PLEASE NOTE

• The following lecture was written, designed, and organized by Dr. Hartnell for educational purposes. It aligns with the state curriculum and was meticulously researched from sources that represent an array of multicultural perspectives, beliefs, affiliations, orientations, and identities.

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Ka-Boom to Bust

ONE B1G THING

ONE B1G THING

ONE B1G THING

ONE B1G THING

Unit #3: *Ka-Boom to Bust*

AH Lecture 3.12

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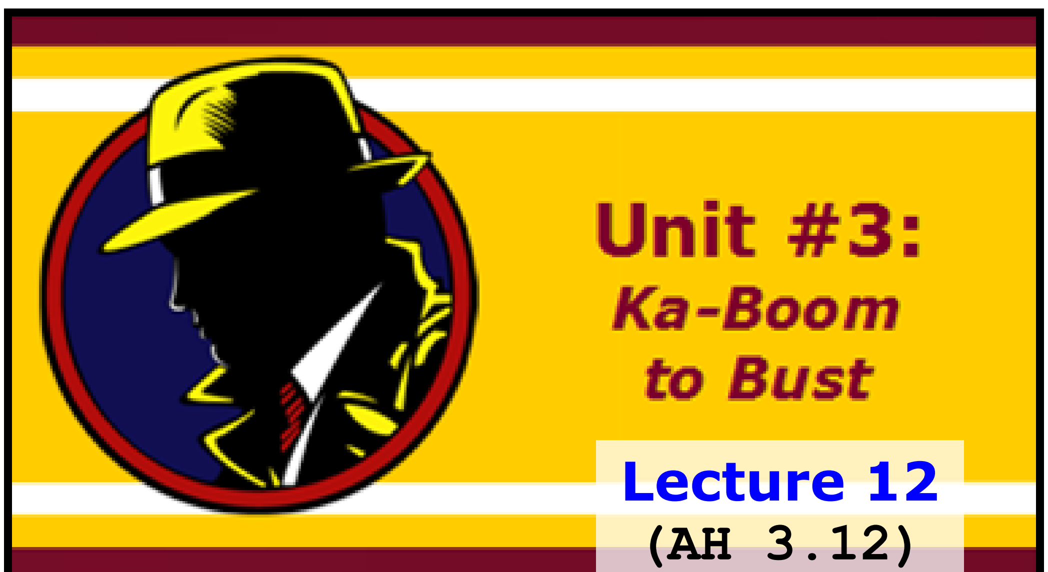
ONE BIG THING

ONE BIG THING
ONE BIG THING
ONE BIG THING

What role do economics play in our daily lives?



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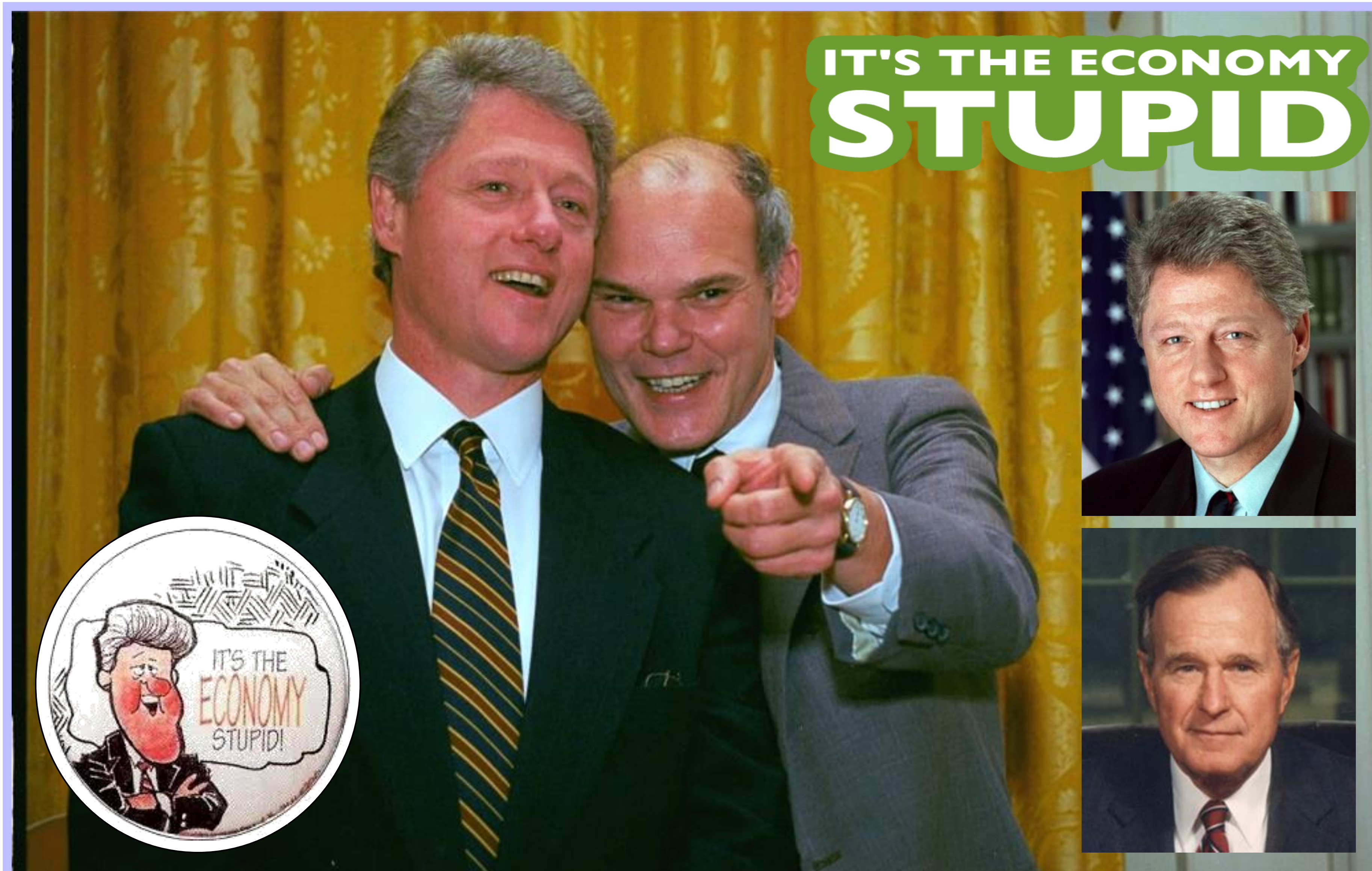
B1G THING

ECON 101

- **Slogan *"It's the economy, stupid!"* was made famous by Democratic strategist James "the Ragin' Cajun" Carville.**

- **During 1992 Election, he hung sign w/slogan outside office of Bill Clinton to keep campaign focused on what mattered.**



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“The Ragin’ Cajun” says…

B1G THING

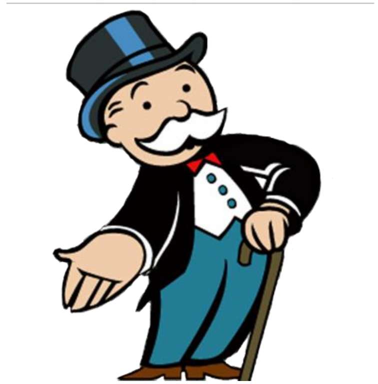
ECON 101

- **Incumbent Prez (George H. W. Bush) was fresh off victory in Persian Gulf War (1990-91) & had 89% approval rating.**

- **BUT…**

- **Clinton campaign asked voters: *“Are you better off than you were 4 yrs ago?”***

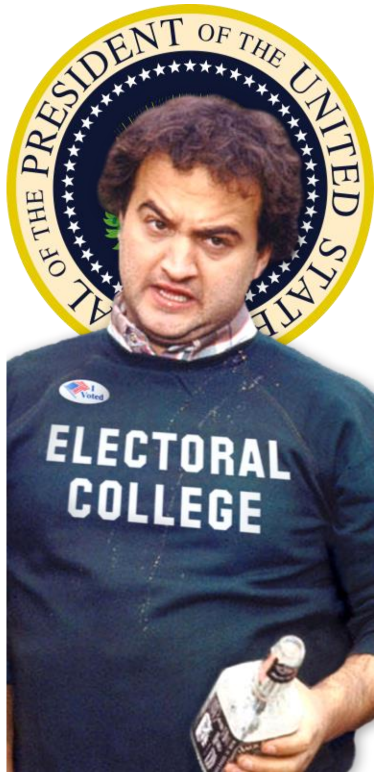
ECON 101



- **Recession at time had been overshadowed by war w/ Iraq, but Carville's question got many voters thinking: *"I'm waving mini-American flags… in unemployment line."***

- **Clinton (D) went on to upset popular Bush (R) 370-168 in Electoral College.**

B1G THING



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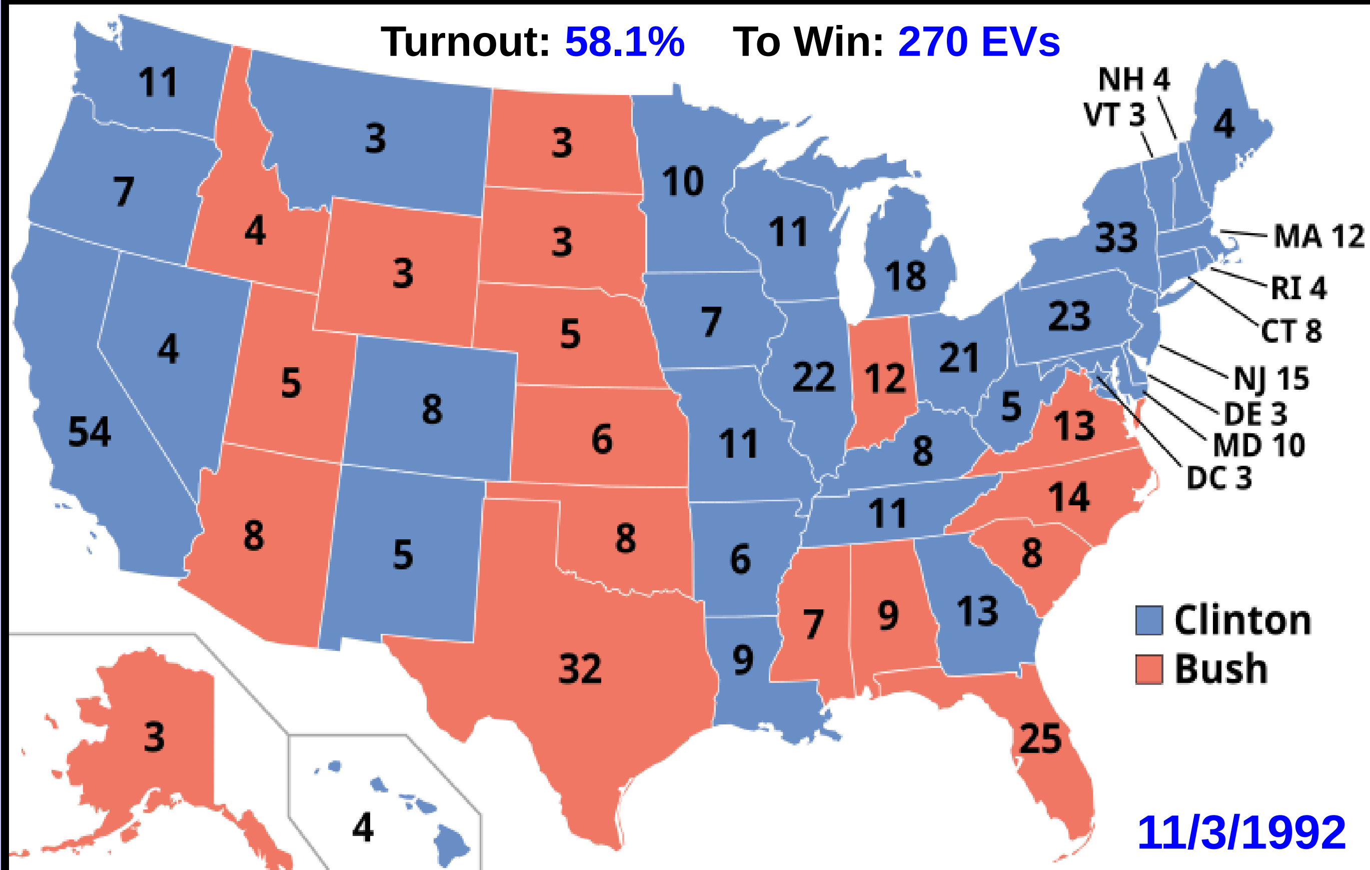
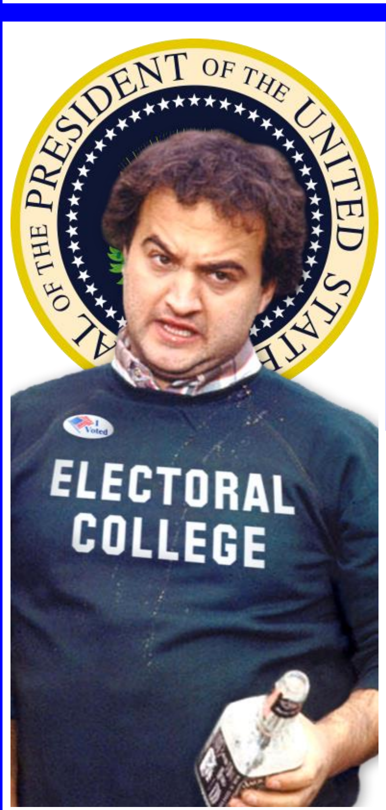
Popular Vote
Clinton: 43.0%
Bush: 37.5%
Perot: 18.9%

Electoral Vote
Clinton: 370
Bush: 168
Perot: 0



BIG THING



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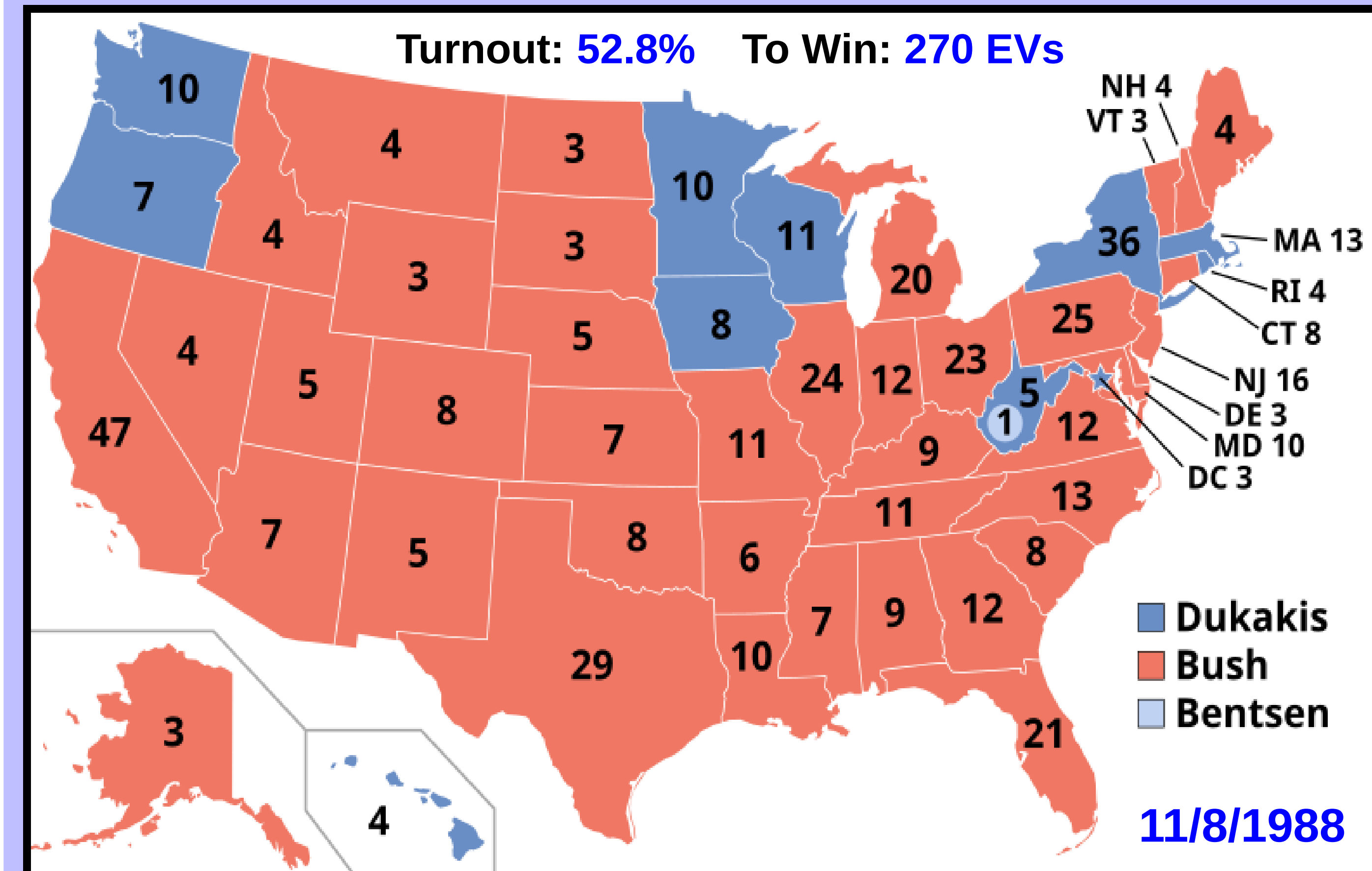
Popular Vote
Bush: 53.4%
Dukakis: 45.7%
Bentsen: 0.0%

Electoral Vote
Bush: 426
Dukakis: 111
Bentsen: 1



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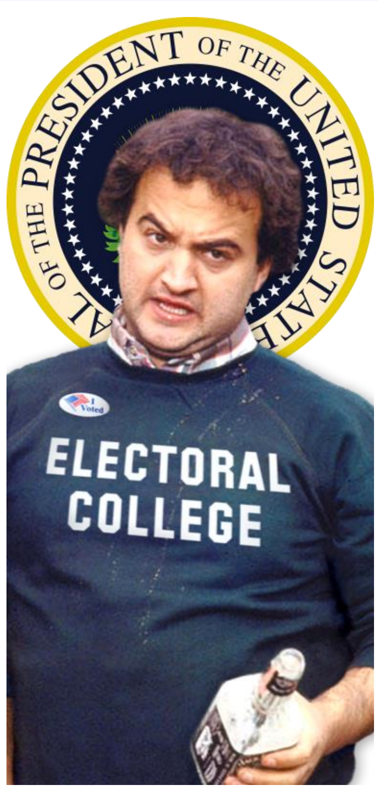

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Popular Vote

Clinton: 43.0%

Bush: 37.5%

Perot: 18.9%

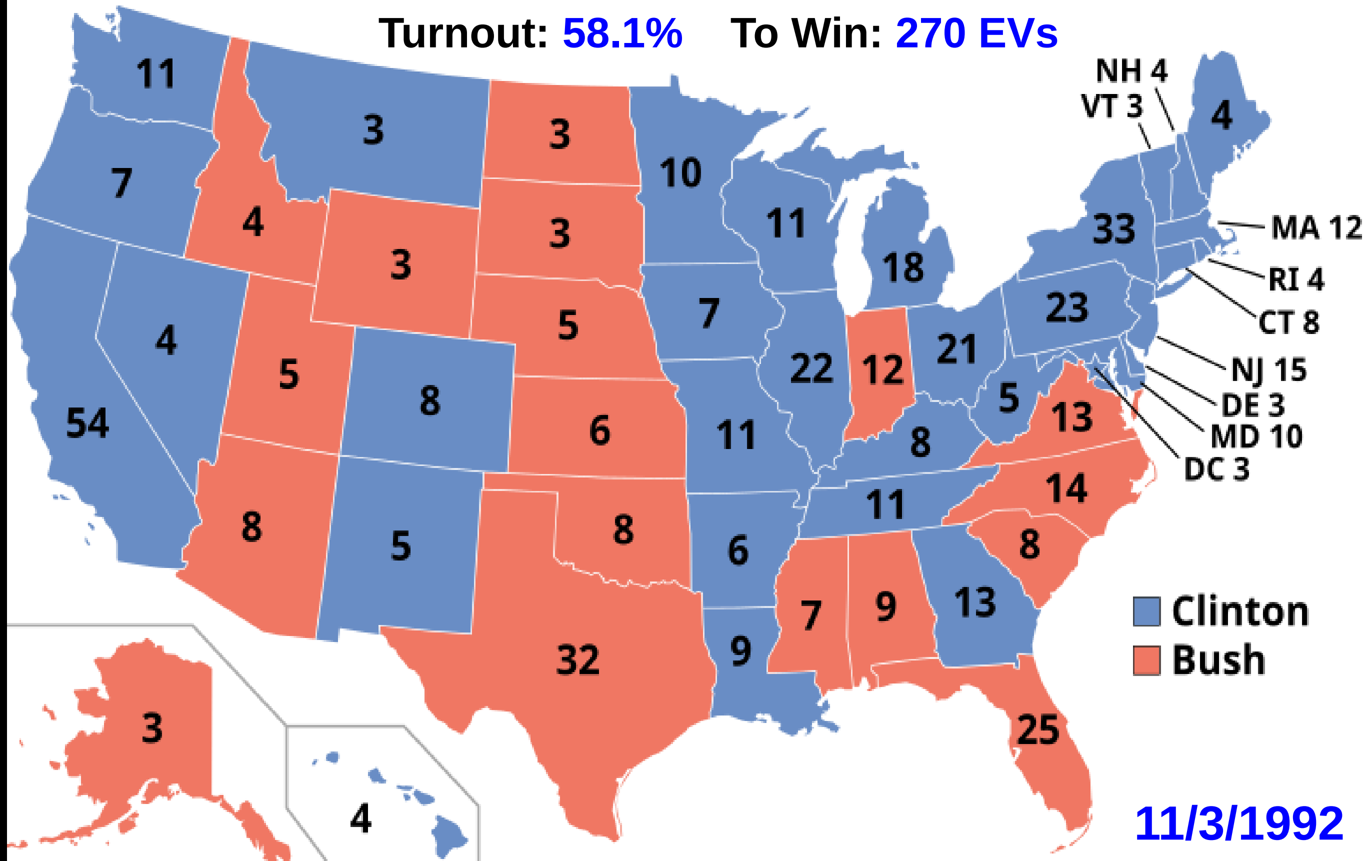
Electoral Vote

Clinton: 370

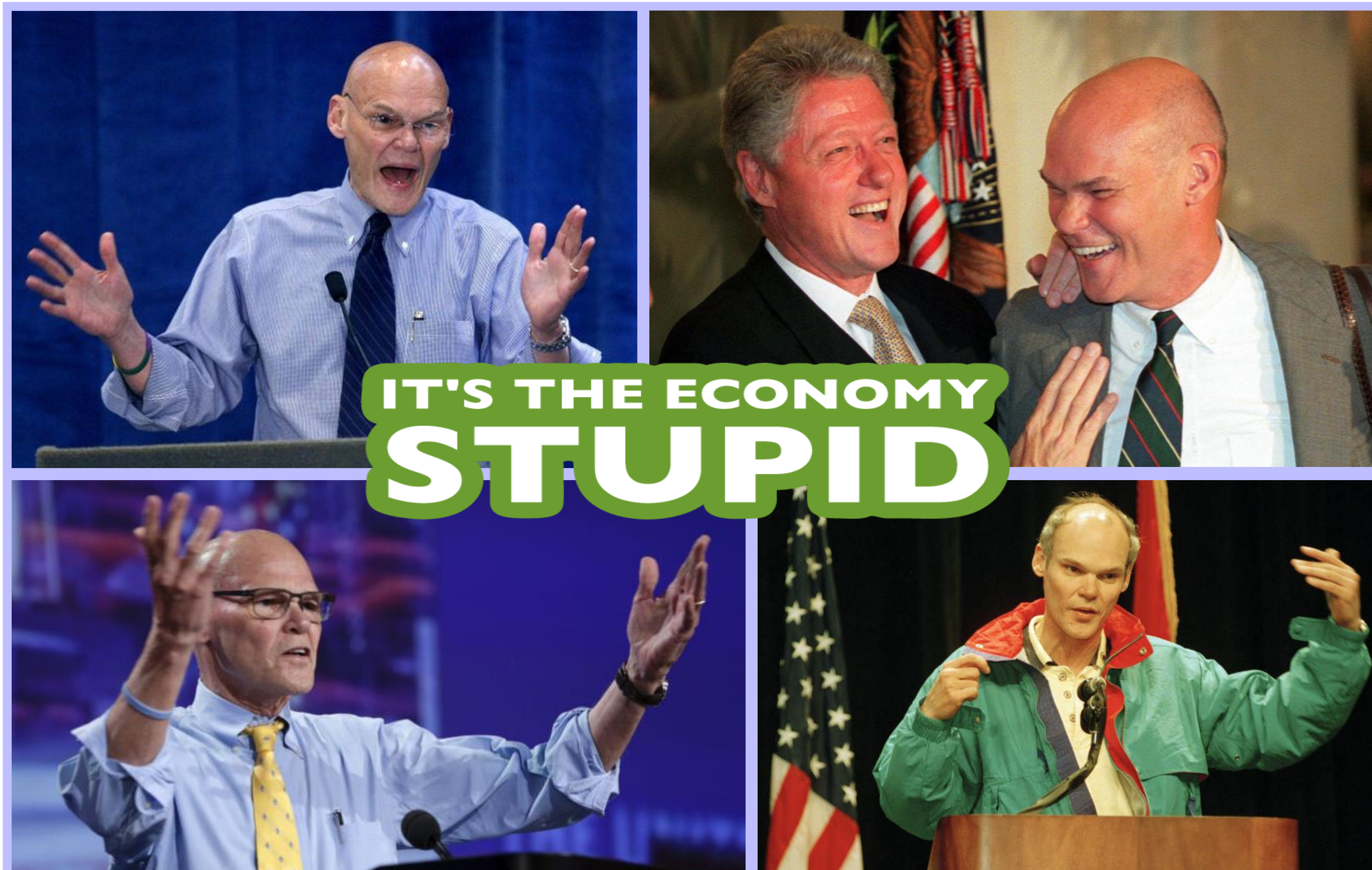
Bush: 168

Perot: 0

Turnout: 58.1% **To Win: 270 EVs**



11/3/1992



“The Ragin’ Cajun” says…

B1G THING

ECON 101

• Only 1 Prez has EVER been re-elected despite economy doing poorly during 1st term.

• 44th Prez Barack Obama (2009-17) was re-elected in 2012 despite economy still in recession; voters liked Obama’s plan & wanted to see how it played out.

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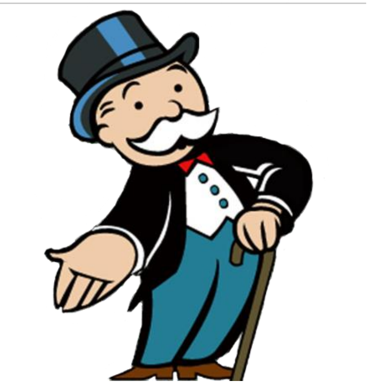
Prez Obama says…

Politics 101



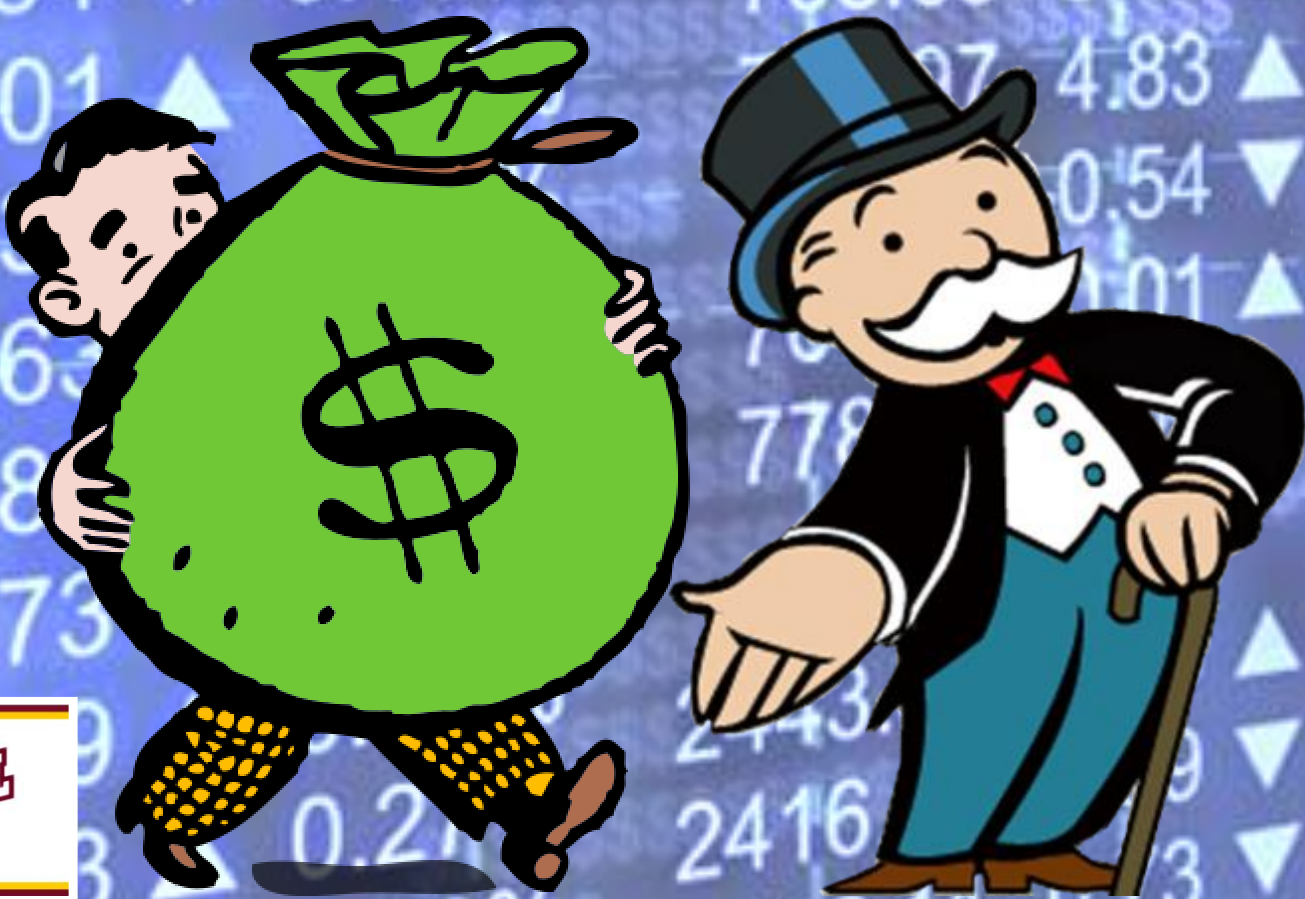
ECON 101

• **Whether you're future politician or simply want to be functioning member of society, you MUST know *something* about economics.**

• **Here are <u>25</u> economic terms *everyone* should know!**

• **Let's tackle 1-12.**

IT'S THE ECONOMY STUPID



B1G THING

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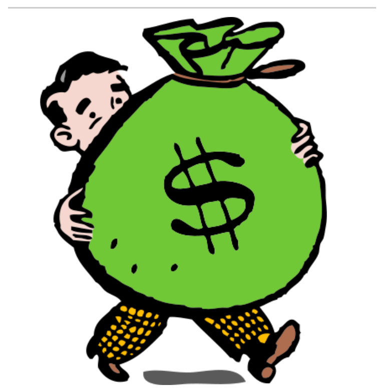
1. Boycott



• **Refusal to have economic dealings w/ person, business, organization, or country.**

• **Ex: Montgomery Bus Boycott (Dec. 5, 1955 → Dec. 20, 1956); 42,000 black residents of Montgomery, AL boycotted buses to protest segregated seating. (75% of those that rode were black.) Boycott cost busses $3,000/day & $1.14M total ($28,170/day & $10.7M today).**

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BIG THING

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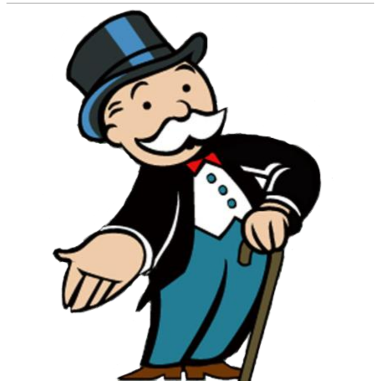
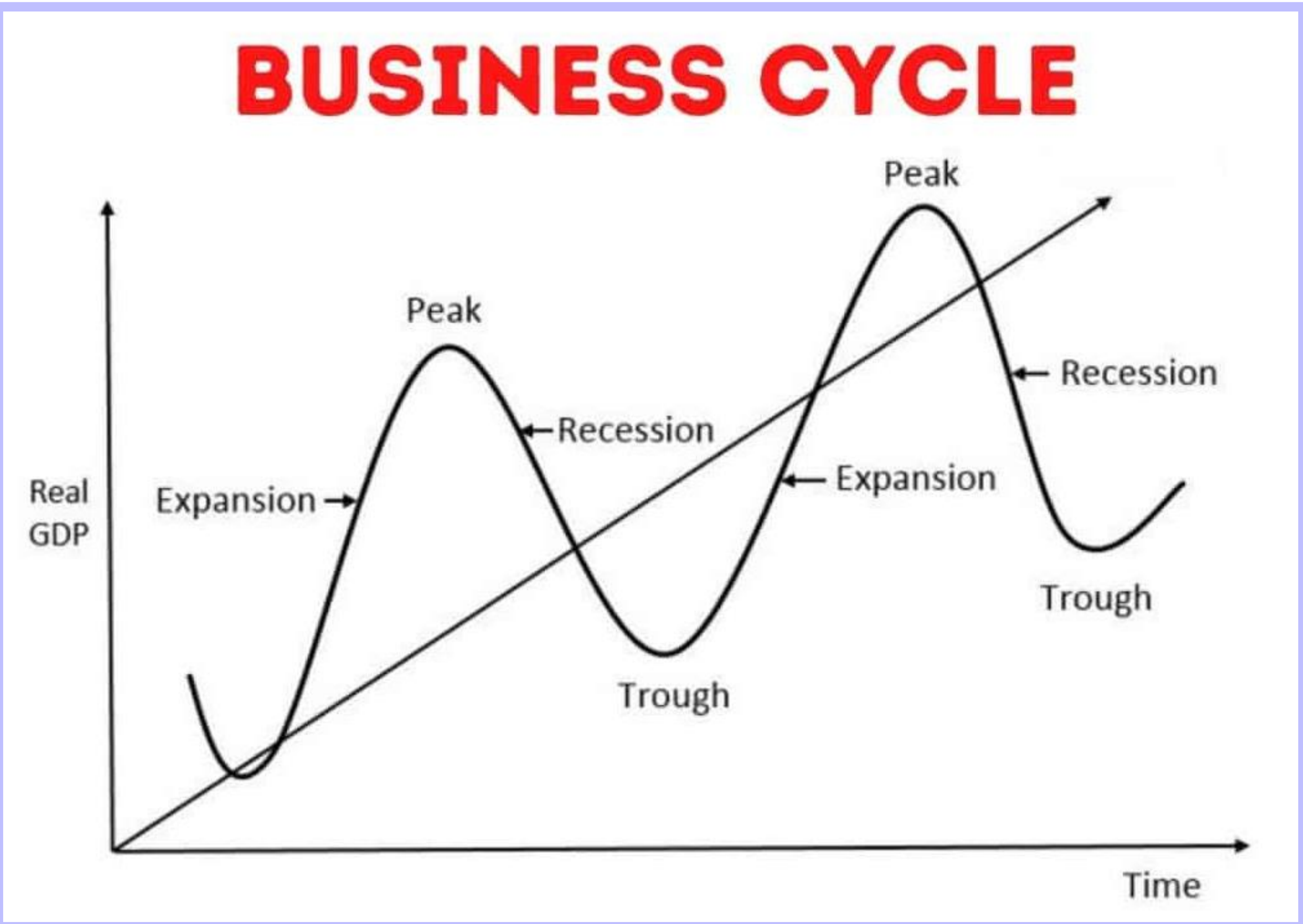
2. Business Cycle



- **Pattern of increase/decrease in economy; has <u>4</u> phases:**

- **Phase 1 – <u>Expansion</u>: Increased business activity; unemployment rate falls, businesses produce more, consumers buy more.**



Business Cycle

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2. Business Cycle

- **Phase 2 – Peak:** **Business activity reaches highest point in that particular cycle.**

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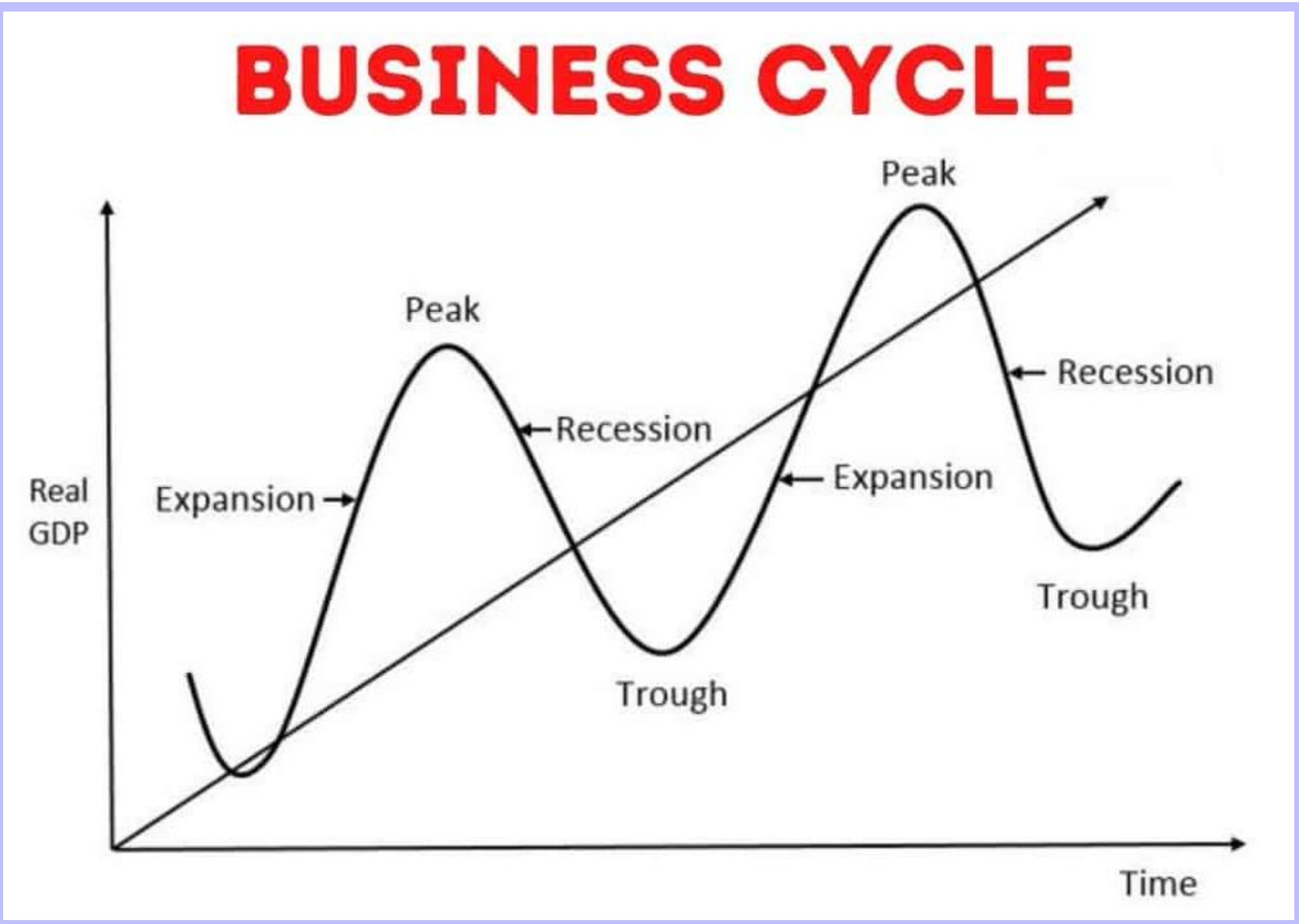

Business Cycle

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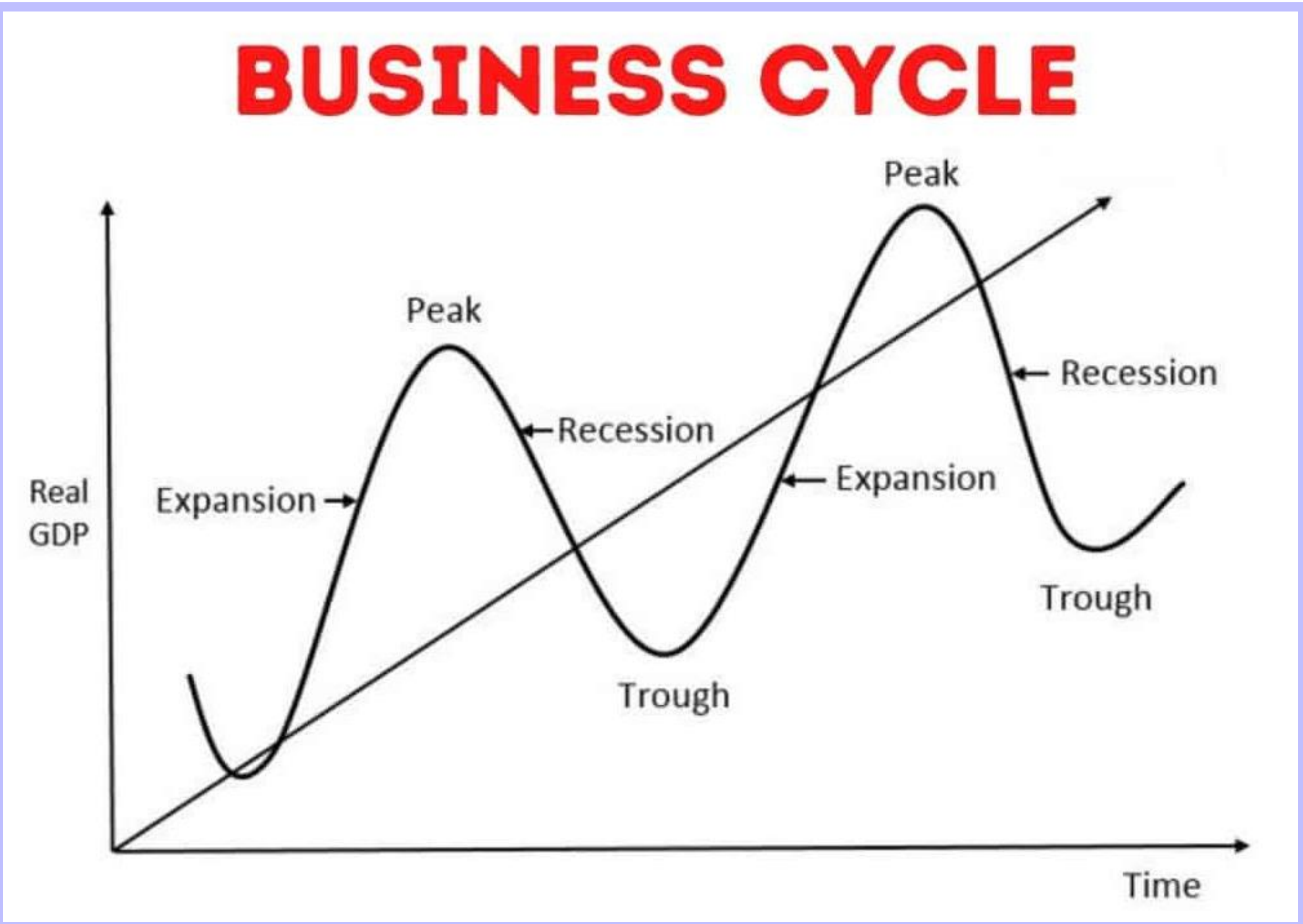
2. Business Cycle

- **Phase 3 – <u>Contraction</u>: Business activity decreases; unemployment rises, production & consumer spending falls (a.k.a. "recession").**



Business Cycle

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2. Business Cycle

- **Phase 4 – <u>Trough</u>:** **Business activity reaches lowest point in that particular cycle.**

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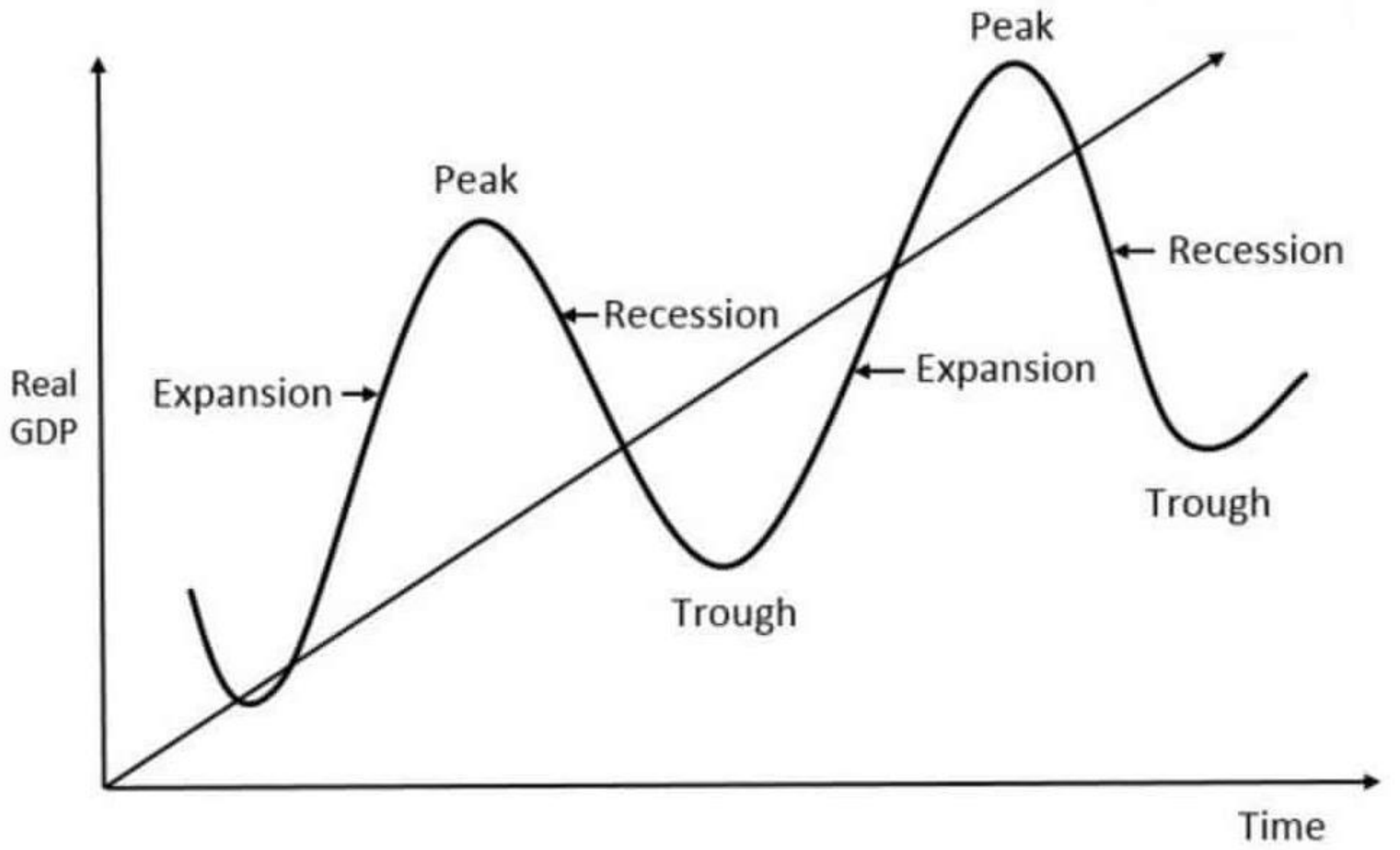
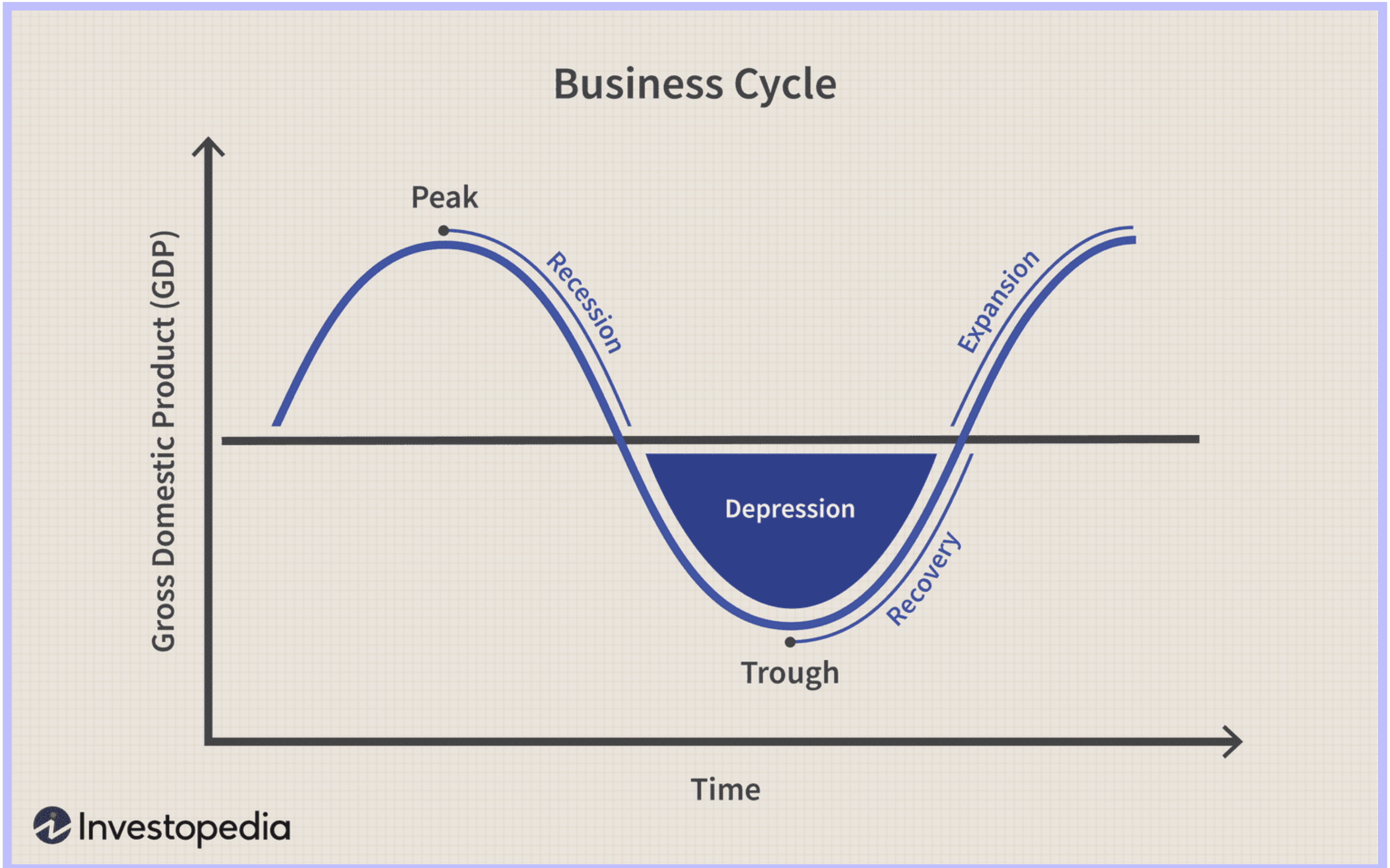
BUSINESS CYCLE



Business Cycle



Business Cycle

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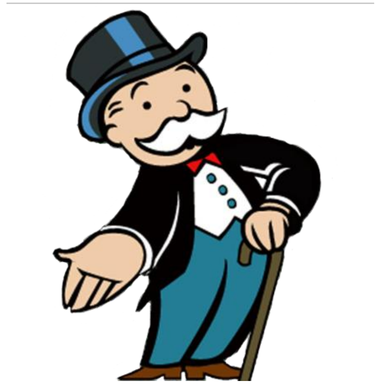
3. Capitalism



- Economic system based on private ownership, free markets & letting people make economic decisions.

- 181 of 195 countries (92.8%) are capitalistic; modern form started in Britain during IR.

B1G THING

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3. Capitalism

- W/ capitalism, producers & consumers are driven by self-interest.
- Producers want profit while consumers want best products at low cost; competition is its lifeblood.

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3. Capitalism

- Role of gov is limited but important because it collects taxes, offers services & regulates economic activity so there is fair competition & NO monopolies (monopolies kill competition).

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3. Capitalism

- **Also called:**
- **Free Enterprise**
- **Free Market**
- **Market Economy**

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4. Communism

- Economic system based on 1-party rule (dictator w/ complete gov control who centralizes everything); no political freedom.

- 5 of 195 countries (2.56%) are communist: China, Cuba, Laos, N. Korea & Vietnam.

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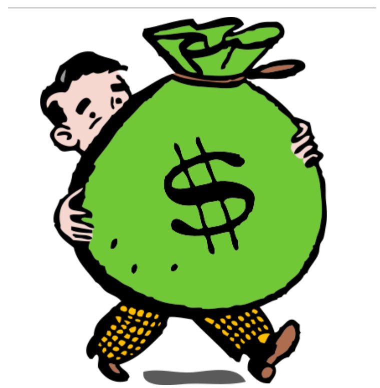

4. Communism

- **No private ownership of property.**
- **Based on Karl Marx's *"Haves vs. Have Nots"* ideology.**
- **Socialism on steroids…**

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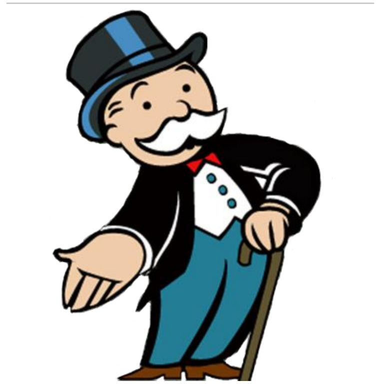
5. CPI



- **Consumer Price Index; compares current prices to what prices were in past.**
- **"100" is baseline.**
- **Comes from avg price levels in U.S. from 1982-84.**

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5. CPI

• **CPI chose 1982 for its base yr since it coincided w/ period of relatively stable inflation after period of high inflation in late 1970s.**

• **FYI: $1.00 in 1982 was roughly $3.25 in Dec. 2024.**

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IT'S THE ECONOMY STUPID

5. CPI

- CPI of "130" indicates 30% <u>increase</u> in price since 1982-84 (w/ baseline of 100).
- CPI of "250" indicates 150% <u>increase</u> in price.
- CPI of "80" indicates 20% <u>decrease</u> in price.

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5. CPI

- **2024: CPI of new house was "337.71"; means prices were 237.71% <u>higher</u> than 1982-84.**

- **Avg sale price of house in 1982 was $83,900.**

- **237.71% increase adds $199,438.69 to price of house.**

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5. CPI

- **$83,900 + $199,438.69 = $283,338.69 (value in 2024).**

- **$200,000 house in 1982 w/ 237.71% increase was valued at $675,420 in 2024.**

- **$1M (1982) → $3.37M (2024).**

Zestimate®

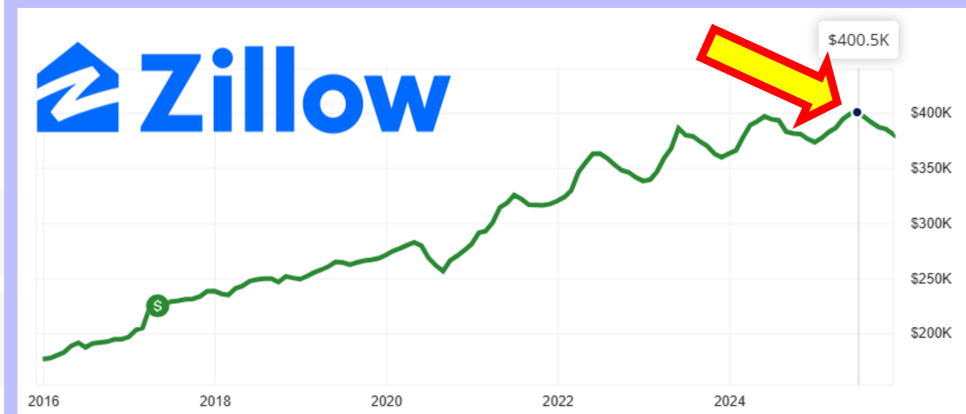
$380,700

490 Oneida Ave, Westerville, OH 43081

Est. refi payment: $2,416/mo Refinance your loan

SingleFamily	Built in 1960
$380,700 Zestimate®	$203/sqft

Date	Event	Price
5/26/2017	Sold	$227,000 +33.5% $121/sqft
Source: Columbus and Central Ohio Regional MLS #217008197 Report		
5/17/2013	Sold	$170,000 +0% $90/sqft
Source: Columbus and Central Ohio Regional MLS #213010414 Report		
4/2/2013	Listed for sale	$169,975 +11.1% $90/sqft
Source: Coldwell Banker King Thompson - Polaris Regional Sales Office #213010414 Report		
5/4/2004	Sold	$153,000 +33% $81/sqft
Source: Public Record Report		
7/23/1997	Sold	$115,000 $61/sqft



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490 Oneida (161.76% increase!)

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6. Deficit Spending

- Occurs when gov spends more $$$ than it takes in from taxes, etc.

- Opposite of <u>Supply-Side Economics</u>.

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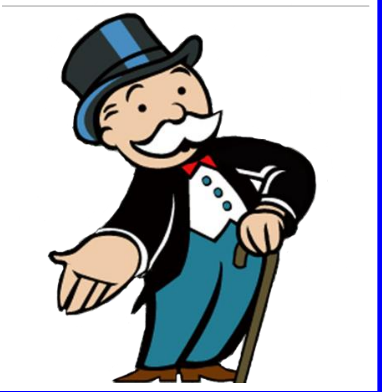
6. Deficit Spending



- **Gov borrows or prints extra $$$ to finance DS, which usually occurs in “contraction” phase of Business Cycle.**

- **Also called Pump-Priming.**

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Keep printing!!!

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6. Deficit Spending

• As economy recovers, revenues increase & gov has surplus of $$$; surplus used to pay back $$$ gov borrowed (temp fix & NOT solution).

• **John Maynard Keynes** (British economist) **promoted.**

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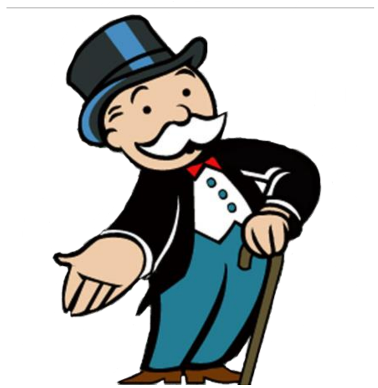
7. Depression



- **Severe & prolonged contraction in economic activity.**

- **Consumer spending, production, wages & prices decrease; businesses fail & people lose their jobs.**

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7. Depression

- **<u>Ex</u>: Great Depression (1929-42).**
- **By comparison, recession is period of reduced economic activity.**

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8. Embargo

- Gov ban on trade w/ another nation to show disapproval of that nation's actions.

- 2 kinds of embargoes:

- 1. Civil: During peace.

- 2. Hostile: During war.

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9. Gold Standard

- **Currency is valued at & can be exchanged for gold.**
- **Silver Standard uses silver.**
- **Mixed Metal uses both.**

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9. Gold Standard

- Curbs inflation since gov can't print more $$$ w/o having more gold.
- Gold not as readily available as silver (makes it more valuable).

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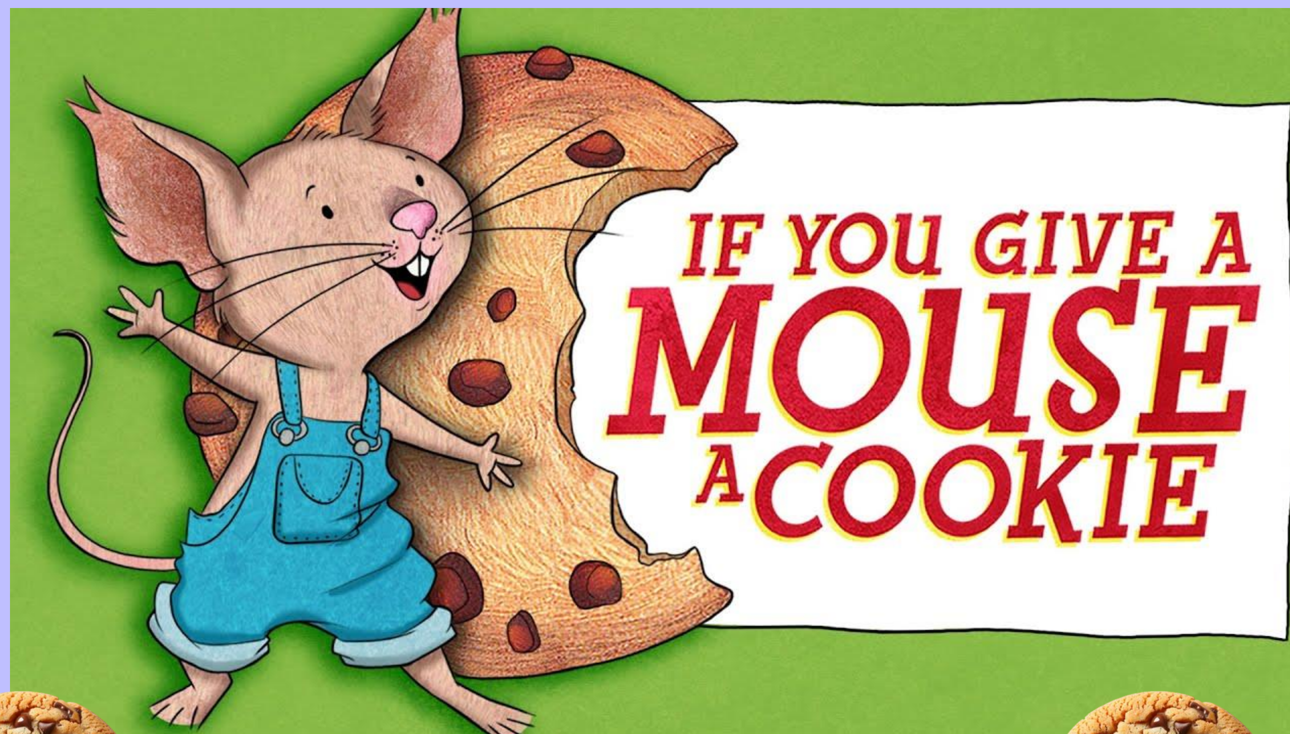
ECONOMICS for Kids



No more cookies…

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9. Gold Standard

- **U.S. & others used gold from 1870s until early 1900s.**

- **U.S. dropped it in 1933.**

- **Today, U.S. $$$ backed by *"faith of American people"*.**

B1G THING

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10. GDP

- Gross Domestic Product; measures how country's economy is doing.
- Country's "Credit Score".

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10. GDP

- GDP adds ***spending by consumers*** **+** ***investments in new factories/houses*** **+** ***gov spending on goods*** **+** ***net exports*****.**

- **Value of exports minus value of imports.**

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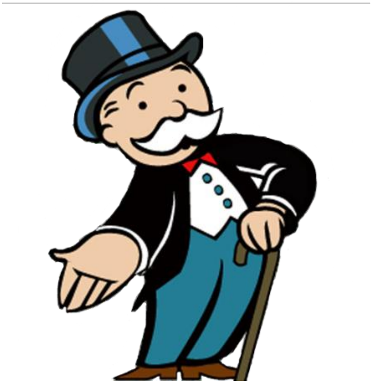
10. GDP



- If GDP is growing, economy is in "expansion phase" (good).

- If GDP is declining, economy is in "contraction phase" (bad).

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11A. Inflation

- <u>Rise</u> in prices or <u>decrease</u> in purchasing power of $$$.
- MORE $$$ in circulation but $1 does NOT go as far as should because not worth as much; "cheap money" drives prices UP.

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11A. Inflation

- Highest inflation in U.S.:
  - **1778**: 29.78%
  - **1917**: 20.49%
  - **1946**: 18.10%
  - **1974**: 12.30%
  - **1979**: 13.30%
  - **1980**: 13.50%
  - **2022**: 09.10%

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11B. Deflation

- **Drop in prices or increase in purchasing power of $$$.**
- **LESS $$$ in circulation but $1 goes FURTHER than should because worth more; "hard money" drives prices DOWN.**

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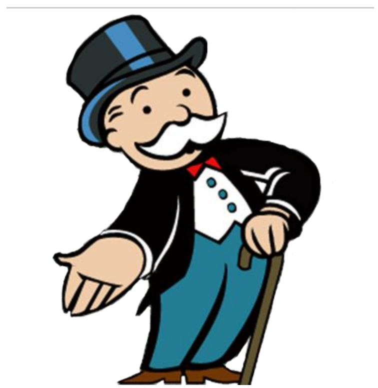

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11B. Deflation

- Highest deflation (seen as negative number) in U.S.:
  - 1921: -10.9%
  - 1922: -06.2%
  - 1930: -02.7%
  - 1931: -08.9%
  - 1932: -10.3%
  - 1933: -05.2%

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12. Interest Rate

- Cost of borrowing $$$.
- Calculated as yearly % (or rate) of $$$ borrowed.
- 10% interest rate requires a borrower to pay $10/yr for every $100 borrowed.

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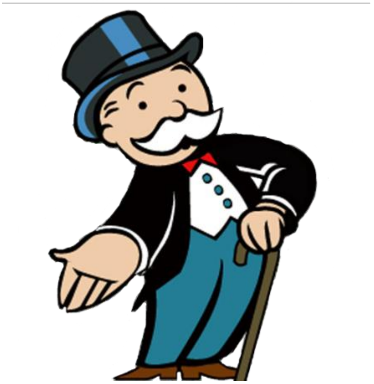
12. Interest Rate



- When rates are low, people borrow more $$$ because cost of borrowing is lower.

- When interest rates are high, people borrow less $$$ but invest & save more.

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12. Interest Rate

- Interest rates are VERY important since borrowing $$$ can result in HUGE debt.

- 77% of Americans have debt (avg $67,000 from mortgage, student, auto loans; 70% of all American debt is mortgage).

B1G THING

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12. Interest Rate

- While Payday Loans/Cash Advance places can solve temporary financial bind…
- …interest rates → 1,500%!!!
- Borrow $100… pay $1,500 in interest; now owe $1,600!!!

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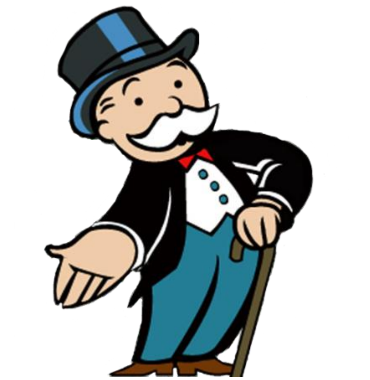
12. Interest Rate

- <u>Bankruptcy</u>: Helps people who can no longer pay debts get fresh start by liquidating assets to pay debts (limit on what you get to "keep"); create payment plans.

- Chapters 7, 11, 12 & 13.

B1G THING



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12. Interest Rate

- Person files for bankruptcy:
- Chapter 7: Helps get rid of debt from credit cards, loans, medical bills.
- Chapter 13: Catch up on debts w/ home, car.

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B1G THING

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12. Interest Rate

- Business files for bankruptcy:

- Chapter 11: Create plan to reorganize & keep business alive to pay creditors over time (length of time varies).

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B1G THING

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12. Interest Rate

- Farmer files for bankruptcy:

- Chapter 12: Create plan to keep farm & repay all/part of debts; make installments to creditors over 3-5 yrs.

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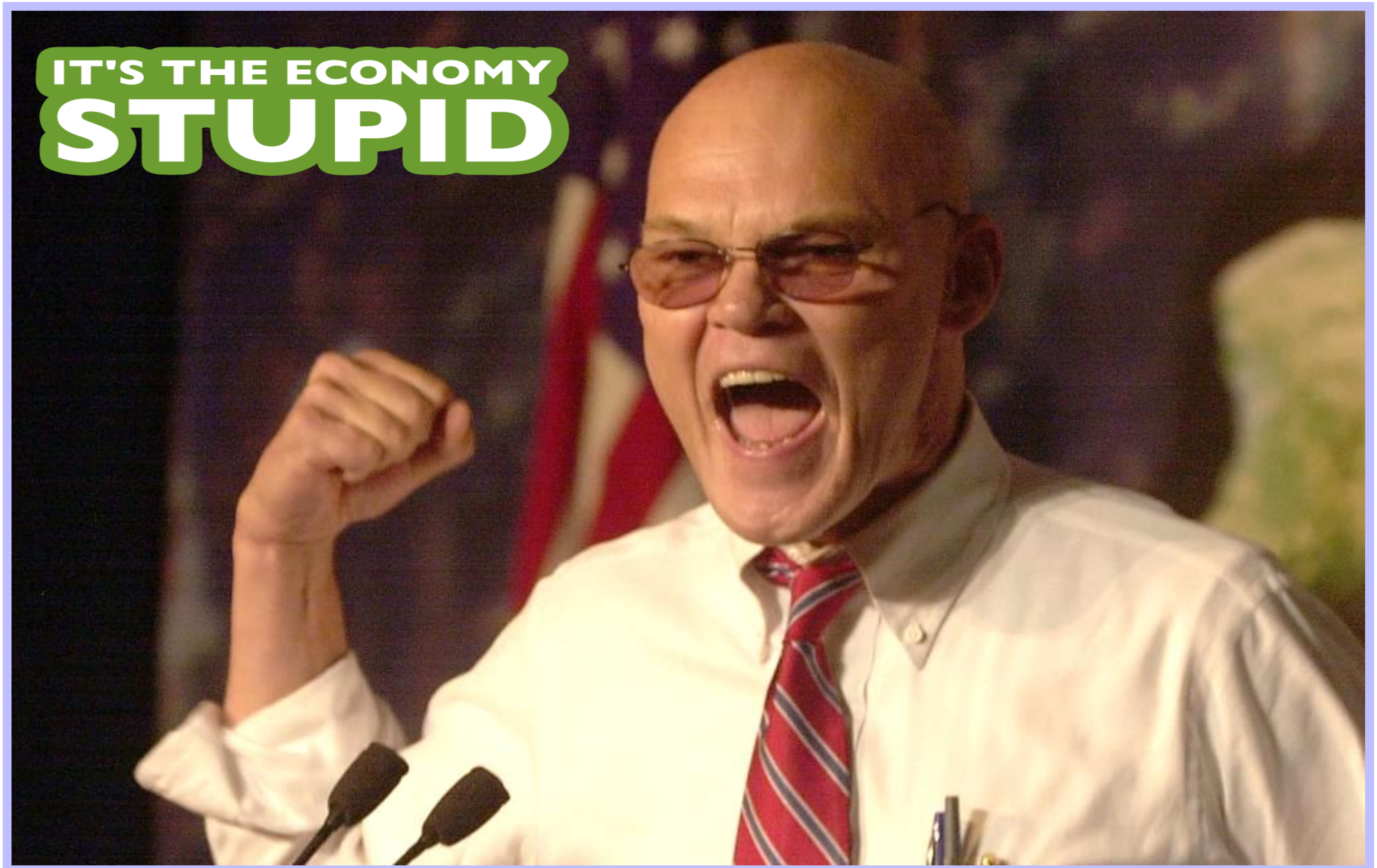

More "Ragin' Cajun" tomorrow


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What did we
LEARN
TODAY?
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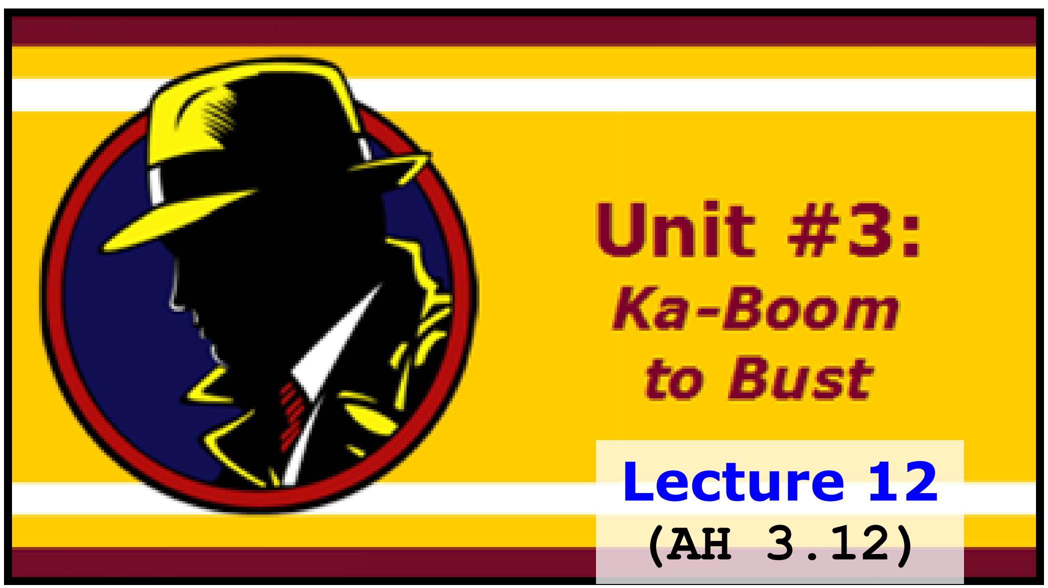
ONE B1G THING

What role do economics play in our daily lives?



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PLEASE NOTE

• The following lecture was written, designed, and organized by Dr. Hartnell for educational purposes. It aligns with the state curriculum and was meticulously researched from sources that represent an array of multicultural perspectives, beliefs, affiliations, orientations, and identities.

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