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| **Grade:** | **Course: Economics** |
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| **Unit Focus - Money Banking and Financial Markets & Econ. Performance and Challenges** | |
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| **Week of April 27th, 2020** | |
| **Standard(s)** | |
| E.18 Define stock, and describe the connections between capital, stock markets, banks, and the economy.  E.29 Describe methods of revenue (e.g., taxes and bonds) for governments, and explain ways that they allocate funds.  E.34 Describe the purpose, role, and function of the Federal Reserve.  E.35 Define fiscal and monetary policy, and explain how the government uses these in its efforts to influence the economy.  E.36 Explain how price stability, full employment, and economic growth influence fiscal and monetary policy making.  E.39 Define gross domestic product (GDP), economic growth, unemployment, and inflation, and explain how they are calculated.  E.43 Differentiate between different types of unemployment (e.g., structural, functional, seasonal, underemployment, and cyclical). | |
| **Day 1** | |
| **Focus 1: The Federal Reserve Banking System**  **Task 1: Watch the Crash Course Economics video explaining the Federal Reserve and Monetary Policy. Then, answer the questions below.** <https://youtu.be/1dq7mMort9o>   1. **Define: Monetary policy, Fiscal policy, Federal Reserve, Liquid Assets, Expansionary Monetary Policy and Contractionary Monetary Policy.** 2. **What is the role of the Federal Reserve?** 3. **Explain the two main jobs of central banks.** 4. **How does the “Fed” support banks and ensure plenty of money supply?** 5. **Describe how the Federal Reserve influences the economy.** | |
| **Day 2** | |
| **Focus 1: Stocks and Bonds**  **Task 1: Read the following article and answer the questions below.**  **STOCKS AND BONDS – BY JORDAN GOODMAN – SCHOLASTIC INC.**  **Stocks**  Stocks are certificates of ownership. A person who buys stock in a company becomes one of the company's owners. As an owner, the stockholder is eligible to receive a dividend, or share of the company's profits. The amount of this dividend may change from year to year depending on the company's performance. Well-established companies try to pay stockholders as high a dividend as possible.  There are two types of stock: common stock and preferred stock. Owners of common stock may vote for company directors and attend annual stockholders' meetings. At these meetings they have the chance to review the company's yearly performance and its future plans, and to present their own ideas. Owners of preferred stock do not usually have voting rights or the right to attend stockholders' meetings. They do, however, have priority when dividends are paid. The dividends on preferred stocks are paid according to a set rate, while the dividends on common stocks fluctuate according to the company's performance. If the company does well, however, preferred stocks do not usually gain in value as much as common stocks. If a company goes out of business, preferred stockholders are paid off first.  **Bonds**  Bonds are certificates that promise to pay a fixed rate of interest. A person who buys a bond is not buying ownership in a company but is lending the company money. The bond is the company's promise to repay that money at the end of a certain time, such as ten, fifteen, or twenty years. In return for lending the company money, the bondholder is paid interest at regular intervals. The interest rate is based on general interest rates in effect at the time the bonds are issued, as well as on the company's financial strength. Bonds generally pay more money than preferred stocks do, and they are usually considered a safer investment. If a company goes bankrupt, bondholders are paid before both preferred and common stockholders.  Local, state, and national governments also issue bonds to help pay for various projects, such as roads or schools. The interest the bondholder receives from state and local bonds—also called municipal bonds—is usually exempt from taxes.  **Rise of the Small Investor**  For many years, the main buying and selling of stocks was done by a few wealthy individuals. It was not until after World War I that increasing numbers of small investors began to invest in the stock market. There was a huge rise in speculative stock trading during the 1920's, and many people made fortunes. However, the Roaring Twenties came to an abrupt end in October 1929, when stock markets crashed and fortunes were wiped out overnight. The crash was followed by the Great Depression of the 1930's, a period of severe economic crisis throughout much of the world.  Since the end of World War II, small investors have begun investing again in stocks, and stock markets have been relatively stable. A sharp fall in prices in 1987 led to another stock market crash. Initially, this frightened many people away from stock investments. But within a few months the market recovered and investor confidence returned.  **Stock Exchanges Today**  Today, the largest and most important stock exchanges are the New York Stock Exchange, the London Stock Exchange, and the Tokyo Stock Exchange. These exchanges act as marketplaces for the buying and selling of stocks. Another important source of stock transactions is the NASDAQ system. NASDAQ, which stands for National Association of Securities Dealers Automated Quotations, allows stock transactions to be made over computer terminals simultaneously in many cities around the world. Thousands of stocks are now traded over the NASDAQ system.  **The New York Stock Exchange**  In colonial America there were no stock exchanges. People who wanted to buy and sell securities met in auction rooms, coffeehouses, or even on street corners. Stock trading was unorganized, and people were reluctant to invest because they could not be sure they would be able to resell their securities.  In 1792, a small group of merchants made a pact that became known as the Buttonwood Tree Agreement. These men decided to meet daily to buy and sell stocks and bonds. This was the origin of America's first organized stock market, the New York Stock Exchange (NYSE).  Today there are more than 1,000 members of the New York Stock Exchange. Each of these members "owns a seat" on the exchange. This term comes from early years, when members had to stay seated while the exchange's president called out the list of securities to be traded. Despite the change and growth of the New York Stock Exchange over the years, its basic purpose has remained much the same—to allow companies to raise money and to allow the public to invest and make their money grow.  The New York Stock Exchange operates under a constitution and a set of rules that govern the conduct of members and the handling of transactions. The members elect a board of directors that decides policies and handles any discipline problems. The exchange is controlled by its own rules and by federal regulations set up by the Securities and Exchange Commission, which was established by the U.S. government in 1934 under the Securities and Exchange Act.  Until 1869 it was easy for a company to have its securities listed on the exchange. A broker simply had to propose that a certain security be traded and get the consent of a majority of the other members. As business expanded, however, greater regulation became necessary, and the exchange established its first requirement for listing a company—that it be notified of all stock issued and valid for trading. In the years that followed, the exchange added more requirements, including company reports on earnings and other financial information. This helps potential investors make investment decisions more wisely.  To qualify for a listing on the exchange today, a company must be in operation and have substantial assets and earning power. The exchange considers a company's permanence and position in its industry as well. All common stocks listed on the exchange must have voting power, and companies must issue important news in such a way that all investors have equal and prompt access to it.  In addition to the New York Stock Exchange, which is the largest exchange in the United States, investors can also buy and sell stocks on the American Stock Exchange and several regional exchanges. The American Stock Exchange, also located in New York, trades stocks of small and medium-sized companies that do not meet the requirements for listing on the NYSE. Regional exchanges in Boston, Philadelphia, San Francisco, and other U.S. cities handle stocks listed on the NYSE as well as local securities.  **How the Stock Exchange Works**  The New York Stock Exchange itself neither buys, sells, nor sets prices of any securities that are listed. It simply provides the marketplace in which stocks and bonds are bought and sold.  *Placing an Order.* Suppose an investor in Iowa decides to buy 2,000 shares of XYZ Corporation. The investor calls a stockbroker—a registered representative of a stock exchange member—whose job is to provide investors with information and carry out investors' orders to buy and sell. The investor asks the broker the price of XYZ stock. The broker checks the price on a computer terminal and learns that XYZ Corporation is quoted at 25 to a quarter. This means that, at the moment, the highest bid to buy XYZ is $25 a share and the lowest offer to sell is $25.25 a share. The investor tells the broker to buy "at the market," which means to buy shares at the best available price at the time the order reaches the stock exchange. If the investor sets an exact price he or she is willing to pay, the order is called a "limit order," and no sale can take place unless another stockholder wants to buy or sell at that price.  By telephone or computer, the broker in Iowa sends the investor's order through a trading desk at his or her firm's main office to a clerk on the floor of the stock exchange in New York. The clerk alerts the firm's floor broker by putting the broker's call number on two boards, one on each side of the trading floor. These boards are visible no matter where the floor broker is standing. The broker sees the call number and immediately goes to take the order.  *Trading Stock*. Small orders, such as those under 1,000 shares, often are executed automatically by computer at the best possible price at the time. Larger orders, however, are traded on the floor of the exchange, with a floor broker bargaining on the investor's behalf. This is the case with the Iowa investor's order of 2,000 shares of XYZ Corporation stock.  After receiving the order, the floor broker hurries to the place, called the trading post, where XYZ Corporation shares are traded. Other brokers with orders to buy or sell stocks will also be gathered there. Each trading post handles about 85 different stocks. This is where the exchange's member-brokers make transactions for investors.  At the trading post, the floor broker looks up at a video monitor above the post to see the current buy and sell prices for XYZ stock. Or he asks loudly, "How's XYZ?" and a specialist in that stock answers, "Twenty-five to a quarter." This means that the order could be filled immediately at a price of 25 [frac14], or $25.25. It is the broker's job, however, to get the best possible price for an investor. he broker believes that a bid of 25 [frac18]will be accepted, so he loudly makes that bid. Another broker who has an order to sell 2,000 shares of XYZ at 25[frac18] accepts the bid and says, "Sold." A trade has taken place at 25[frac18].  **Questions-**   1. **Define: Stock and Bond.** 2. **Explain the difference in buying stocks versus buying bonds.** 3. **When did small investors start buying stock? What event caused this change to occur?** 4. **Where are the 3 biggest stock exchanges located?** 5. **Why do governments issue bonds?** | |
| **Day 3** | |
| **Focus 1: GDP – Gross Domestic Product**  **Task 1: Watch the CNBC video explaining GDP and why countries calculate it. Then, answer the questions below.**  <https://youtu.be/iLom1WlqwS0>   1. **Define: GDP, Consumption, Investment, Government Spending, and Net Exports.** 2. **What is the equation for calculating GDP?** 3. **Why is the GDP Growth Rate important?** 4. **How does the digital market make calculating GDP difficult?** | |
| **Day 4** | |
| **Focus 1: Unemployment**  **Task 1: Read the article “*Cost of Unemployment on to the Economy*” and answer the questions below.**  <https://www.investopedia.com/financial-edge/0811/the-cost-of-unemployment-to-the-economy.aspx>  **Questions:**   1. **Define: Frictional Unemployment, Structural Unemployment, Seasonal Unemployment, and Cyclical Unemployment.** 2. **Explain how unemployment costs the individual, the society, and the country.** 3. **How does unemployment affect GDP?** | |
| **Day 5** | |
| **Focus 1: Inflation vs Deflation**  **Task 1: Using the article and the video on the webpage, answer the questions below.**  <https://www.investopedia.com/ask/answers/111414/what-difference-between-inflation-and-deflation.asp>  **Questions:**   1. **Define: Inflation and Deflation** 2. **What are the causes of inflation?** 3. **How does inflation impact the economy?** 4. **Why do central banks, like the Fed, try to stop deflation as soon as it occurs?** | |
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