

"FISCAL POLICY: How the Multiplier Effect Works"

INTRODUCTION:

A famous playwright has suddenly become ill and needs your help finishing the script for her next big play: "Fiscal Policy: How the Multiplier Effect Works."

TASK:

You must add 5 more characters to each act of the play. Your characters must appear sequentially *after* the previously scripted characters, and they must logically follow the storyline. Your 5 characters from Act 1 may reappear in Act 2 if you wish, or you may create 5 new characters of your choice.

DESCRIPTION OF ACT 1:

Title: "Contractionary Fiscal Policy: The Decrease in Government Spending"

Location: Yourtown, USA

Time: In the near future, when you are an adult in the workforce

Economic Conditions: High and increasing demand-pull inflation has been occurring for some time and prices are increasing rapidly.

Purpose of Act 1: To show that when government spending is cut, overall demand in the economy is reduced, causing prices to fall and slowing the rate of inflation. As spending decreases, incomes decline, and eventually prices fall, too.

DESCRIPTION OF ACT 2:

Title: "Expansionary Fiscal Policy: The Tax Cut"

Location: Yourtown, USA

Time: In the near future, when you are an adult in the workforce

Economic Conditions: The economy is in a deep recession. GDP has decreased steadily during the past year, along with consumer spending and business investment. This has resulted in increased unemployment nationwide.

Purpose of Act 2: To show that when tax cuts are enacted, consumer spending and business investment are encouraged. As individuals and businesses spend more money, more goods and services are produced, causing GDP to increase and unemployment to decrease.

EVALUATION:

The following checklist will be used to evaluate your play:

- 5 characters are added to Act 1
- 5 characters are added to Act 2
- All of the characters logically follow the storyline
- All of the characters accurately convey the message/purpose of the act in which they appear

ACT I: "Contractionary Fiscal Policy: The Decrease in Government Spending"

Sequence	Character	Line
1	President of the US (Via Radio Broadcast)	"As an effort to cure inflation, Congress and I have decided to cut government spending, in part by decreasing spending on aerospace and other government-funded programs. This will reduce overall demand in the economy and take pressure off rising prices. Inflation is, of course, <i>not</i> the fault of my political party. I firmly believe that this decrease in government spending will help to end inflation."
2	Aerospace Engineer	"I was laid off from my government position and have accepted a lower-paying position with a new company. Because of this cut in pay, I have decided not to buy a new home right now."
3	Construction Worker in Housing Industry	"Sales of new homes have slowed, housing prices are falling, and I am working fewer hours. Now my family can't afford to go out to dinner as often as before."
4	Restaurant Owner	"Business has fallen, but supplies are getting cheaper and workers can be hired at lower salaries than before! I have decided to cut the prices"
5	Computer Store Manager	"Sales are down and inventories are up, but costs of supplies also appear to be falling. I have decided to lower prices on the computers in the inventory in order to encourage sales."
6	Computer Technician	"Since revenue at the computer store has decreased, my overtime hours have been cut and my paychecks are smaller now. I have decided not to buy a new car until the prices of new cars fall as much as my pay."
7	Car Salesperson	"The decline in car prices has reduced my commission on sales. I have to tell my husband, who stays at home with the kids, to cancel our vacation until the prices fall enough for us to afford it. Overall in the economy, prices are falling."
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ACT 2: "Expansionary Fiscal Policy: The Tax Cut"

Sequence	Character	Line
1	President of the US (Via Radio Broadcast)	"The tax cut to households and businesses that I have been promising was approved by the House and Senate and will be put into effect immediately via tax-rebate checks. The current recession is, of course, <i>not</i> the fault of my political party, and I firmly believe the tax cut will help to stimulate the economy and create jobs."
2	Househusband (Takes care of the kids while his wife works outside the home)	"I was delighted to receive the tax-rebate check! I spent the money by putting it toward the down payment on a new car that my family desperately needs."
3	Car Salesperson	"Car sales have picked up, so incomes for car salespeople such as myself have increased. I am going to spend my increased income by purchasing a new computer for my home."
4	Computer Store Manager	"Computer sales have increased recently. I need to hire more workers to handle the additional consumer demand."
5	Unemployed Computer Technician	"I was recently hired at the computer store and am happy to be working again! I am celebrating my new job by taking my family out to dinner."
6	Restaurant Owner	"Business at the restaurant has increased. The increased revenue, along with the tax cut to businesses, has provided the incentive to expand my business by building more restaurants."
7	Laid-Off Construction Worker	"I was recently called back to work to build a new restaurant! I plan to use part of the income from this job to take a trip to Hawaii."
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