy is a collective term for the taxing and spending actions of governments.

KEY TAKEAWAYS:

- Both monetary and fiscal policy are macroeconomic tools used to manage or stimulate the economy.
- Monetary policy addresses interest rates and the supply of money in circulation, and it is generally managed by a central bank.
- Fiscal policy addresses taxation and government spending, and it is generally determined by government legislation.
- Monetary policy and fiscal policy together have great influence over a nation's economy, its businesses, and its consumers.

Economics: Week 7 Assignment

The Economy, Fiscal and Monetary Policy

Part 1 Directions: Use the textbook and the internet (Google) to fill in the chart below.

Term	2020 U.S.	2018 U.S.	2020 Chile	2018 Chile	Why is this important to the individual? High or Low	Why is this important to society? High or Low
Example: **Real GDP**	$21 Trillion	$20.5 Trillion	$306 Billion	$298 Billion	If the economy is doing well, then there will probably be more jobs and maybe higher pay and a better life. Also, I might make investment and purchasing decisions based on a positive outlook, and confidence in the economy.	If GDP increases, it's possible that overall business will hire more people, governments will collect more taxes that they could use to improve transportation, healthcare and education.
Inflation Rate						
Unemployment Rate						
Literacy Rate						
Per Capita GDP						

Part 2 Directions: The four main components of GDP are consumer (the people) spending, business spending, government spending, and net exports (buying and selling to other countries). Using the textbook (at home or through your clever account) or using the internet, fill in the chart below:

	Two actions Congress can do to help (hint Fiscal policy)…be specific with your ideas.	**How would this help the economy? Be specific?**
Consumers (example)	Ex: Congress could propose a tax cut for middle class to give them more disposable income to spend in the economy.	Ex: People could afford to buy more things so businesses could make more money, increase profits and hire more workers
Consumers	1.	
	2.	
Businesses	1.	
	2.	
Government	1.	
	2.	
Net Exports	1.	

Monetary Policy-The Federal Reserve Bank (The Fed)

1. What can The Fed do to stimulate the economy in a recession? Explain.

2. What can The Fed do to fight inflation (slow down the economy)? Explain.