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Econ Period 6  
Jacobs  
27 April 2016

### Problems

- Unemployment
- Inflation
- GDP

### Planning

- Silver Cougars want less rising prices because of fixed income
- President wants not to significantly increase national debt
  - And for approval rating to rise again
- Studebaker wants support for businesses
  - A supply-side strategy
- Economic News says we need a quick solution to stop the economy from chaos and to improve President's approval rating
- Campaign for Job Security PAC wants to stimulate buying power of middle class
  - Job security and eroding value of the dollar

### Plan

- Alternative energy
- Structural-specialized skills
  - Those who worked with oil→ alternative energy
  - Solve with military? (Mrs. Jacobs' son)
  - More math and science training in schools, so more focus on alternative energy and recycling (especially in elementary schools)
    - Like at Cumberland Science Fridays
- Loose monetary policy-increase money supply-to introduce new ideas
- Shift demand for gas
  - New energy policy
  - Increase demand for vehicles
  - Cash for clunkers
    - Increase car fuel efficiency standards so manufacturers make more hybrids, and people buy them!
- Solve for Cougars
  - One-time cost of living
  - Bonus checks
  - Cost of living adjustment in Social Security (COLA)
- Studebaker
  - Incentives like tax breaks for buying energy efficient
  - Or increased taxes for oil, etc.
  - Government contract for research in alternative energy

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TO: The President of The United States

FROM: President's Economic Consultant Team

RE: Economic Plan/Monetary Policy for Reelection

With the election quickly approaching, we face a series of economic challenges due to the rising prices of oil. There is currently a high unemployment rate of 12.5%, causing concern to many workers - 52.4% of workers worry about losing their jobs according to the Campaign for Job Security. There is also an unprecedented high level of inflation: 9% annually. Additionally, the real GDP has dropped by 13%, reflecting a slowing economy. We have received concerns from many groups about various economic issues. There are concerns about the rising costs of production for complementary goods to oil such as automobiles, and those with fixed incomes are concerned about the eroding value of the dollar, which would devalue their assets. They believe that rising prices are the most critical issue in the present economic crisis.

Our general plan is to increase the use of alternative energy sources instead of oil. This will change the demand for oil, currently an inelastic product. We want to induce its price elasticity so people do not have to pay higher prices for oil. To achieve this goal,

we hope to increase the production of substitute goods such as electric and hybrid electric cars.

In order to incentivize companies to produce energy efficient products, we will provide government contracts for research in alternative energy to offset costs of changing methods of production. We further plan to increase fuel efficiency standards to encourage companies to produce vehicles that use less oil. Finally, we will slightly increase taxes on oil to discourage its overuse, as it is a diminishing resource.

We anticipate that new jobs will be created in the relatively new field of alternative energy. Car manufacturers will have specialized positions available. The training required for these new positions can be acquired through university learning or military service. We will motivate communities to emphasize learning about alternative energy from a young age, which will increase the available workforce. This will help to alleviate the structural unemployment issue.

In addition to employment, the inflation affects those with fixed incomes, such as Social Security. To remedy this, we plan to adjust the cost of living in Social Security (COLA) in order to allocate more funds within Social Security to personal expenses for necessities. For the time being this will address the issue of funds for those with fixed incomes in a time of inflation, which will soon be resolved as well.

In order to minimize the strain put on the national budget, we will fund these solutions using minimal government funding. We plan to increase the revenues from excise taxes by 3%, through our increased oil tax. In terms of outlays, we will increase the Income and Social Security budget by 6%, matching the proportion of the country

over the age of 62. We also will increase the Education and Training budget by 0.6%, putting it at 4% total, to cover the expenses for military, public university and community training. We plan to remove 5% from the budget for defense spending to cover the budget increases in other areas. We will end up with some deficit spending, 1.6%, but it is insignificant and will benefit the country's economy. In addition, we have an increase in revenue, so the total budget may be able to increase as well. This plan should cover the necessary programs and changes needed to solve the economic crisis, and limit the dependence on oil.

## Budget

- Revenue vs Spending (outlay)
  - Cost of living
    - Spending more
    - Expand from 36.1%
      - ◆ What % of country
    - 6.5% or 7 or 6 %
      - ◆ Increase 2-3%
    - Google % of people on ss age 62+
    - Tax break under spending
- Do not go beyond 103% deficit spending
  - 3%

[https://nces.ed.gov/tempfiles/nceskids/graphing/pie\\_3AF01F60.png?temp=6138351](https://nces.ed.gov/tempfiles/nceskids/graphing/pie_3AF01F60.png?temp=6138351) (Fed Gov Spending)  
[https://nces.ed.gov/nceskids/graphing/classic/bar\\_pie\\_chart.asp?temp=6049692](https://nces.ed.gov/nceskids/graphing/classic/bar_pie_chart.asp?temp=6049692)  
(Revenue)

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