

10 Years and 5 Decisions.

Income stratification.

Build a monthly budget. You have 15 mins.

\$1k/month

15

\$2k/month

6

\$4k/month

2

\$1k/month hotel

\$100 hotel fees

\$150 food

\$300 savings

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\$103 / month in Temple

Straight Talk burner phones

\$200 food

\$79 health insurance

\$300 gas

\$25 laundry

\$700 savings

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\$285 / month 4 br house

\$300 food

\$2400 savings

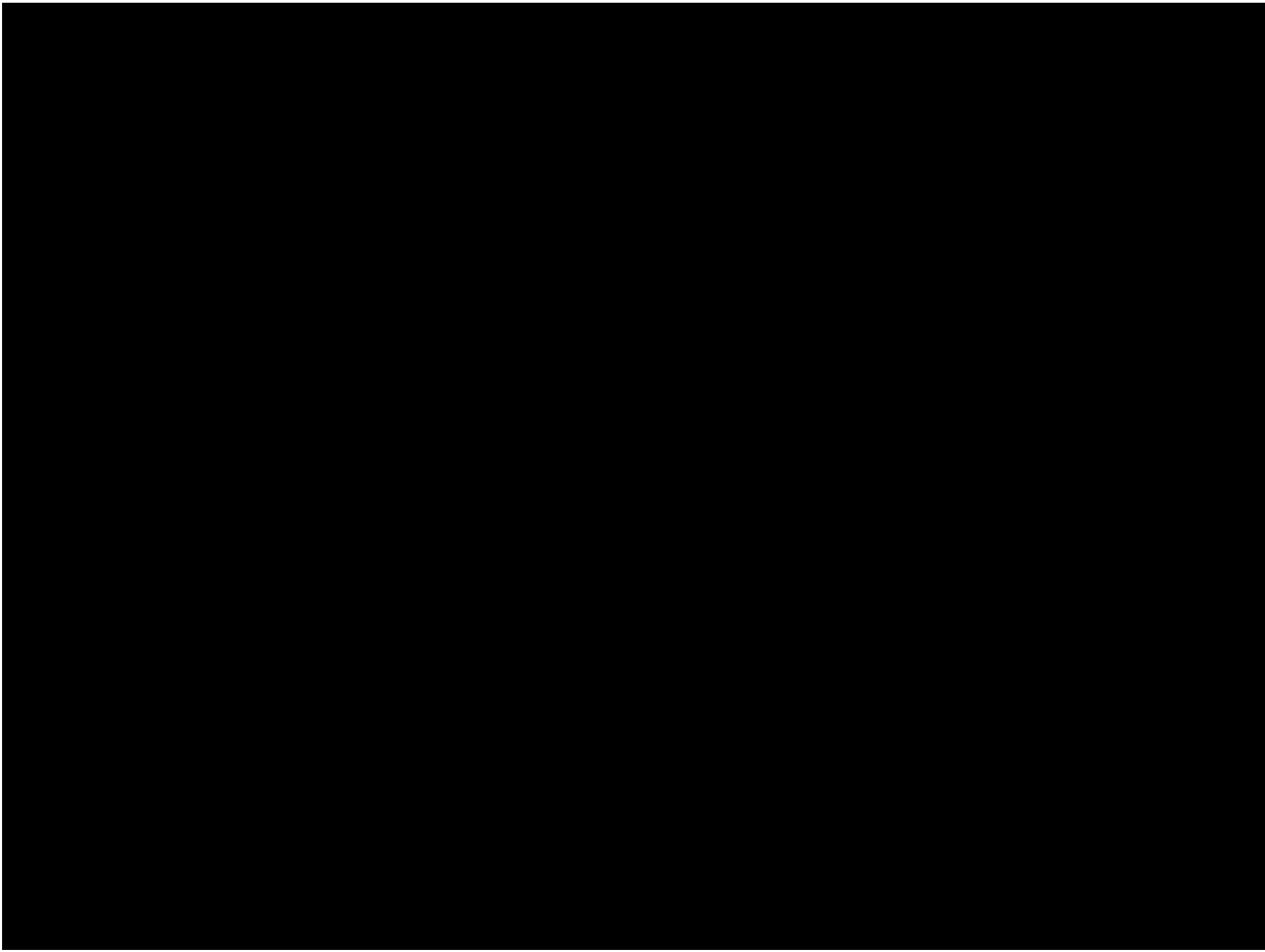
\$16 gas

\$408 leisure

\*21 Balanced / surplus budget

\*2 Budget deficits

\*Marginal propensity to consume increased as you were less economically advantaged



## Today's learning objective:

By the end of class, I will be able to define and apply cyclically balanced budgets and balanced budgets along with calculating multiplier effects.

## Today's language objective:

\*I'll use the following terms when working in collaborative groups today:

Cyclically balanced budget

Balanced budget

Non-discretionary Fiscal Policy

Multiplier Effect (Consumption and Deposit)

Velocity of Money

*automatic  
• unemp benefits*

# Business Cycle

↑ growth  
inflation  
expansion  
appreciation  
tax revenue ↑  
Coffer

budget surplus

recession  
unemployment  
GDP ↓

tax revenue

budget deficit  
(SNAP)

cyclically  
balanced  
budget



Who can take advantage of cyclically balanced budgets?

USA

- federal gov't
- Vermont

How are wealthy finance professionals usually stereotyped politically?

- Republican

Wall Street

- Michael Douglas
- Charlie Sheen



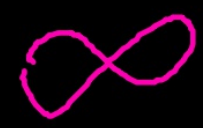
# How does your rate of savings impact the economy?

- \* Saving 100% of your earned income  
Alexis 0% consumption
- \* Saving 80% of your earned income  
Reej 20% consumption
- \* Saving 60% of your earned income  
Anna L
- \* Saving 40% of your earned income  
Anna D
- \* Saving 20% of your earned income  
Madi  $80\% \text{ MPC}$
- \* Saving 0% of your earned income  
Marco  $100\% \text{ consumption}$

## Multiplier Effect

$$= \frac{1}{1 - \text{MPC}} = \frac{1}{1 - .2}$$

$$1.25 = \frac{1}{.8}$$



# How does our reserve ratio impact loanable funds?

1000

\*Reserving 20% of your deposits

Multiplicator of 5  
200 deposits      800 loans

\*Reserving 10% of your deposits

100 deposits      900 loans

\*Reserving 5% of your deposits

\*Reserving 1% of your deposits

Deposit  
Multiplier =

$$\frac{1}{RR}$$

## United States

Per capita GDP: 51,457 (2012); 52,890 (2013)

1433

p.c. income: 51,759 (2012); 51,939 (2013)

per capita

180

What was the 2013 multiplier?

$$\frac{1433}{180} \approx 8$$

## TOK PPFs

Managebac

- Prescribed title (TOK upper right corner)
- Complete 3 interactions