**Macroeconomics Research**

Answer all of the following questions completely, using the resources provided. Record all answers in a Google Doc that you share with me.

This will count as your final test grade in Economics!

**Fiscal Policy**

**The Great Depression and the Keynesian Revolution**

<https://www.learner.org/series/econusa/video/?pid=2469&uid=17&unit=The%20Great%20Depression%20and%20the%20Keynesian%20Revolution>

1. How were the politicians of 1932 “prisoners of the economics theories of the day?” What did economists believe before the Depression?
2. How did the belief in a balanced budget contribute to the problem?
3. Who is John Maynard Keynes? What did he say about total demand
4. Why were Keynes ideas so revolutionary?
5. Why didn’t Roosevelt’s spending during the Great Depression work?
6. How did WWII finally end the Great Depression?

**Fiscal Policy and Stimulus: Crash Course Economics #8** <https://www.youtube.com/watch?v=otmgFQHbaDo>

1. Define recessionary and inflationary gaps.
2. What is expansionary fiscal policy? How does it work?
3. Explain how the American Recovery and Reinvestment Act of 2009 represents expansionary fiscal policy. Was it effective? How did it compare to Austerity in Europe?
4. What is contractionary fiscal policy? How does it work?
5. Explain how deficit spending and crowding out are problems with fiscal policy.
6. Why is consumer confidence important?

**Monetary Policy on the back . . . .**

**Monetary Policy**

**How Banks Create Money and the Money Multiplier**

<https://www.youtube.com/watch?v=JG5c8nhR3LE>

1. What do banks do?
2. What are required reserves and excess reserves?
3. What is Fractional Reserve Banking?
4. How do banks create money? What is new money?
5. What is the money multiplier? Give an example.

**Making Sense of the Federal Reserve**

<https://www.stlouisfed.org/education/in-plain-english-video>

1. What are the three parts of the Federal Reserve System?
2. Explain the effect of bank panics?
3. What is the Federal Reserve Act of 1913? What are its objectives?
4. Who are the Board of Governors? What do they do?
5. Who is the Federal Open Market Committee? What do they do?
6. How many district banks are there?
7. What are the three responsibilities of the district banks?
8. What is the long-term goal of the Federal Reserve?
9. What is the Federal Funds rate, and why is it important?
10. What is the difference between regulation and supervision?

**Economic Stabilization**

1. What are the economic conditions that define recession? What fiscal policy tools would be appropriate? What monetary policy tools would be appropriate?
2. What are the economic conditions that define inflation? What fiscal policy tools would be appropriate? What monetary policy tools would be appropriate?
3. How do you think politics, especially in an election year, affect the way economic policies are designed and carried out?

**The Fiscal Ship Governing Goals**

*Governing goals represent your priorities for government. What’s important to you? In order to play the game, you will need to pick up to three governing goals from the list below.*

• **Reduce Inequality**: The disparity between Americans who have the most and the least income is growing, mirrored by disparities in education, health, and family structure. You want to narrow the widening gaps in incomes and well-being at the top and the bottom.

• **Strengthen National Defense**: Projections of current policies show defense spending, measured as a share of the economy, falling over the next decade and then plateauing. You’d bolster the U.S. military by providing it with more personnel and more arms. (To reach fiscal sustainability, you’ll have to pay for these somehow.)

• **Fight Climate Change**: You want to use government policies to promote a cleaner, healthier environment, reduce greenhouse gas emissions and avoid the damage that could be caused by global climate change.

• **Strengthen Social Safety Net**: You believe it’s important for the federal government to give a hand up to those in poverty and protect those at risk of falling down the income ladder when times are tough. You want to expand and protect programs that protect the vulnerable.

• **Tax Cutter**: You believe lower taxes will boost economic growth and want to allow Americans to keep more of what they earn. Your goal is to substantially reduce federal tax revenues as a share of the economy. (To reach fiscal sustainability, you’ll have to cut spending, too.)

• **Shrink Government**: You believe that we’re better off with a leaner federal government, shifting responsibilities to the private, non-profit and state and local sectors. Spending on general government operations and federal programs (other than health and retirement benefits) is projected under current policy to decline over the next decade. You’d reduce it more.

• **Shield the Elderly**: Under current policy, about 60% of the increase in federal spending over the next decade will go to Social Security, Medicare, Medicaid and other major health programs, much of that for the growing number of people who will be over age 65. You want to protect benefits for senior citizens.

• **Invest in the Future**: You believe in planting seeds today that will be harvested in years to come. You want policies to increase, above what’s currently projected, government and private investment in children and young adults and in education, infrastructure and research that will pay off in the future. (To reach fiscal sustainability, you’ll have to pay for these somehow.)

• **Fiscal Hawk**: You’re not satisfied with restraining the projected increase in the federal debt so that in 25 years it’s roughly where it is today, measured as a share of the overall economy. To put the government and the economy on a sounder footing, you want to reduce it substantially below today’s levels.

• **Rein in Entitlements**: Spending on retirement, health and other government benefits, much of that for the elderly, account for two-thirds of non-interest spending today and threaten to squeeze out spending on everything else—from equipping soldiers with modern gear to repairing old bridges to pursuing cures for cancer. You want to restrain this spending to make room for other priorities.