ACTIVITY 21.1

Fiscal Policy: A Play in Six Acts—Act 1

Instructions

In your group, choose parts and write a few lines for your role on notecards or paper. To perform the play, line up next to each other in order and deliver your lines to the person next in line.

Setting

Your town, U.S.A.

Time

In the near future, when you are adults in the workforce

Characters and Description of Roles

1. **Narrator/Economist**: Opens Act 1 of the play. Announces that the economy is in a deep recession. Gross domestic product has decreased steadily in the past year, along with consumer spending and business investment, which has resulted in increased unemployment nationwide. People are calling for the government to do something to help. The Federal Reserve has reduced interest rates to a very low level, but it has not helped. (Narrator/Economist also has a role at Act 1's conclusion.)

2. **President of the United States (via radio broadcast)**: Announces that the government will increase spending by $200 billion. The money will be spent to hire additional firefighters, police officers, and teachers. In addition, money will go toward new road and bridge projects. The president should point out that the recession is not his or her fault and that this spending should help stimulate the economy and create jobs.

3. **Unemployed teacher**: Is delighted to learn that he or she will have a job, after being laid off during the recession. Decides to purchase a new laptop computer, a purchase the teacher had been delaying when he or she wasn't sure there would be a steady paycheck.

4. **Computer store manager**: Describes how computer sales have increased recently. Needs more workers to handle the additional consumer demand.

5. **Unemployed computer technician**: Gets hired at the computer store and is happy to be working again. Celebrates by taking the family out to dinner.

6. **Restaurant owner**: Explains that more and more people have been coming to the restaurant lately, so she or he will hire another cook as well as more wait staff.

7. **Recent cooking school graduate**: Had heard that it would be hard to find a job. Is very excited to be hired right away. Decides to buy a ring and propose to significant other.

8. **Jewelry store owner**: Notices a dramatic increase in the number of couples shopping for engagement rings and pays bonuses to employees.

9. **Jewelry store employee**: Excited to get his or her first-ever bonus. Spends it on plane tickets to Tahiti.

10. **Narrator/Economist**: Summarizes the effects of the increased government spending by pointing out that it has encouraged consumer spending and increased business staffing. As individuals and businesses spent more money, more goods and services were produced. GDP increased; unemployment decreased.

ACTIVITY 21.2

Fiscal Policy: A Play in Six Acts—Act 2

Instructions

In your group, choose parts and write a few lines for your role on notecards or paper. To perform the play, line up next to each other in order and deliver your lines to the person next in line.

Setting

Your town, U.S.A.

Time

In the near future, when you are adults in the workforce

Characters and Description of Roles

1. **Narrator/Economist**: Opens Act 2 of the play. Announces that the economy is doing OK. Gross domestic product has increased slightly, and unemployment is at 5.8 percent. The Federal Reserve has kept interest rates at a moderate level in an effort to keep inflation down. Although conditions are not terrible, people are calling for the government to do something to help reduce unemployment further. (Narrator/Economist also has a role at Act 2's conclusion.)

2. **President of the United States (via radio broadcast)**: Announces that the government will increase spending by $200 billion. The money will be spent on firefighters, police officers, and teachers. In addition, money will go toward new road and bridge projects. The president should point out that the slow economy is not his or her fault; this spending should help stimulate the economy and create jobs.

3. **Banker**: Explains that the government needs to borrow money for this new spending because it is not raising taxes. The government has issued new bonds, and the bank has purchased a lot of them with its cash reserves. This means his or her bank no longer has as much money to lend to business firms and households. Because the Fed is not holding interest rates low, they have drifted higher, and borrowing has become much more difficult for households and firms.

4. **Teacher**: Is delighted to learn that she or he will have a job. Decides to buy a new computer, a purchase that had been delayed when employment was in question.

5. **Construction company owner**: Is excited to hear about new road and bridge projects and decides this would be a good time to invest in new equipment. However, when he or she goes to the bank to borrow money to buy new machinery, interest rates are much higher than expected, and he or she chooses not to invest.

6. **Narrator/Economist**: Summarizes the effects of the increased government spending by pointing out that it has encouraged both consumers and businesses to plan new purchases. However, the government borrowing has pushed up interest rates and made it more difficult to borrow funds. The impact on GDP and unemployment is lessened.

ACTIVITY 21.3

Fiscal Policy: A Play in Six Acts—Act 3

Instructions

In your group, choose parts and write a few lines for your role on notecards or paper. To perform the play, line up next to each other in order and deliver your lines to the person next in line.

Setting

Your town, U.S.A.

Time

In the near future, when you are adults in the workforce

Characters and Description of Roles

1. **Narrator/Economist**: Opens Act 3 of the play. Announces that the economy is in a deep recession. Gross domestic product has decreased steadily over the past year, along with consumer spending and business investment. This has resulted in increased unemployment nationwide. People are calling for the government to help. The Federal Reserve has already reduced interest rates to a very low level, and it has not helped. (Narrator/Economist also has a role at Act 3's conclusion.)

2. **President of the United States (via radio broadcast)**: Announces that the government will cut personal income taxes by $200 billion. The tax cuts are permanent and will target middle- and lower-income households. The president should point out that the recession is not his or her fault and that this spending should help stimulate the economy and create jobs.

3. **Retail store clerk**: Is thrilled to receive more money in each paycheck. Decides to save a third of the increased take-home pay, in case her or his hours get cut again, and begins buying more expensive coffee on the way to work each day.

4. **Coffee shop manager**: Describes how coffee sales have increased moderately, though not as much as expected with the huge federal tax cut. Needs to hire one more barista to handle the additional customer demand.

5. **Unemployed recent college graduate**: Gets hired at the coffee shop and is happy to be working, even if it's not a permanent position in speech therapy. Plans to save 15 percent of his or her income to return to school, but will have more to go to the movies now.

6. **Narrator/Economist**: Summarizes the effects of the tax cut by pointing out that it has encouraged consumer spending, but that consumers have saved part of the additional income rather than spending it, which diminishes the impact compared to direct government spending. As individuals and businesses spent more money, more goods and services were produced. GDP increased; unemployment decreased.

ACTIVITY 21.4

Fiscal Policy: A Play in Six Acts—Act 4

Instructions

In your group, choose parts and write a few lines for your role on notecards or paper. To perform the play, line up next to each other in order and deliver your lines to the person next in line.

Setting

Your town, U.S.A.

Time

In the near future, when you are adults in the workforce

Characters and Description of Roles

1. **Narrator/Economist**: Opens Act 4 of the play. Announces that the economy is in a deep recession. Gross domestic product has decreased steadily in the past year, along with consumer spending and business investment. This has resulted in increased unemployment nationwide. People are calling for the government to help. (Narrator/Economist also has a role at Act 4's conclusion.)

2. **President of the United States (via radio broadcast)**: Announces that the government will immediately issue a $200 billion tax rebate, to be divided among all American families. This is a onetime rebate, intended to encourage spending now. The president should point out that the recession is not his or her fault; spending should help stimulate the economy and create jobs.

3. **Manufacturing worker**: Is excited to get a $1,500 check in the mail—she or he will use it to pay down huge credit card debt. This will help her or his finances, but she or he won't buy anything new.

4. **College professor**: Is eager to get her or his $1,500 check in the mail. Is tempted to spend it on a new professional quality bicycle, but the spouse urges saving instead, because spouse's hours have been cut back. She or he is torn but will not buy the bike.

5. **Accountant**: Spent $500 of the $1,500 rebate on plane tickets to California as soon as she or he heard about it, but plans to put the rest of the money in savings account to continue making up for lost value of her or his stock account.

6. **Narrator/Economist**: Summarizes the effects of the rebate by pointing out that consumers saved most of the money, rather than spending it and stimulating the economy. Concern about the economic future and the fact that this is a one time payment make consumers less likely to spend their windfall.

ACTIVITY 21.5

Fiscal Policy: A Play in Six Acts—Act 5

Instructions

In your group, choose parts and write a few lines for your role on notecards or paper. To perform the play, line up next to each other in order and deliver your lines to the person next in line.

Setting

Your town, U.S.A.

Time

In the near future, when you are adults in the workforce

Characters and Description of Roles

1. **Narrator/Economist**: Opens Act 5 of the play. Announces that the economy is in a deep recession. Gross domestic product has decreased steadily in the past year, along with consumer spending and business investment. This has resulted in increased unemployment nationwide. People are calling for the government to do something to help. (Narrator/Economist also has a role at Act 5's conclusion.)

2. **President of the United States (via radio broadcast)**: Announces that the government has passed a $200 billion tax cut, directed at people in the highest tax brackets (the wealthiest Americans). This is a permanent tax cut, intended to encourage spending and a trickle-down effect. The president should point out that the recession is not his or her fault and that this spending should help stimulate the economy and create jobs.

3. **Corporate CEO**: Was happy to be informed by her or his tax preparer that she or he will have significantly more take-home income; plans to use the money to enlarge portfolio of stocks and bonds.

4. **Movie star**: Is excited to suddenly have millions more to spend. He or she announces intent to increase donations to a "Clean Water for Africa" campaign by an amount equal to his or her tax savings.

5. **Fashion designer**: Is happy to learn that she or he can pay for an expansion of the leather merchandise facility without borrowing. She or he had planned the expansion and now won't need to pay interest on a loan.

6. **Narrator/Economist**: Summarizes the effects of the rebate by pointing out that the wealthiest Americans are less likely to spend additional income on consumer goods because they can already afford upscale homes, vehicles, vacations, jewelry, and clothing.

ACTIVITY 21.6

Fiscal Policy: A Play in Six Acts—Act 6

Instructions

In your group, choose parts and write a few lines for your role on notecards or paper. To perform the play, line up next to each other in order and deliver your lines to the person next in line.

Setting

Your town, U.S.A.

Time

In the near future, when you are adults in the workforce

Characters and Description of Roles

1. **Narrator/Economist**: Opens Act 6 of the play. Announces that the economy has over the last couple of years experienced high and increasing inflation caused by increased demand for output in the economy (demand-pull inflation). Prices are increasing rapidly. People are calling for the government to help. (Narrator/Economist also has a role at Act 6's conclusion.)

2. **President of the United States (via radio broadcast)**: Announces that the government has passed a $200 billion tax increase, to be spread across all American taxpayers. This is a permanent tax hike, intended to decrease consumer spending. The president should point out that the inflation is not his or her fault; this cut will help curb inflation.

3. **Married non-working spouse**: Explains that the tax increase is severely impacting family finances; family will have to cut back on expenditures such as furniture, dining out, vacations, new clothes, and all other non-essentials.

4. **Furniture manufacturer**: Comments that business has fallen, so he or she will lay off workers and cut back on orders for new supplies.

5. **Furniture store employee**: Explains that he or she has lost job at furniture store, must take child out of daycare, stop eating out, and postpone major purchases.

6. **Restaurant owner**: Comments that business has fallen, but the price of raw ingredients has fallen as well, and workers can be hired for lower salaries. Decides to cut prices of restaurant meals to get customers to return.

7. **Narrator/Economist**: Summarizes effects of government tax hike by pointing out that it reduced overall demand in the economy, caused prices to fall, and slowed the rate of inflation. As spending decreased, incomes declined, and prices fell, too.

ACTIVITY 21.7

Record Sheet

Act	Describe Problem	Describe President's Policy Solution	Describe Impact on Spending and GDP
1			
2			
3			
4			
5			
6			