



**Essential Questions**

1. What are the long run implications of deficit spending and increasing public debt?
2. What are the long-run implications of monetary policy?
3. What are the key similarities and differences between the main schools of economic thought that influence policymaking today?

**Objectives:**

1. Explain and illustrate graphically how deficit spending and increasing public debt affects private investment, accumulation of capital, and long term capital growth.
2. Explain and illustrate graphically how combined fiscal and monetary policies affect aggregate demand, price level, real GDP, unemployment, and interest rates in the short-run and long-run.
3. Explain the limitations of discretionary fiscal and monetary policies.
4. Explain and illustrate graphically the relationship between inflation and unemployment in the short-run and long-run.
5. Illustrate graphically how changes in fiscal or monetary policy affect the short-run and long-run Phillips curves.
6. Analyze the causes of hyperinflation and explain why it is so difficult to control.
7. Explain and illustrate graphically cost-push inflation.
8. Explain and illustrate graphically demand-pull inflation.
9. Analyze why classical economics failed to provide a solution to the Great Depression.
10. Explain why Keynes’ ideas and the Great Depression legitimized macroeconomic policy activism.
11. Define monetarism and explain how it differs from Keynesian economics and classical economics.
12. Explain why the stagflation of the 1970’s led to a revision of Keynesian ideas.

**Key Terms**

1. classical economics	11. implicit liabilities	22. non-accelerating inflation rate of employment (NAIRU)
2. classical model of the price level	12. inflation targeting	23. political business cycle
3. cost-push inflation	13. inflation tax	24. public debt
4. cyclically adjusted budget balance	14. Keynesian economics	25. quantity theory of money
5. debt deflation	15. liquidity trap	26. rational expectations
6. debt-to-GDP ratio	16. long-run Phillips curve	27. real business cycle theory
7. deficit spending	17. macroeconomic policy activism	28. seignorage
8. demand-pull inflation	18. monetarism	29. short-run Phillips curve
9. discretionary monetary policy	19. monetary neutrality	30. target federal funds rate
10. fiscal year	20. monetary policy rule	31. Taylor rule for monetary policy
	21. natural rate hypothesis	32. zero bound

**Calendar:**

DAY		TOPIC	HW DUE / SCHEDULED TEST
27-Feb	Friday	Combining Fiscal and Monetary Policies	Morton's Activity 45
2-Mar	Monday	Deficit and Debt	<ul style="list-style-type: none"> <li>• Read and summarize "The Terrible Trillion"</li> <li>• Read and summarize "There is no fiscal crisis"</li> </ul>
3-Mar	Tuesday	Deficit and Debt	<ul style="list-style-type: none"> <li>• Read and summarize "Gross Debt, Net Debt (and future debt)"</li> <li>• Read Module 30 and answer Check for Understanding Q's 1-4 on pp. 305-306.</li> </ul>
4-Mar	Wednesday	Monetary Policy	Read Module 31 and answer Check for Understanding Q's 1-3 on p. 313.
5-Mar	Thursday	Lon-run implications of Monetary Policy	<ul style="list-style-type: none"> <li>• Read Module 32 and answer Q's 1-2 on p. 319.</li> <li>• Read Module 33 and answer Q's 1-2 on p. 329.</li> </ul>
6-Mar	Friday	The Phillips Curve	Read Module 34 and answer Q's 1-4 on p. 341.
9-Mar	Monday	The Phillips Curve	Phillips Curve Problem Set
10-Mar	Tuesday	Economic Theories	<ul style="list-style-type: none"> <li>• Read Modules 35 and 36.</li> <li>• Summarize Keynesian Economics and Monetarism.</li> </ul>
11-Mar	Wednesday	Unit 7 Test	<b>Unit 7 Test</b>
12-Mar	Thursday	Unit 7 Review	<b>Preliminary Bibliography</b>
13-Mar	Friday	Debate Preparation	Bring Materials needed to prepare for Economics Theory Debate to class
16-Mar	Monday	Economics Theory Debate	<b>Economics Theory Debate</b>