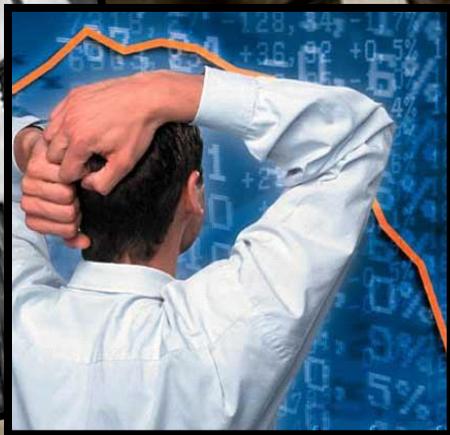
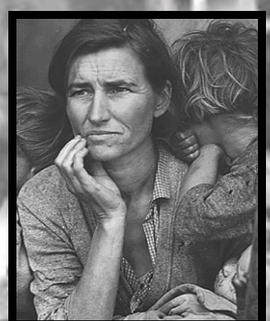
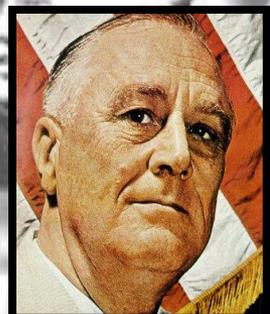
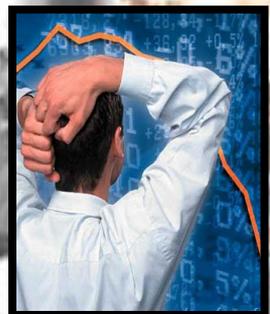


DR. HARTNELL



Ka-Boom to Bust





TODAY'S UNIT & LESSON

A graphic for Unit #3. It features a yellow background with a red border. On the left is a circular logo containing a black silhouette of a man wearing a yellow fedora hat and a suit. To the right of the logo, the text reads "Unit #3: Ka-Boom to Bust" in a bold, black, sans-serif font.

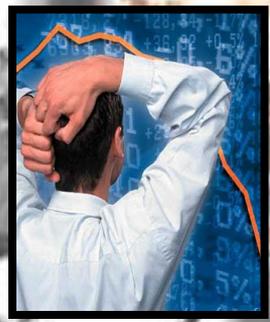
Lesson 15

(AH 3.15)



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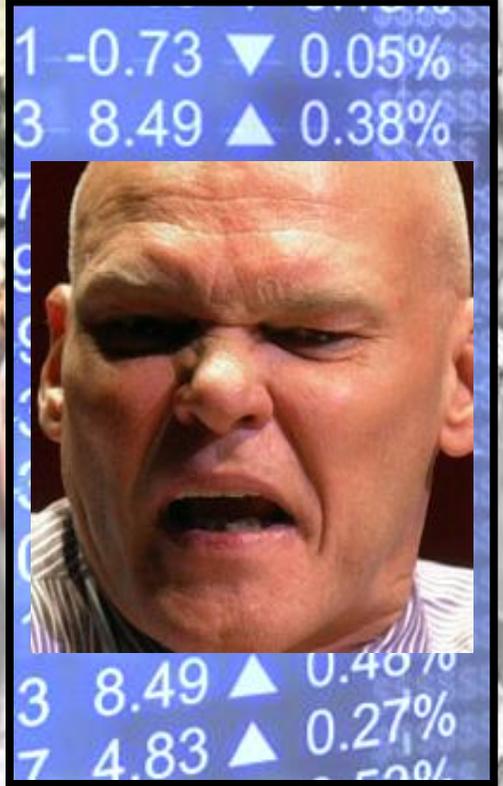
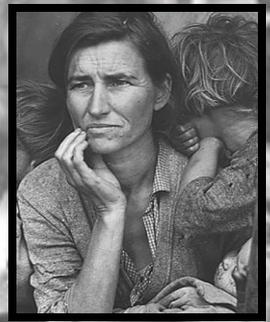




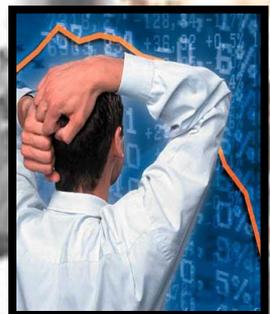
“It’s the Economy, Stupid!”



The slogan “It’s the economy, stupid!” was made famous by Democratic strategist James “the Ragin’ Cajun” Carville.

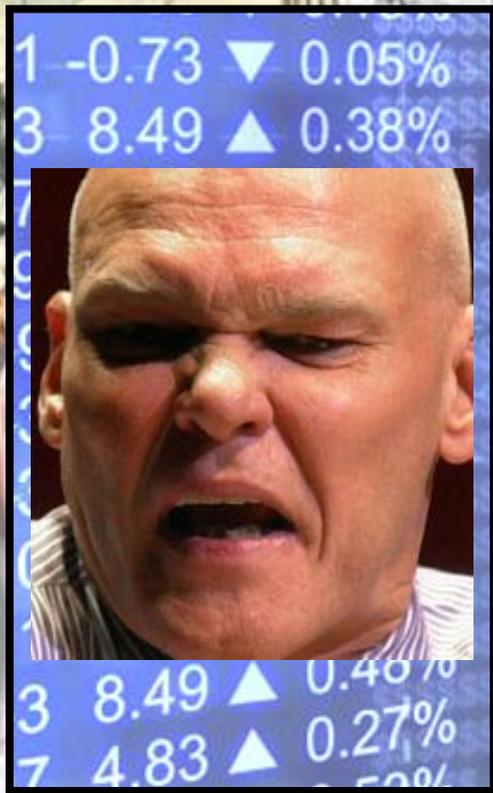
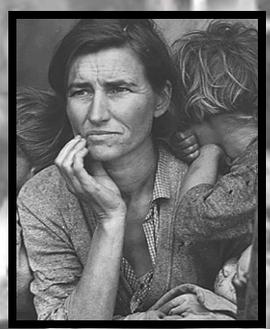


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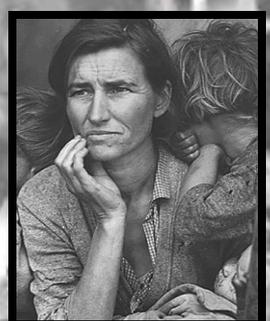
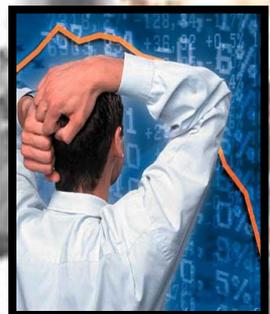


“It’s the Economy, Stupid!”

During the Election of 1992, he hung it outside the office of Bill Clinton to keep everybody focused on what mattered. It worked and Clinton beat incumbent George H.W. Bush.



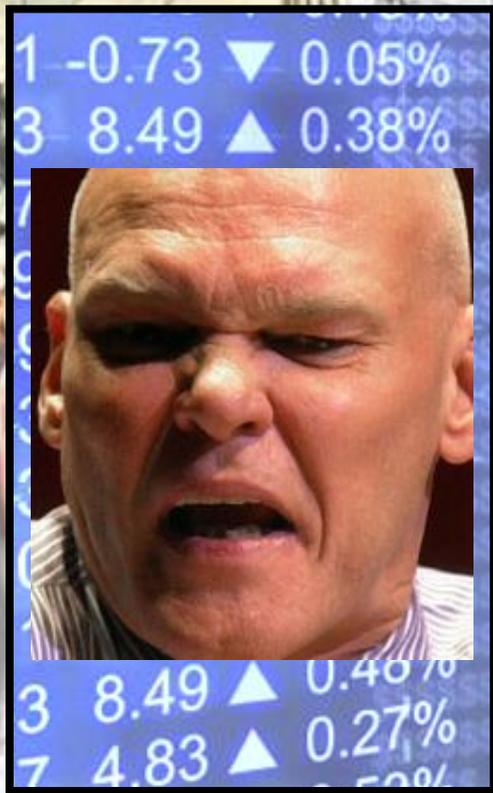
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“It’s the Economy, Stupid!”

So, whether you’re a future politician or you simply want to be a functioning member of society, you need to know *something* about economics.

Here are 25 economic terms everyone should know.



**Dr. Hartnell's
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**It's the
Economy,
Stupid!**

25 Key Economic
Terms *Everyone*
Should Know





IT'S THE ECONOMY STUPID

1. Boycott

- A refusal to have economic dealings with a person, a business, an organization, or a country.
- Ex: In December 1955, 42,000 black residents of Montgomery, Alabama began a boycott of city buses to protest racially segregated seating. (75% of those that rode Montgomery's buses were black.) After 381 days, they won their fight to desegregate seating on buses.



IT'S THE ECONOMY STUPID

2. Business Cycle

- **Pattern of increase/decrease in economy**; has **4** phases:
- Expansion**: Increased business activity. Unemployment rate falls, businesses produce more, consumers buy more.
 - Peak**: Business activity reaches its highest point.
 - Contraction**: Occurs when business activity decreases. Unemployment rises, production and consumer spending falls. (Often called “recession”.)
 - Trough**: Business activity reaches its lowest point.



IT'S THE ECONOMY STUPID

3. Capitalism

- An **economic system based on private ownership, free markets, and letting people make economic decisions.**
- Producers and consumers driven by self-interest; producers want profit; consumers want best products at low costs.
- Role of government is limited but important because it collects taxes, offers services, and regulates economic activity so there is fair competition and no monopolies.
- **Also called: Free Enterprise, Free Market, Market Economy.**



IT'S THE ECONOMY STUPID

4. Communism

- **Economic system based on one-party rule (dictator); no political freedom.**
- **Complete governmental control; centralizes everything.**
- **No private ownership of property.**
- **Based on Karl Marx's "Haves vs. Have Nots" ideology.**
- **"Socialism on Steroids".**



IT'S THE ECONOMY STUPID

5. Consumer Price Index

- **Stands for Consumer Price Index and compares current prices to what the prices were in the past.**
- **Ex: A CPI of “60” means prices have gone up 60%.**



IT'S THE ECONOMY STUPID

6. Deficit Spending

- Occurs when **government spends more \$\$\$ than it takes in from taxes, etc.; opposite of Supply-Side Economics**.
- Government borrows or prints extra \$\$\$ to finance Deficit Spending, which usually occurs in “contraction” phase of Business Cycle. **Also called Pump-Priming**.
- As economy recovers, revenues increase, and government has a surplus of \$\$\$\$. The surplus is then used to pay back the \$\$\$ the government borrowed.
- **British economist John Maynard Keynes advocated this.**



IT'S THE ECONOMY STUPID

7. Depression

- A **severe and prolonged contraction in economic activity.**
- Consumer spending, production, wages, and prices decrease; businesses fail and people lose their jobs.
- **Ex:** The Great Depression, which lasted from **1929-1942.**
- By comparison, a **recession** is a period of reduced economic activity.



IT'S THE ECONOMY STUPID

8. Embargo

- A **governmental ban on trade with another nation** to show disapproval of that nation's actions.
- There are **2 kinds** of embargos:
 - a. **Civil**: Happens during peacetime. Nation imposing an embargo prevents exports/imports from a country.
 - b. **Hostile**: Happens during a war. Involves forcibly seizing another country's goods (via military, etc.).



IT'S THE ECONOMY STUPID

9. Gold Standard

- A **monetary system** in which a country's basic unit of **currency** is valued at, and can be exchanged for, **gold**. (Silver Standard uses silver; Mixed Metal uses both.)
- Curbs inflation since government can't print more \$\$\$ without having more gold; **prevents Deficit Spending**.
- U.S. and others were on the gold standard from **1870s** until the early **1900s**; U.S. dropped it in **1933**.
- U.S. money backed by "faith of the American people" today.



IT'S THE ECONOMY STUPID

10. GDP

- **Stands for Gross Domestic Product and measures how a country's economy is doing.** It's like a country's Credit Score.
- GDP adds together *spending by consumers + investments in new factories/houses + government spending on goods + net exports* (value of exports minus value of imports).
- **If GDP is growing, economy is** in “expansion phase” (**good**).
- **If GDP is declining, economy is** in “contraction phase” (**bad**).



IT'S THE ECONOMY STUPID

11. Inflation

- A rise in prices or a decrease in purchasing power of \$\$\$.
- With inflation, there is MORE \$\$\$ in circulation but \$1 does NOT go as far as it should because it's not worth as much. This “cheap money” drives prices UP.
- On the flipside, deflation is where there is LESS \$\$\$ in circulation but \$1 goes further than it should because it's worth more. This “hard money” drives prices DOWN.



IT'S THE ECONOMY STUPID

12. Interest Rate

- The **cost of borrowing \$\$\$**.
- The interest rate is calculated as a yearly percentage (or rate) of the \$\$\$ borrowed.
- A **10% interest rate requires a borrower to pay \$10/year for every \$100 borrowed**.
- When rates are low, people borrow more \$\$\$ because cost of borrowing is lower; when interest rates are high, people borrow less \$\$\$ but invest and save more.



IT'S THE ECONOMY STUPID

13. Laissez-faire

- French for “*let things alone*”.
- It is the **non-intervention by government** in monetary affairs.
- **Can lead to abuses by business** owners; can allow for monopolies to form.
- Most nations today are NOT *laissez-faire* because there is intervention (minimum wage, no monopolies, welfare).



IT'S THE ECONOMY STUPID

14. Minimum Wage

- The **minimum amount of \$\$\$** that employers must legally pay their employees for each hour of work.
- The first minimum wage rate was \$0.25/hour in **1938**.
(That'd be like making \$3.22 today.)
- Any worker who works over 40 hours a week must be paid overtime (time and a half).



IT'S THE ECONOMY STUPID

15. Monopoly

- A situation where **one seller controls** the **production, supply,** or **pricing of a product** that has no substitutes.
- There are **2 ways** of obtaining a monopoly:
 - Vertical integration**: You buy out your suppliers.
 - Horizontal consolidation**: You buy out your competitors.



IT'S THE ECONOMY STUPID

16. National Debt

- The **\$\$\$** owed by the **Federal Government**.
- **During wars and recessions**, the **government relies on Deficit Spending**. If government does not pay back the **\$\$\$** it borrows, a **debt begins to build... and build**.
- Secretary of the Treasury Alexander Hamilton had Federal Government absorb debts each state incurred from Revolution; \$75,463,476.52 was first debt on **1/1/1791**.
- Debt has only ever reached \$0 once... in **1834**.



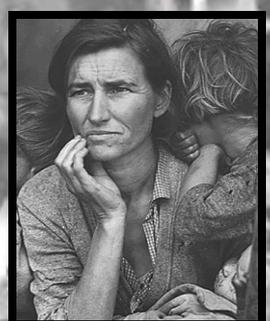
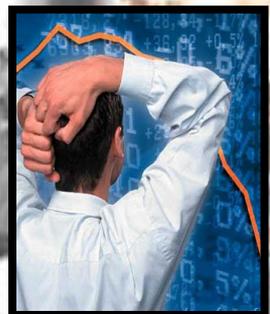
IT'S THE ECONOMY STUPID

16. National Debt

→ The National Debt is currently... A LOT!

→ For an exact number, visit the site below:

www.usdebtclock.org



“It’s the Economy, Stupid!”

Term #16: National Debt

How much is a trillion?

It’s the number “1” followed by 12 zeros... 1,000,000,000,000.

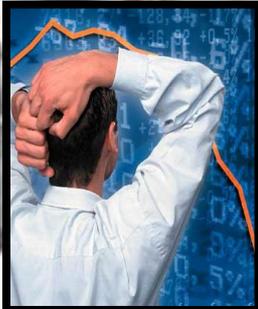
If you spent \$1 million/day for 1 million days = \$1 trillion.

One million days is 2,739 years.

1	-0.73	▼	0.05%
3	8.49	▲	0.38%
7	4.83	▲	0.27%
9	-0.54	▼	0.13%
9	0.01	▲	0.10%
3	-1.34	▲	0.17%
3	-5.63	▲	0.23%
0	-6.89	▼	0.06%
1	-0.73	▼	0.15%
3	8.49	▲	0.48%
7	4.83	▲	0.27%



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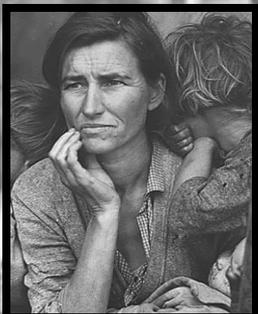
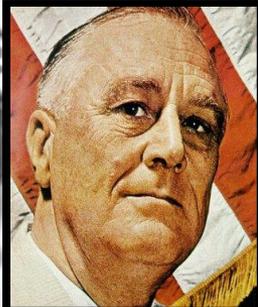
“It’s the Economy, Stupid!”

Term #16: National Debt

In order to spend \$1 trillion in average American life span of 77 years, you’d have to spend \$35,580,857 every day...

...from birth.

Dr. Hartnell gladly accepts such a spending challenge.



1	-0.73	▼	0.05%
3	8.49	▲	0.38%
7	4.83	▲	0.27%
9	-0.54	▼	0.13%
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IT'S THE ECONOMY STUPID

17. Socialism

- An economic and political system in which the government owns most of the businesses and property and there is an **equal distribution of wealth**.
- Unlike Communism, the **governments owns only major industries** (coal, steel, etc) but still regulates others.
- Looks GREAT on paper – harder to pull off in practice.



IT'S THE ECONOMY STUPID

18. Standard of Living

- The **overall economic situation in which people live.**
- **Poverty** is the lack of adequate income to maintain a minimum standard of living. (Called the “poverty line”.)
- In **1959**, the poverty line for a family of 4 was \$2,973.
- Today, the poverty line for a family of 4 is \$26,500 (\$73/day)
- Today, 11.5% of Americans live in poverty.
- Today, the wealthiest 20% of families have 48.7% of the \$\$\$.



IT'S THE ECONOMY STUPID

19. Stock Market

- A **place where stocks** and bonds are **bought and sold**.
- Companies need \$\$\$ to cover costs. To raise \$\$\$, they sell stocks (or shares of ownership).
- People invest in the stock market to make a profit.
Stockholders receive a share of the company's profits.
- 2,250 stocks are traded at the New York Stock Exchange:
 - Bull Market: stock prices up.**
 - Bear Market: stock prices down.**



IT'S THE ECONOMY STUPID

20. Strike

- A **work stoppage by employees** to gain higher wages and/or better working conditions.
- A strike follows a failure in collective bargaining, which are the negotiations between unions and employers.



IT'S THE ECONOMY STUPID

21. Supply & Demand

→ The forces that determine prices of goods and services in a Capitalist/Free Enterprise/Free Market/Market Economy.

a. Supply: Quantity of a good producers are willing and able to MAKE at a set price.

b. Demand: Quantity of a good consumers are willing and able to BUY at a set price.

→ Too much supply drives prices down; not enough supply drives prices up. (Ex: shopping during the holidays.)



IT'S THE ECONOMY STUPID

22. Supply-Side Economics

- **Opposite of Deficit Spending**. Calls for **low tax rates so people keep more** of each dollar they earn.
- In theory, if you cut taxes on high incomes and businesses, it frees up extra \$\$\$ for these people/businesses to spend elsewhere, which “trickles down” to others.
(Ex: Reaganomics during the 1980s.)
- Criticism: *“If you feed enough oats to the horse, some will pass through to feed the sparrows...”*
- **Also called “Trickle-Down Theory”**.



IT'S THE ECONOMY STUPID

23. Tariff

- A **fee charged for goods brought into** a state or **country from another state or country.**
- In the **1800s**, Congress created tariffs to protect U.S. products from foreign competitors. Both then and now, tariffs make foreign goods cost more so people buy American. BUT, if you raise tariffs too high, other countries will do the same to you.
- Sometimes called a “duty”. (Trade without tariffs is called “Free Trade”... like “Duty Free” shops overseas.)



IT'S THE ECONOMY STUPID

24. Taxation

- A **method of raising revenues to finance governments.**
- You pay local, state, and Federal taxes.
- **16th Amendment lets Congress tax your income (33%).**
- Sales taxes are an important source of income for state governments; property taxes are the main source of revenue for local governments... and schools!



IT'S THE ECONOMY STUPID

25. Unemployment Rate

- The **% of the work force 16 and older that is unemployed** but actually looking for work.
- This rate provides an indicator of the Business Cycle. If it's high, then the economy is “contracting”. If it's low, then the economy is “expanding”.
- In **1933**, 25% of the working force was unemployed.

WHAT
DID WE
LEARN
TODAY?



135 LIVE!



FAST 5: UNIT 3, LESSON 15 (AH 3.15)

QUESTION 1 



1. What does the expression "*It's the economy, stupid!*" mean?



FAST 5: UNIT 3, LESSON 15 (AH 3.15)

QUESTION

2



2. Define these economic terms:

- a. Boycott.
- b. Stock Market.
- c. Taxation.
- d. Minimum Wage.
- e. Strike.



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FAST 5: UNIT 3, LESSON 15 (AH 3.15)

QUESTION 3 

3. Define these economic terms:
- a. Standard of Living.
 - b. GDP.
 - c. Business Cycle.
 - d. Laissez-fare.
 - e. Gold Standard.



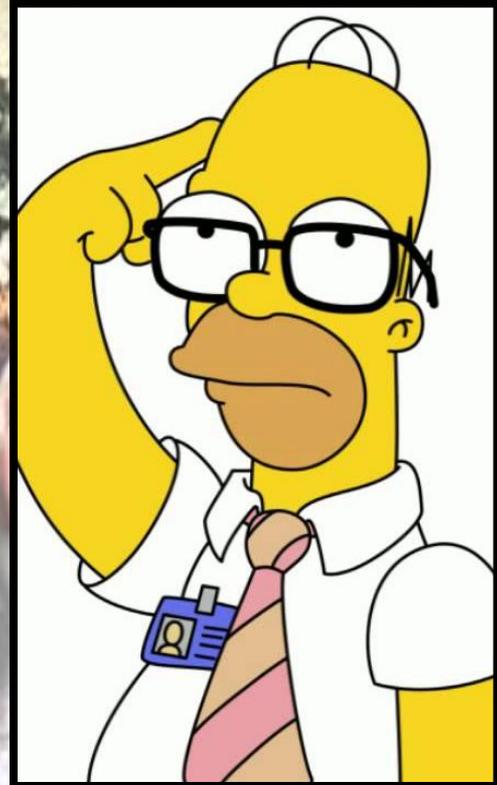
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FAST 5: UNIT 3, LESSON 15 (AH 3.15)

QUESTION 4 

4. Define these economic terms:
- a. Free Enterprise.
 - b. Recession.
 - c. "Trickle-Down Theory".
 - d. Socialism.
 - e. Pump-Priming.





FAST 5: UNIT 3, LESSON 15 (AH 3.15)

QUESTION 5



5. Answer the following:

- a. Why are most countries not laissez-faire today?
- b. What does CPI "125" mean?
- c. What is the current U.S. National Debt?

- ! THINK
- ✓ CHECK
- > SUBMIT



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