

Lesson 3

The Economy and Fiscal Policy



GUIDING QUESTIONS

- 1 What are the features of a healthy economy?**
- 2 What issues and trends are impacting Canada's economy today?**
- 3 Which fiscal policies would be most effective in making life affordable for Canadians and why?**

OVERVIEW

Governments use fiscal policy to promote sustainable economic growth and to reduce poverty.

In this lesson, students deepen their understanding of the economy by discussing economic downturns and characteristics of a healthy economy. Next, students learn about current issues and trends impacting Canada's economy through a video summary. Afterwards, they discuss the impact of inflation on Canadians and evaluate different fiscal policies to make life more affordable. In the culminating activity, students assess their prediction about Canada's economy over the next few years and/or whether life will be more challenging for young people compared to their parents.

LEARNING OUTCOMES

By the end of the lesson, students can:

- describe economic activities and the features of a healthy economy;
- explain different economic trends and issues impacting Canada's economy; and,
- evaluate different fiscal policies to make life more affordable in Canada.

Starter

1. As a class, ask students to share any knowledge they have about previous financial crises or economic downturns, such as the Great Depression (1929-1939) or the Great Recession (2007-2009). What were the circumstances? What challenges were faced? How long did they last?

The following resources could be consulted for additional context:

- “[The Great Depression in Canada](#),” *The Canadian Encyclopedia*
- “[Recession of 2008–09 in Canada](#),” *The Canadian Encyclopedia*

2. Using Think-Pair-Share, discuss the impact of the COVID pandemic on Canadian businesses and Canadian workers. Guiding questions:
 - How were some people’s jobs affected by the pandemic?
 - Which industries have been most affected by the pandemic?
 - How do these circumstances impact families, the community and the country overall?

TEACHER NOTE

Many people faced job losses during the pandemic. Be sensitive to students who have experienced unemployment in their home and broach the topic with caution. Consider sharing an experience of someone you know who has faced unemployment as an introduction to the discussion.

Essential Learning

1. Watch the “[Economy and Fiscal Policy](#)” video with journalist Murad Hemmadi. Ask students to create a ‘sketchnote’ while watching the video and give them a few minutes afterwards to complete it.

TEACHER NOTE

Sketchnotes are rich visual notes created from a mix of handwriting, drawings, including icons and shapes, and visual elements like arrows, boxes, and lines. Sketchnotes allow students to visually synthesize and summarize the ideas in their own way for increased retention. See sample at budgetconsultation.ca (Teaching Tools).

2. In pairs or as a class, have students use Activity 3.1 to demonstrate their understanding of the economy, including economic vs non-economic activities, and a healthy vs weakened economy.

- Economic activities are activities that involve an exchange of money, such as making, providing, buying or selling goods or services. It includes professions and employment.
- Non-economic activities are activities that do not involve monetary exchange or financial gain, such as leisure, religious and cultural activities.
- The features of a healthy economy include high levels of employment (low unemployment), decent wages, profitable businesses, stable prices, and overall growth in business activities and the consumption of goods and services.

3. Watch the “[Economic Trends](#)” video featuring journalist Murad Hemmadi to learn about current issues impacting Canada’s economy from December 2021 – such as automation, labour shortages, gig work, digitization, supply chain issues and inflation. Consider having students add to their sketchnote from Step 1.

Afterwards, discuss these issues as a class and any specific examples in your community.

4. Review the issue of inflation in greater detail and its impact on Canadians. The bullets below are paraphrased from the [Maclean’s article](#) listed in the below *Teacher Note*.
 - Inflation is the measure of an increase in prices over a given period of time. It refers to a broad range of goods and services, not just a single item or sector.
 - Across Canada, household costs increased significantly in 2021, unlike anything seen in nearly a generation.
 - The result is an economic chain reaction affecting nearly all Canadians. Families will spend more to stock their refrigerators and heat their homes; faced with rising costs, workers will demand higher wages from employers who will also have to pay more for rent, supplies and merchandise.
 - When businesses face higher operating costs, as well as transportation costs, they will be forced to increase the cost of goods and services.
 - Inflation hurts lower income families most since they have less room to absorb the higher costs.

TEACHER NOTE

Background reading for teachers: “[Inflation is about to get way worse in 2022—and nearly everyone in Canada will feel the pinch](#),” by Jason Markusoff (*Maclean’s*, November 24, 2021).

5. In small groups, have students evaluate the strength of different proposals to make life more affordable for Canadians.

Using Activity 3.2, have students create evaluation criteria and rate each proposal on a scale (1 = very poor, 10 = very good). Considerations for evaluation criteria include: number of people impacted, demographic of people reached, short-term vs long-term results, impact on the whole economy.

- Lowering taxes for middle and working class Canadians
- Making child care more affordable
- Raising the minimum wage
- Covering more services under public health care (e.g., dental, prescriptions)
- Reducing tuition fees for college and universities
- Making it easier for workers to unionize and bargain for higher wages
- Lowering the cost of gas and electricity by cutting taxes on carbon emissions
- Helping first-time homebuyers afford their mortgage
- Giving money to renters to help cover their rent

Consolidation

Have students write a reflection in their learning log or journal about one of the following questions. Ask students to talk to a partner before responding and to justify their response with two specific examples.

- In the next few years, do you think Canada's economy will become worse off, better off or stay about the same?
- Do you think that young Canadians today will be better or worse off overall than their parents?

Extended Learning

The Consumer Price Index (CPI) represents changes in prices as experienced by Canadian consumers. It measures price change by comparing the cost of a fixed basket of goods and services over time.

The goods and services in the CPI basket are divided into eight components: food; shelter; household operations, furnishings and equipment; clothing and footwear; transportation; health and personal care; recreation, education and reading, and alcoholic beverages, tobacco products and recreational cannabis. CPI data are published at various levels of geography including Canada, the ten provinces, Whitehorse, Yellowknife and Iqaluit.

Have students use the CPI visualization tool (www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2018016-eng.htm) to explore recent price changes by the various basket components and geographies. Ask students to select a component from the CPI basket and explore the prices of its subcomponents, as well as geographic differences. Have them write an analysis about something interesting they learned from this research.

Give students time to meet with a partner or two to discuss their analysis.