

# Virginia & US Government

(High School Government & Economics)

**Learning in Place, Phase III**

**April 27 – May 15**



**Norfolk Public Schools**  
The cornerstone of a proudly diverse community

**Name:** \_\_\_\_\_

**School:** \_\_\_\_\_

**Teacher:** \_\_\_\_\_

## Government Learning in Place, Phase III

### April 27- May 1

✓	Task	Text	Write
	What laws protect workers?	<b>Document 1</b> – “Labor Standards”	1. Read Document 1, “Labor Standards” and complete the questions (1-10) that follow the fact sheet.
	How does society create, use and protect public goods?	<b>Task 2</b> – “Revitalizing Norfolk”	2. Create a proposal for City Council that explains the need for your selected improvement. (Ex. Maybe a new park? Or improvements to an old one?) Complete all four tasks identified in Task 2.
	What court cases have altered the economy?	<b>Document 3</b> – “The Market Goes to Court”	3. <b>As you read:</b> Create and complete a chart to summarize the cases (a sample chart has been provided). As you read, pay close attention to what distinguishes each of the four types of cases.

### May 4-8

✓	Task	Text	Write
	How are regressive taxes burdensome on people with low income?	<b>Task 4</b> – “Impact of Regressive Taxes”	1. Complete the Performance task: <ol style="list-style-type: none"> <li>a. Write a claim that answers the Driving Historical Question.</li> <li>b. Support your claim with evidence from <b>at least 3</b> different documents. These are <u>facts</u> that support your claim.</li> <li>c. In complete sentences, provide your reasoning/argument for why the evidence supports your claim.</li> </ol>
	Compare progressive, regressive, and proportional tax structures.	<b>Passage 5</b> – “Types of Taxes”	2. <b>While you read:</b> Underline or highlight details that help you understand the differences between progressive, proportional, and regressive tax structures. 3. <b>After you read:</b> Assume you have just won the nomination as the next governor in the state of Virginia. At your next press conference, you are going to inform the public about the tax system you have decided to be used for income taxes (progressive, proportional, or regressive). Write a paragraph explaining why you decided as you did.

May 11-15, 2020

✓	Task	Text	Write
	What impact does Fiscal Policy and Monetary Policy have on the nation's economy, its businesses and its consumers?	<b>Passage 6</b> – “Monetary vs. Fiscal Policy”	1. After reading the passage answer the following questions to demonstrate understanding of Fiscal and Monetary Policy and their impact on the economy. a) Explain how monetary policy and fiscal policy are similar? b) Explain how monetary policy and fiscal policy are different? c) Explain the goal of fiscal policy. d) Explain the goal of monetary policy.
	To what extent does the government have a responsibility to support citizens and businesses during an economic crisis?	<b>Passage 7</b> – “Coronavirus Stimulus Package”	2. Answer the following questions after reading the NY Times article. a) What makes this stimulus package so significant? b) What challenges did Congress face in striking the deal? c) The article includes five takeaways from the stimulus bill. Choose one of them and explain, in your own words, who it supports and how. How, if at all, will this measure provide relief to the economy and individuals? d) Does the stimulus address any of the challenges your family or community is facing? e) What is your reaction to the stimulus bill? Do you think it goes too far? Or not far enough? Why? Who or what do you think is missing from the package?
	How will most Americans spend their 2020 stimulus check?	<b>Political Cartoon 8</b> – “Coronavirus Stimulus Cartoon” (realclearpolitics.com)	3. Use the following Political Cartoon Evaluation Tool: a) List the objects or people you see in the political cartoon b) Which words or phrases in the political cartoon appear to be the most significant? Why do you think so? c) Describe the action taking place in the political cartoon. Explain the message in the cartoon. d) Do you think the government stimulus check will help most Americans financially? Yes or No? Explain.

## Document 1 – “Labor Standards”

The Fair Labor Standards Act (FLSA) Child Labor Rules Advisor provides guidance on Federal child labor rules established by the Fair Labor Standards Act (FLSA). This Act establishes minimum wage, overtime pay, recordkeeping, and child labor rules affecting full- and part-time workers in the private sector and in the Federal, state and local governments. The rules vary depending upon the age of the young worker and his or her occupation.

Two things are certain:

1. Once an employee is 18, there are no Federal child labor rules.
2. Federal child labor rules do not require work permits. However, many states issue age certificates if you are asked to provide them by your employer.

All states have child labor standards. When Federal and state standards are different, the rules that provide the most protection to young workers will apply.

This fact sheet provides general information concerning the application of the federal child labor provisions to grocery stores and supermarkets that employ workers who are less than 18 years of age.

The Department of Labor is committed to helping young workers find positive, appropriate, and safe employment experiences. The child labor provisions of the FLSA were enacted to ensure that when young people work, the work does not jeopardize their health, well-being, or educational opportunities. Working youth are generally entitled to the same minimum wage and overtime protections as older adults.

### Minimum Age Standards for Employment

The FLSA and the child labor regulations establish both hours and occupational standards for youth. Youth of any age are generally permitted to work for businesses entirely owned by their parents, except those under 16 may not be employed in mining or manufacturing and no one under 18 may be employed in any occupation the Secretary of Labor has declared to be hazardous.

Examples of equipment declared hazardous in food service establishments include:

- **Power-driven meat and poultry processing machines** (ex. Meat slicers, meat saws, patty forming machines, meat grinders, and meat choppers),
- **Balers and Compactors.** Minors under 18 may not load, operate, or unload balers or compactors.
- **Motor Vehicles.** Generally, no employee under 18 years of age may drive on the job or serve as an outside helper on a motor vehicle on a public road, but 17-year-olds who meet certain specific requirements may drive automobiles and trucks that do not exceed 6,000 pounds gross vehicle weight for limited amounts of time as part of their job.

Fourteen and fifteen year-olds may be employed in restaurants and quick service establishments outside school hours in a variety of jobs for limited periods of time and under specific conditions. Child Labor Regulations No. 3, 29 C.F.R. 570, Subpart C, limits both the time of day and number of hours this age group may be employed as well as the types of jobs they may perform.

## **Application for Federal Child Labor Provisions to Amusement Parks and Recreation Establishments**

Youths 16 and 17 years of age may perform any nonhazardous job, for unlimited hours. The Secretary of Labor has declared 17 Hazardous Occupations Orders (HOs) which restrict the types of jobs and/or industries in which youth under 18 years of age may be employed.

### **Enforcement**

The Wage and Hour Division's enforcement of the Fair Labor Standards Act (FLSA) is carried out by investigators stationed across the United States. These investigators gather data on wages, hours, and other employment conditions or practices, in order to determine compliance with the law. Where violations are found, they also may recommend changes in employment practices to bring an employer into compliance. It is a violation to fire or in any other manner discriminate against an employee for filing a complaint or for participating in a legal proceeding under FLSA.

Willful violations may be prosecuted criminally and the violator fined up to \$10,000. A second conviction may result in imprisonment. Violators of the child labor provisions are subject to a civil money penalty of up to \$10,000 for each employee who was the subject of a violation.

### **Employment by Parents**

The Fair Labor Standards Act's (FLSA's) minimum age requirements do not apply to minors employed by their parents, or by a person acting as their guardian. An exception to this occurs in mining, manufacturing and occupations where the minimum age requirement of 18 years old applies. State laws often follow the same pattern as the Fair Labor Standards Act with regard to minors working for their parents. Consult your state department of labor for specific guidance.

### **Newspaper Regulations**

Minors employed in the delivery of newspapers to consumers are exempt from Fair Labor Standards Act (FLSA) child labor provisions, as well as the wage and hours provisions. This exemption applies to carriers engaged in making deliveries to the homes of subscribers or other consumers of newspapers (including shopping news). It also includes employees engaged in the street sale or delivery of newspapers to the consumer. However, employees engaged in hauling newspapers to drop stations, distributing centers, and newsstands are not exempted because they do not deliver to the consumer. Many states regulate minors employed as newspaper carriers more strictly than the FLSA does. Please consult your state department of labor for more specific information.

### **Safety**

The safety of young workers is of paramount importance to the Department of Labor. In recent years, the Department has increased its efforts to educate both employers and teenage workers about on-the-job safety. Youth employment increases significantly during the summer, so many of these efforts are geared toward minors who work at amusement parks and fast food restaurants.

# Youth and Labor Workplace Laws

1. What administration enforces workplace safety laws?

2. **Fair Labor Standards Act:** Once an employee is \_\_\_\_\_, there are no Federal child labor laws.

3. When Federal and state standards are different, the rules that \_\_\_\_\_ will apply.

4. **Child Labor Rules for Employing Youth in Grocery Stores under the Fair Labor Standards Act (FLSA).** Fourteen-and-15-year-olds may be employed in \_\_\_\_\_ and \_\_\_\_\_ establishments outside \_\_\_\_\_ hours in a variety of jobs for limited periods of time and under specific conditions.

5. Children under \_\_\_\_\_ years of age may not be employed in non-agricultural occupations covered by FLSA, including \_\_\_\_\_ establishments.

6. **Application for Federal Child Labor Provisions to Amusement Parks and Recreation Establishments Fact Sheet:**

Youths \_\_\_\_\_ and \_\_\_\_\_ years of age may perform any nonhazardous job, for unlimited hours.

7. **Subtopics on Right Side Enforcement**

Willful violations may be prosecuted criminally and the violator fined up to \$ \_\_\_\_\_

8. **Employment by Parents**

The FLSA minimum age requirements \_\_\_\_\_ apply to minors employed by their

\_\_\_\_\_, or by a person acting as their guardian. An exception to this occurs in \_\_\_\_\_, manufacturing and occupations where the minimum age requirement of \_\_\_\_\_ years old applies.

9. **Newspaper Delivery**

Minors employed in the delivery of newspapers to consumers are exempt from \_\_\_\_\_

\_\_\_\_\_, as well as the \_\_\_\_\_ and \_\_\_\_\_ provisions.

10. **Safety and Health**

\_\_\_\_\_ employment increases significantly during the \_\_\_\_\_, so many of these efforts are geared toward \_\_\_\_\_ who work at amusement \_\_\_\_\_ and fast food restaurants.

## Task 2 – “Revitalizing Norfolk”

### Revitalizing Norfolk

Develop a plan to create or change a public space in Norfolk. Here are some questions and guidelines to get you through the assignment:

- As a resident of Norfolk, Virginia, what does the government need to address in regards to public goods?
- Any of the following topics can be elaborated on:
  - Preservation of a public space
  - Creation of a new public space
  - Renewal or improvement of a public space
  - Increasing safety in the community

Create a proposal for City Council using one of the four ideas from above that explains the need for your selected improvement. (Ex. Maybe a new park or to improve an old one.) During this assignment, you will have four tasks to complete.

Community leader (comes up with idea and presents it, **1 paragraph**)

Budget specialist (determines where the money for the project will come from, **list of expenses and where the money will come from**)

Public relations specialist (creates a flyer to get support from the community, **color the flyer and make it eye catching**)

Lawyer (determines rules to post at the new or changed public space, **make a sign with the rules**).

For your proposal to the City Council, you need to think about a couple of things:

- Anticipated problems
- Anticipated questions from the community
- How can we preserve the quality of the public goods?

## Document 3 – “The Market Goes to Court”

### THE MARKET GOES TO COURT: KEY ECONOMIC CASES AND THE UNITED STATES SUPREME COURT

Many key Supreme Court cases have had their origins in economic issues or in issues related to our market economy and the role of the government within it. Indeed, one of the first landmark cases (*McCulloch v. Maryland*) dealt with the federal government’s power to establish and regulate interstate commerce. In such cases, the Supreme Court wields the power of judicial review—that is, the power to declare laws unconstitutional. Judicial review has often been brought to bear on legislation intended to regulate business, encourage competition, or protect property rights.

## TYPES OF ECONOMIC CASES HEARD BY THE U.S. SUPREME COURT

1. **Regulation**-Cases that deal with the power of Congress, or the state legislatures, to regulate aspects of the economy. Such cases have involved minimum-wage issues, the right to contract, economic liberties, etc.
2. **Competition**-Cases that deal with whether Congress, or the state legislatures, can pass legislation promoting competition in the market. Such cases typically involve questions of monopoly power (arising, for example, under the Sherman Antitrust Act).
3. **Interstate Commerce**-Cases that deal with the power of Congress to regulate commerce that crosses state lines. The Court has held that Congress can regulate in such cases when not doing so would have a significant, negative effect on trade and commerce.
4. **Copyrights/Patents**-Cases that deal with the intellectual property deriving from creative efforts (e.g., inventions, artwork, books, movies, software, etc.). Such cases have considered both individual claims of copyright and the definition of *invention*.

**DIRECTIONS:** The four case studies that follow are examples of the four different types of economic cases on which the U.S. Supreme Court has ruled. Read all four and you will use these case studies to complete the accompanying data chart. As you read, pay close attention to what distinguishes each of the four types of cases.

### ***West Coast Hotel v. Parrish (1937)***

#### **Background:**

In 1932, a law entitled “Minimum Wages for Women” was passed by the Washington State Legislature. The law required companies to pay minimum wages for women and children in order to protect their well-being. The law created a special commission to determine what the minimum wage levels should be. A housekeeper at the West Coast Hotel, Elsie Parrish, sued the hotel in a state court, claiming that it had not paid her the law’s minimum wages. The hotel’s defense was that the Washington State law was unconstitutional. A Washington State court found the law unconstitutional and ruled for the hotel. On appeal, the Washington State Supreme Court reversed the state-court ruling and directed the hotel to pay back wages to Ms. Parrish. The hotel appealed to the U.S. Supreme Court, which issued its opinion in 1937.

#### **The Court’s Opinion:**

The Supreme Court, in a 5-4 decision written by Chief Justice Charles Evans Hughes, found that the law did not violate the U.S. Constitution. West Coast Hotel argued that the law violated the Fourteenth Amendment’s Due Process Clause, which states that no state “shall deprive any person of life, liberty, or property, without due process of law.” The hotel argued that the law deprived employers and employees of the “liberty” of contract negotiation without due process of the law. The Court’s opinion held that the Fourteenth Amendment does not prohibit states from enacting “reasonable” regulation in pursuit of the public good. In part due to the impact of the Great Depression, the Court held that it was sometimes reasonable for governments to set a wage floor. Thus, the minimum wage law was constitutional because it was a reasonable attempt to regulate commerce in order to protect the health and welfare of workers.

### ***Gibbons v. Ogden (1824)***

#### **Background:**

This was an early landmark case in which the Court said that the U.S. Constitution trumped state law. The case developed when the New York Legislature passed a law giving Robert Fulton (and others, including Aaron Ogden) a monopoly on steamship travel between New York State and the state of New Jersey.

Thomas Gibbons, the owner of another steamship company, was operating a ferry which had been licensed by a 1793 act of Congress regulating coastal trade. The state of New York—citing its law giving Fulton’s ferry company monopoly control over New York waterways—denied access to Gibbons. Ogden obtained an injunction from a New York court against Gibbons to keep his ferry company out of New York. Gibbons then sued to overturn the injunction. The case was then appealed to the United States Supreme Court.

#### **The Court’s Opinion:**

The majority opinion, written by Chief Justice John Marshall, greatly expanded the federal government’s ability to regulate commerce. Earlier court decisions found that the federal government had power over only *interstate* commerce. In this case, however, Marshall found that the U.S. Constitution’s Commerce Clause allowed the federal government to regulate *all* commerce, including commerce within the borders of a state: The mind can scarcely conceive a system for regulating commerce between nations which shall exclude all laws concerning navigation.... a Congressional power to regulate navigation is as expressly granted as if that term had been added to the word ‘commerce.’ Marshall also concluded that the power of Congress to regulate commerce should extend to all aspects of it, overriding state law to the contrary: If, as has always been understood, the sovereignty of Congress, though limited to specified objects, is plenary as to those objects, the power over commerce with foreign nations and among the several states is vested in Congress as absolutely as it would be in a single government, having in its constitution the same restrictions on the exercise of the power as are found in the Constitution of the United States.



## ***Metro-Goldwyn-Mayer Studios, Inc., et al. v. Grokster, Ltd., et al. (2005)***

### **Background**

In October 2001, MGM and other major music and movie companies sued Grokster and StreamCast (which distributes the file-sharing program Morpheus) for facilitating the theft of copyrighted music and movies. According to MGM, over 90 percent of the material exchanged using Grokster's file-sharing software was copyrighted material and, therefore, copyright infringement occurred every time users exchanged the information. MGM contended that Grokster contributed to this infringement by making the file-sharing software available to the public. In 2003, a federal court concluded that the file-sharing software could be used for legitimate purposes and thus rejected the entertainment companies' arguments. The federal court determined that such legitimate use was protected under the 1984 Sony Betamax ruling. The case was appealed to the U.S. Supreme Court.

### **The Court's Opinion:**

The Supreme Court, in a unanimous decision written by Justice David Souter, ruled that the providers of software that enabled "file-sharing" of copyrighted works may be held liable for any copyright infringement that takes place using that software: We hold that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties. As a result of the Court's decision, Grokster announced that it would no longer offer its peer-to-peer file sharing service. A posting on the Grokster web site stated: The United States Supreme Court unanimously confirmed that using this service to trade copyrighted material is illegal. Copying copyrighted motion picture and music files using unauthorized peer-to-peer services is illegal and is prosecuted by copyright owners.

## ***Standard Oil Co. of New Jersey v. United States (1911)***

### **Background:**

During a 20-year period in the 1880s and 1890s, the Standard Oil Company of New Jersey bought more than 90 percent of the oil refining companies in the United States. The company used this overwhelming market control to manipulate the rates it was charged by railroads. By undercutting the production costs of refining in this way, Standard Oil was able to put pressure on smaller refiners in a number of ways that were considered "anti-competitive": under-pricing, threatening suppliers who worked with Standard's competitors, etc. The U.S. government prosecuted Standard Oil as an illegal trust under the relatively new Sherman Antitrust Act. Standard Oil then challenged the Sherman Act as unconstitutional. The key issue before the Court was whether Congress could prevent a company from acquiring other companies in the same industry by legal means if those acquisitions violated the anti-competition clauses of the Sherman Act.

### **The Court's Opinion:**

The Court found that the Sherman Antitrust Act was within Congress' Constitutional authority under the Commerce Clause, and that the term *restraint of trade* referred to a wide range of contracts including some that do not harm the public. The Court noted that the Sherman Act referred to contracts that resulted in "monopoly or its consequences." The Court identified three consequences of resulting monopolies: (1) higher prices, (2) reduced output, and (3) reduced quality. The Court held that business practices violated the Sherman Act only when such practices restrained trade "unduly" by resulting in one of these three consequences. Any other definition, the Court stated, would jeopardize normal contracts, thus infringing the liberty of contract. The Court also endorsed the rule of reason first described in *Addyston Pipe and Steel Company v. United States* (1898), and found that Standard Oil Company went beyond the limits of this rule.

**Sample Chart: Economic Cases by Type**

Case	Type of Case	Reason for Case	Court Findings

## Task 4 – “The Impact of Regressive Taxes”

Task: Use the documents to address the following question:

***Driving Historical Question: How are regressive taxes burdensome on people with low income?***

**Part A.** Closely read Documents A-D and determine what is important by answering the accompanying question(s).

### Document A

User fees levied by the government are another form of regressive tax. These fees include admission to government-funded museums and state parks, costs for driver's licenses and identification cards, and toll fees for roads and bridges.

For example, if two families travel to the Grand Canyon National Park and pay a \$30 admission fee, the family with the higher income pays a lower percentage of its income to access the park, while the family with the lower income pays a higher percentage. Although the fee is the same amount, it constitutes a more significant burden on the family with the lower income, again making it a regressive tax.

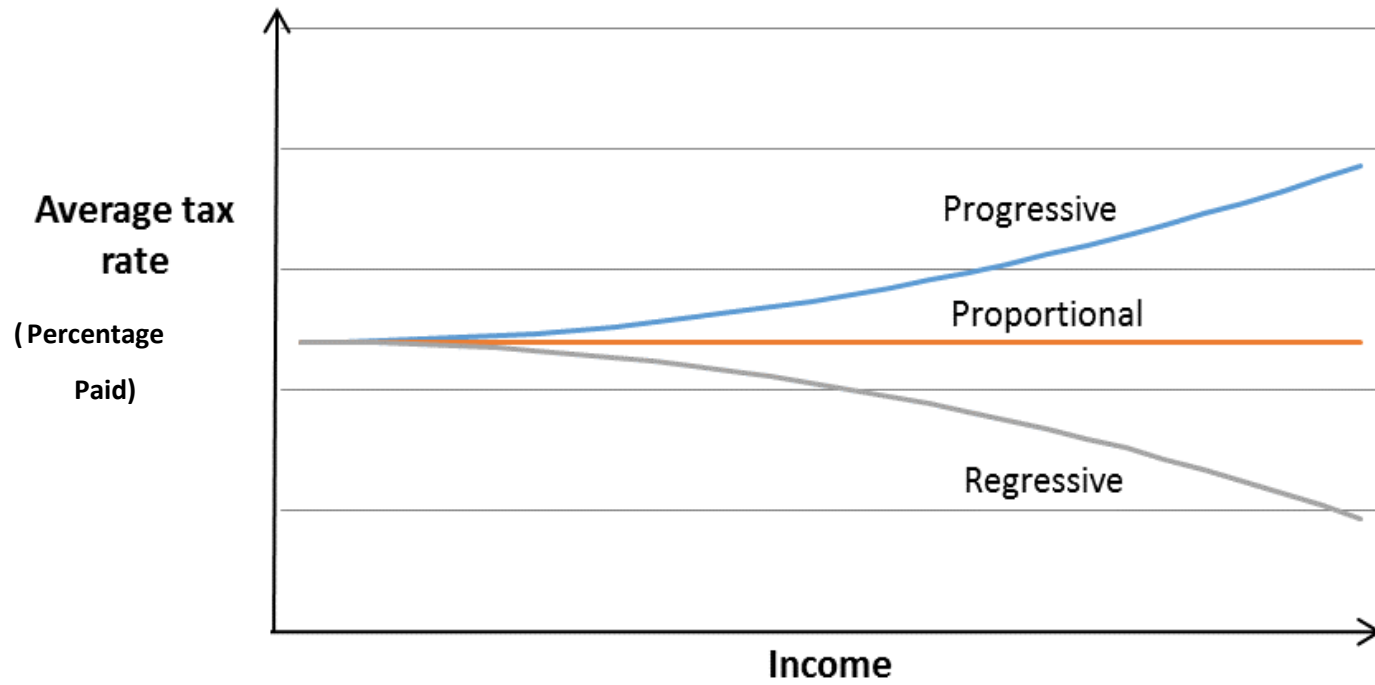
Source: “*Regressive Taxes*,” Investopedia

Based on Document A, describe regressive taxation.

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## Document B

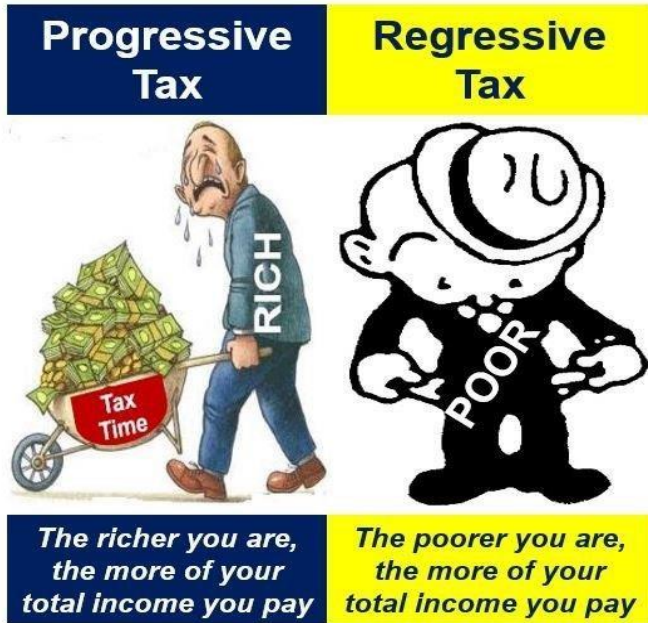


Based on Document B, discuss how the tax rate changes in a regressive tax.

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## Document C



Based on Document C, discuss how different tax structures affect people differently.

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## Document D

### State Taxes

Taxes as % of income - non-elderly residents

	Poorest 20%	Middle 60%	Top 1%
Washington	16.90%	10.50%	2.8%
Florida	13.20%	8.30%	2.3%
S Dakota	11.60%	8.20%	2.1%
Illinois	13.80%	11.10%	4.9%
Texas	12.60%	8.80%	3.2%
Tennessee	11.20%	8.60%	2.8%
Arizona	12.90%	9.70%	4.7%
Pennsylvania	12.00%	9.80%	4.4%
Indiana	12.30%	10.70%	5.4%
Alabama	10.20%	9.40%	3.8%

### 10 Most Regressive Tax Systems

Based on Document D, discuss the trend shown in the data.

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## Passage 5 – “Types of Taxes”

The governments of Virginia and the United States finance their operations through the taxes that are collected from individuals and corporations. Different tax structures affect taxpayers differently and can be distinguished by whether the tax burden falls more heavily on those with higher or lower income levels.

Taxes and/or fees pay for the production of government-provided goods and services. The power to tax is the first among the expressed powers of Congress. Taxation is used to raise revenue; it is also used to regulate or discourage some activities. Tax policies can also be used to encourage certain activities. Taxes are also used to redistribute income. Income taxes paid by individuals and corporations are the largest single source of revenue today.

A progressive tax takes a larger percentage of taxes from people in higher-income groups than from people in lower-income ones; the United States federal income tax is an example. More you earn, more they take away

A proportional tax, also called a flat tax, is one in which the same tax rate is paid by people at all income levels. People who earn more pay more, but they pay the same percentage rate. Property tax is an example of a proportional tax.

A regressive tax applies in the same way to everyone, but the tax paid represents a larger share from lower-income groups than from higher-income groups. Sales tax is a regressive tax.

- Take same dollar amount from everyone
- Tax paid represents a larger share from lower-income groups than from higher-income groups
- Tax on non-essential goods. Examples are luxuries, alcohol, and tobacco.

## Passage 6 – “Monetary v. Fiscal Policy”

### Monetary Policy vs. Fiscal Policy: What's the Difference?

By TROY SEGAL Updated Apr 10, 2019

#### Monetary Policy vs. Fiscal Policy: An Overview

Monetary policy and fiscal policy refer to the two most widely recognized tools used to influence a nation's economic activity. Monetary policy is primarily concerned with the management of interest rates and the total supply of money in circulation and is generally carried out by central banks, such as the U.S. Federal Reserve.<sup>1</sup>

Fiscal policy is a collective term for the taxing and spending actions of governments. In the United States, the national fiscal policy is determined by the executive and legislative branches of the government.

## Monetary Policy

Central banks typically have used monetary policy to either stimulate an economy or to check its growth. By incentivizing individuals and businesses to borrow and spend, the monetary policy aims to spur economic activity. Conversely, by restricting spending and incentivizing savings, monetary policy can act as a brake on inflation and other issues associated with an overheated economy.

The Federal Reserve, also known as the "Fed," frequently has used three different policy tools to influence the economy: open market operations, changing reserve requirements for banks and setting the discount rate. Open market operations are carried out on a daily basis when the Fed buys and sells U.S. government bonds to either inject money into the economy or pull money out of circulation.<sup>3</sup> By setting the reserve ratio, or the percentage of deposits that banks are required to keep in reserve, the Fed directly influences the amount of money created when banks make loans. The Fed also can target changes in the discount rate (the interest rate it charges on loans it makes to financial institutions), which is intended to impact short-term interest rates across the entire economy.

Monetary policy is more of a blunt tool in terms of expanding and contracting the money supply to influence inflation and growth and it has less impact on the real economy. For example, the Fed was aggressive during the Great Depression. Its actions prevented deflation and economic collapse but did not generate significant economic growth to reverse the lost output and jobs.

Expansionary monetary policy can have limited effects on growth by increasing asset prices and lowering the costs of borrowing, making companies more profitable.

Monetary policy seeks to spark economic activity, while fiscal policy seeks to address either total spending, the total composition of spending, or both.

## Fiscal Policy

Generally speaking, the aim of most government fiscal policies is to target the total level of spending, the total composition of spending, or both in an economy. The two most widely used means of affecting fiscal policy are changes in government spending policies or in government tax policies.

If a government believes there is not enough business activity in an economy, it can increase the amount of money it spends, often referred to as stimulus spending. If there are not enough tax receipts to pay for the spending increases, governments borrow money by issuing debt securities such as government bonds and, in the process, accumulate debt. This is referred to as deficit spending.

*In comparing the two, fiscal policy generally has a greater impact on consumers than monetary policy, as it can lead to increased employment and income.*

By increasing taxes, governments pull money out of the economy and slow business activity. Typically, fiscal policy is used when the government seeks to stimulate the economy. It might lower taxes or offer tax rebates in an effort to encourage economic growth. Influencing economic outcomes via fiscal policy is one of the core tenets of Keynesian economics.

When a government spends money or changes tax policy, it must choose where to spend or what to tax. In doing so, government fiscal policy can target specific communities, industries, investments, or commodities to either favor or discourage production—sometimes, its actions are based on considerations that are not entirely economic. For this reason, fiscal policy often is hotly debated among economists and political observers.

Essentially, it is targeting aggregate demand. Companies also benefit as they see increased revenues. However, if the economy is near full capacity, expansionary fiscal policy risks sparking inflation. This inflation eats away at the margins of certain corporations in competitive industries that may not be able to easily pass on costs to customers; it also eats away at the funds of people on a fixed income.

## Passage 7 – “Coronavirus Stimulus Package”

### *5 Key Things in the \$2 Trillion Coronavirus Stimulus Package*

*New York Times*

March 25, 2020 Catie Edmondson

WASHINGTON — Trump administration officials and top Democrats finalized an agreement early Wednesday morning on a roughly \$2 trillion rescue package to confront the coronavirus pandemic, the largest economic stimulus measure in modern history.

After days of partisan bickering and closed-door haggling, negotiators emerged from their final huddle and announced that they had struck a deal to send relief to workers, businesses and hospitals devastated by the pandemic and the economic disruption it has caused. The Senate is expected to pass the mammoth bill later on Wednesday and send it over to the House, which is also planning to move quickly to send it to President Trump for swift enactment.

The sheer size and scope of the package would have been unthinkable only a couple of weeks ago in a deeply polarized Congress that has found it impossible in recent years to agree on major new policy initiatives.

“In effect, this is a wartime level of investment into our nation,” Senator Mitch McConnell, Republican of Kentucky and the majority leader, said on the Senate floor in announcing the deal.

Here’s what’s in the package.

#### **The government will send direct payments to taxpayers.**

Lawmakers agreed to provide \$1,200 in direct payments to taxpayers with incomes up to \$75,000 per year before starting to phase out and ending altogether for those earning more than \$99,000. Families would receive an additional \$500 per child, in an attempt to create a safety net for those whose jobs and businesses are affected by the pandemic.



## **Unemployment benefits will grow substantially and go to many more Americans.**

Lawmakers agreed to a significant expansion of unemployment benefits that would extend jobless insurance by 13 weeks and include a four-month enhancement of benefits. At the insistence of Democrats, the program was broadened to include freelancers, furloughed employees and gig workers, such as Uber drivers.

## **Small businesses will receive emergency loans if they keep their workers.**

The bill provides federally guaranteed loans available at community banks to small businesses that pledge not to lay off their workers. The loans would be available during an emergency period ending June 30 and would be forgiven if the employer continued to pay workers for the duration of the crisis.

“There is broad general agreement that small businesses in this country will not be able to survive unless there is extraordinary assistance,” said Senator Marco Rubio, Republican of Florida and the chairman of the Small Business and Entrepreneurship Committee, who worked with Democrats to create the program. “The goal is to keep employees connected to their employers, so that people aren’t just having to stay home and aren’t just feeling the stress of being laid off, but the uncertainty of whether they’ll even have a job to go back to.”

## **Distressed companies can receive government bailouts — but with strings attached.**

Loans for distressed companies would come from a \$425 billion fund controlled by the Federal Reserve, and an additional \$75 billion would be available for industry-specific loans — including to airlines and hotels.

The creation of the Federal Reserve fund was one of the chief sticking points in the negotiations, as grim memories of the 2008 Wall Street bailout — which activists in both parties came to regard as a flawed program that benefited rich corporations at the expense of American workers — hung over the negotiations. Democrats successfully pressed for immediate disclosure of the recipients and stronger oversight, including installing an inspector general and congressionally appointed board to monitor it. Companies that benefit could not engage in stock buybacks while they received government assistance, and for an additional year after that.

Democrats also secured a provision ensuring that Trump family businesses — or those of any other senior government officials — cannot receive loan money through that fund, though they could potentially still benefit from other parts of the bill.

## **Hospitals staggering under the burden of the coronavirus would receive aid.**

The agreement includes \$100 billion for hospitals and health systems across the nation, Senator Chuck Schumer, Democrat of New York and the minority leader, told Democrats in an early morning letter. It also includes billions more, he said, to furnish personal and protective equipment and increased for health care workers, testing supplies, and new construction to house patients.

Lawmakers also agreed to increase Medicare payment increases to all hospitals and providers, the letter said.

Political Cartoon 8 – “Coronavirus Stimulus Cartoon”

