

Active Mode - Lesson Plan

Overview:

Gods of Money can simulate the U.S. economy. The app will exhibit realistic behaviors based on historic economic observations.

Objectives:

Students will be able to:

- Understand how tools used by the White House, Congress, and the Fed actually affect the economy.

Background and Information:

- Gods of Money** is the only easy-to-use economy simulator available.

Time:

45 Minutes

Materials:

- iPad
- Gods of Money** app
- Active Mode Worksheets

Educational Goals:

- To develop an increased understanding of how the U.S. economy works.
- To understand how changing the budget, taxes, interest rates, etc. affect the economy.

Activity

I. LECTURE *10 minutes*

- A. Today students get the opportunity to show what they have learned about macroeconomics.
- B. Students will run the Gods of Money app in Active mode.
- C. Review the tools used by the White House, Congress, and the Federal Reserve (the “gods of money”):
 1. Economic tools used by the White House and Congress:
 - a) Budget
 - b) Taxes
 - (1) Individual Income Tax
 - (2) Corporate Income Tax
 - (3) Excise taxes
 - (4) Tariffs
 - c) Other tools
 - (1) Gold Standard

(2) Work Visas

- (a) Work visas allow foreign nationals to work in the U.S.
- (b) This is the number of H-1B visas allowed.
- (c) H1-B visas require a college degree or other 'extraordinary ability.'

(3) Minimum Wage

- (a) The lowest amount that an employer can pay for one hour of labor.
- (b) Some economists believe a minimum wage makes production less efficient and increases unemployment.

2. Federal Reserve tools:

- a) Federal Funds Target Rate
- b) Assets & Liabilities
- c) Bank Reserve Requirements

II. DEMONSTRATION *15 minutes*

A. Start Gods of Money in **Active mode** at January 1990.

- 1. On the iPad, open the **Gods of Money** app.
- 2. Tap 'Start' Gods of Money.
- 3. Tap '**Start**' a new simulation.
- 4. Set the Start Date to **Jan 1990**.
- 5. Set the End Date to '2 Years.'
- 6. Tap 'Start >'.

B. Demonstrate changing the budget:

- 1. When the Budget window appears
 - a) Change the values of a few budget items by dragging their sliders.
 - b) Note how the Total, Projected Revenue, and Projected Deficit update.
- 2. By default the 'Allow Deficit Spending' switch is on.
 - a) Switch 'Allow Deficit Spending' to off.
 - b) Note the budget item values automatically adjust so that Projected Revenue is the approximately the same as the Total.
- 3. By default the budget values cannot be set to less than the mandatory limits represented by thick blue lines on many of the budget items.
 - a) Switch the 'Override Mandatory Limits' switch to off.
 - b) Set a few budget items with mandatory limits, such as Social Security, to less than their mandatory minimums.
- 4. Tap the Reset button in the upper left to set all budget items to their original values.
- 5. Tap the checkmark (in the upper right) to close the Budget window.

C. Demonstrate the Control Panel:

- 1. Tap the date to pause the app.
- 2. Sliders
 - a) Change the Federal Funds Effective Rate by moving its slider. Note its value changes as the slider is moved.

- b) You can also change a slider's value by tapping its value box, then typing in the value you want. Do not type the dollar sign or the percent sign.
- c) Change a few other sliders minimally.
3. Switches
 - a) Point out the two switches.
 - (1) The Central Bank switch disables/enables the Federal Reserve in the simulation.
 - (a) Assets & Liabilities must be set to \$0 before the Central Bank can be disabled.
 - (2) The Gold Standard switch changes the monetary system:
 - (a) On = Commodity money
 - (b) Off = Fiat money
 - b) Leave the switches in their original positions:
 - (1) Central bank = On
 - (2) Gold Standard = Off
- D. Run and evaluate the simulation.
 1. Tap the date to resume the app.
 2. Let the simulation run until it finishes (Jan 1992).
 3. Compare the results to the actual historical values:
 - a) GDP: \$6.38 trillion
 - b) Unemployment: 7.3%
 - c) Inflation: 2.6%
 - d) Personal Income: \$20,571
 4. Note that the evaluation grade is a reflection of the economic performance; the students' grades are not based on this grade. A Grade of C is average economic performance, which is very good.

III. IN-CLASS ASSIGNMENT *20 minutes*

- A. Pass out the **Active Mode Worksheets**, one per student.
- B. Have students follow the instructions on the worksheet:
 1. Start and run **Gods of Money** to run two simulations as instructed.
 2. Record the budget and control changes made.
 3. Record evaluations on the worksheet.

IV. HOMEWORK ASSIGNMENT *20 minutes*

- A. Assign students to complete the homework assignment on the worksheet.