

ECONOMIC INDICATORS AND POLICY

Comparing Monetary and Fiscal Policy Trade-Offs

Detailed practice, calculation, decision-making, and assessment

GRADES 9-12	TIME 2 x 42 min	GROUPING I / pairs / whole	PRODUCT Brief
YOUR CHALLENGE Distinguish policy tools, trace likely transmission channels, compare estimated outcomes, and write a balanced policy memo.			

Economic Indicators Are Clues That Must Be Defined, Calculated, and Interpreted Together

Monetary policy is conducted by the Federal Reserve to promote maximum employment and stable prices. Fiscal policy involves federal tax and spending decisions. Both can affect demand and economic conditions, but effects take time, are uncertain, and may create trade-offs.

Term	Student-friendly meaning
Monetary policy	Central-bank actions and communication affecting financial conditions.
Fiscal policy	Federal tax and spending decisions affecting economic activity and public finances.
Policy rate	Interest-rate target used as a primary monetary-policy tool.
Transmission	Path through which a policy affects borrowing, spending, investment, prices, and employment.
Policy lag	Time between a decision and its effects.
Trade-off	Gain in one objective that may involve cost or risk elsewhere.
CLASSROOM USE All people, employers, figures, brackets, and documents in this packet are fictional. Never place a real Social Security number, employer ID, bank number, or tax document in classroom work.	

Part 1 - Distinguish Monetary and Fiscal Policy

Classify each fictional action by policymaker, tool, and intended channel.

Action	Monetary/fiscal/other	Decision maker	Primary channel
Central bank lowers target interest rate			
Congress increases infrastructure spending			
Congress changes income-tax rates			
Central bank communicates future policy			
City changes parking fees			

Explain why not every government action is federal fiscal policy.

Part 2 - Diagnose a Fictional Economy

Current indicators: inflation 5.0%, unemployment 3.8%, real GDP growth 3.5%, wage growth 4.5%, household debt stress rising.

Indicator	Signal	Risk if ignored	Missing context
Inflation 5.0%			
Unemployment 3.8%			
Real GDP 3.5%			
Wage growth 4.5%			
Debt stress rising			

Identify tension among goals instead of using one indicator.

Part 3 - Trace Policy Cause-and-Effect Chains

Complete each likely—not guaranteed—chain.

Policy change	First channel	Possible spending/investment effect	Possible inflation/employment effect	Lag/risk
Higher policy rate				
Lower policy rate				
Higher government purchases				
Lower household taxes				

Use may, tends to, or can—not guaranteed results.

Part 4 - Compare Fictional Policy Packages

Use the scenario and stated estimates.

Package	Inflation estimate after year	Unemployment estimate	Debt/deficit effect	Main risk
A: modest rate increase	3.8%	4.4%	No direct stated fiscal change	
B: large spending increase	5.6%	3.5%	Deficit +\$90b	
C: rate increase + targeted temporary aid	4.0%	4.2%	Deficit +\$20b	
D: no change	4.8%	4.0%	No new change	

Treat all outputs as uncertain estimates. Compare goals and side effects.

Part 5 - Write a Policy Trade-Off Memo

Recommend a package for stable prices, employment, and financial resilience.

Memo check	My evidence
Policy type/tools	
Inflation evidence	
Employment evidence	
Growth evidence	
Household-risk evidence	
Estimated trade-offs	
Implementation/lag	
Qualified recommendation	

Write 150-200 words using at least six figures and three monitoring indicators.