



There are two distinct governmental policies that can positively impact the economy. We learned them last week.

What are the two policies?

Fiscal
- discretionary / non disc
- legis / exec

Monetary
- Fed Res
- buy / sell treasuries
- change discount rate
& res ratio

Today's learning objective:

By the end of class, I will be able to work collaboratively with my fellow governmental officials to improve economic outcomes.

Today's language objective:

Expansionary vs Contractionary

Discretionary vs Non-discretionary Fiscal Policy

Monetary Fiscal Policy

Reserve Ratio

Discount Rate

Open Market Operations

Teams of 3.

Create and name your country.

Decide the three positions:

- * Country leader (president, Prime Minister, etc)
- * Central bank chief
- * Legislative leader (majority Congressional or Parliamentary leader)

React to the situations that follow.

- * Country leader has a press conference
- * Central bank chief explains actions (what & why?)
- * Legislative leader explains actions (what & why?)

But first a refreshing overview of Monetary and Fiscal Policy.

Country 1: civil unrest and protests

Country 2: high GDP growth and high inflation

Country 3: small island nation has devastating tsunami wiping out 40% of production

Country 4: high GDP and low inflation

Country 5: recession and low inflation

Country 6: new tech increases productivity but lowers need for human employment

Country 7: overall inflation is steady, but healthcare inflation is 18% per year for last decade

Chickenuggistan

*High health care inflation (18%)

*Discretionary Fiscal Policy

- Free health care
- Increase in taxes
- Tax revenue goes to CDC

Fantasia

- *High GDP and high inflation

- *Monetary (sell bonds, increase DR, potentially increase RR)

- *Fiscal (discretionary: increase taxes, decrease gov't spending)

Oberholzervania

- *High GDP and very low inflation (0.05%)
- *Raise taxes to balance out future increase in prices (will invest in government subsidized fast food)
- *Buy treasuries and decrease discount rate

Ishaqland

*Innovation in automation has increased unemployment in industrial sector

*However, productivity has increased, so GDP is increasing along with inflation.

*Monetary (raise discount rate and sell treasuries)

*Fiscal (increase government spending on retraining structurally unemployed people)

New Nigeria

*Civil unrest due to recent hurricanes, wiping out rice farms

*Increase jobs (IJA - paying workers to repair farms and replant rice paddies - Fiscal)

*Increase money in circulation (decrease RR, decrease DR, buy bonds)

MAK

- *Low inflation and in a recession
- *Monetary (lower DR, lower RR, buy treasuries)
- *Fiscal (lower taxes for those making least amount of money, decrease healthcare costs by providing a government subsidy)

Small Island Canada

- *Theocracy -- high military spending for a holy war
- *Tsunami decreased production by 40%
- *Fiscal (diverting resources from military to infrastructure; sell guns and planes to fund this recovery project)
- *Monetary (buy bonds, lower RR and DR)
- *Expansionary fiscal & monetary policy