

**Economic Policy Introduction Warm-Up**

**Warm-Up**

1. Imagine you are living in an apartment next year. If you were to develop your personal budget (this can be hypothetical, just make it realistic), how would you categorize where your budget is going? (HINT: clothes & food are two potential categories) Make a list of at least 7 categories (no numbers yet). Remember to have some fun! (And a phone?)

2. Rank order	1. Categories	3. Approx \$\$ per month
	(save for Mrs. Shangraw)	

2. Now, look back at the list and rank them in order of importance (1 = most important).
3. Now, let's put some numbers on this. Say your share of the rent is \$500/month. Estimate how much you will need to spend for all your other categories.
4. How much income will you need each month to pay for everything you want?
5. Ask me for more instructions here.....
6. What will you do next? What will you do to balance your budget?
7. Was this process easy? Was it difficult? Explain why. How would you do this on a national (federal government) scale... when you have debt/deficit?

**Goals of Economic Policy & the Government**

What do you expect the Government to provide?	
Most voters would like these three things in the economy	<p>1)</p> <p>2)</p> <p>3)</p>
How do these goals conflict?	
Is it possible to keep everyone happy with the economy?	<p><b>Probably not, but the focus is keeping the majority happy. If the govt spends \$ on popular programs, the more money it requires, so the more money the govt has to receive (this is through taxes). The key is spending on popular programs (like education, enviro policy, health).</b></p>

**Fiscal versus Monetary Policies**

	<b>Monetary Policy</b>	<b>Fiscal Policy</b>
<b>Definition</b>		
<b>Main Idea, Goals, Terms</b>		
<b>Policy-Makers</b>		
<b>Policy Tools</b>		

As we go through the notes, write down **key information** on these terms.

<b>Deficit</b>	
<b>Surplus</b>	
<b>Inflation</b>	
<b>Deflation</b>	

Below are 4 Major Categories/Concepts we will briefly discuss.

<b>Spending Money</b>	<b>The Budget</b>
<p><b>What do the people want?</b></p> <p><b>Where does money come from?</b></p> <p><b>How do politicians promise conflicting ideas?</b></p>	<p><b>Budget is decided based on what 2 things?</b></p> <p><b>What is Entitlement Spending?</b></p> <p><b>What things in the overall federal budget can be altered? What fraction of the total budget is this?</b></p>
<b>Reducing Spending</b>	<b>Levying Taxes - Turning Fair into Good</b>
<p><b>Over time, what has happened to govt spending?</b></p> <p><b>What has happened to discretionary spending? (the part of the budget that can be altered)</b></p>	<p><b>Goals of “good” taxes:</b></p> <p><b>Define Progressive Tax:</b></p> <p><b>Define Regressive Tax:</b></p> <p><b>Define Flat Tax:</b></p>