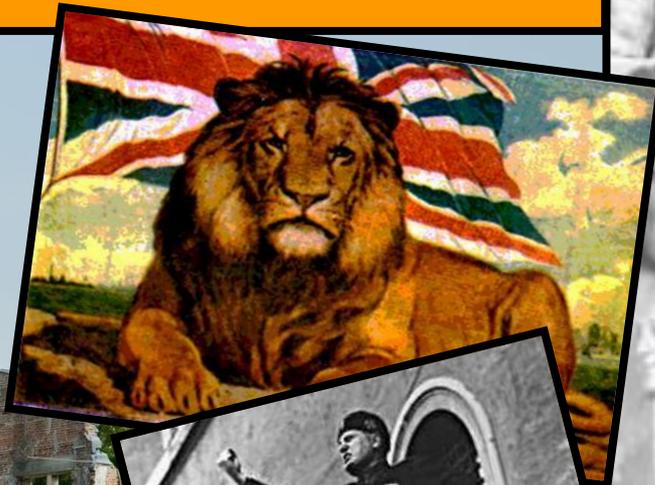


DR. HARTNELL

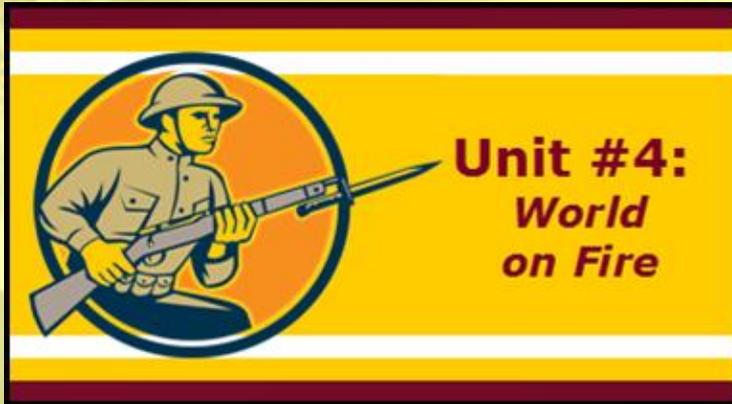


World on Fire





TODAY'S UNIT & LESSON



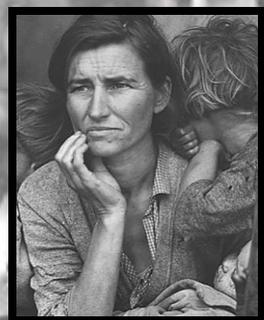
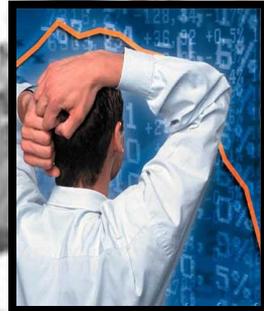
Lesson 6

(MW 4.06)



Dr. Hartnell's
135 LIVE!





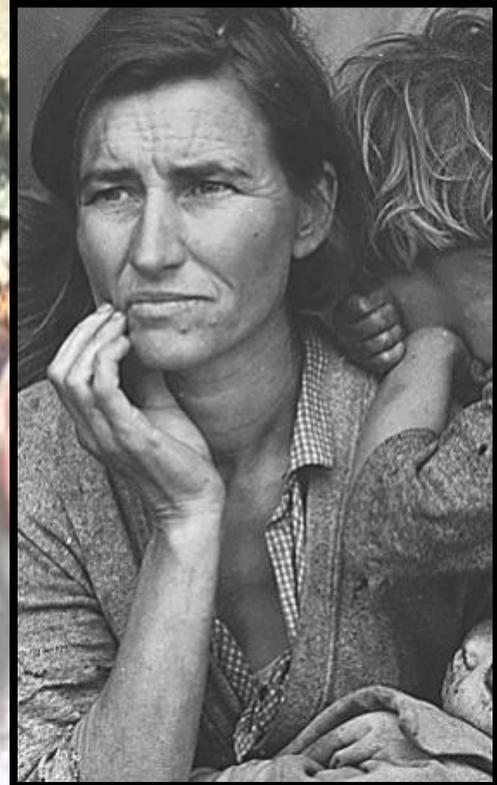
GREAT DEPRESSION:

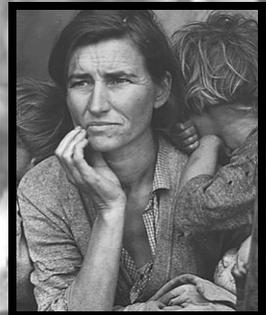
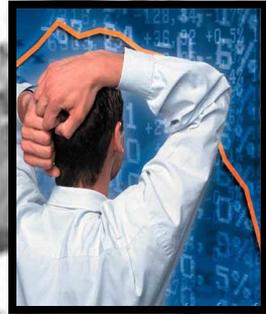
The **Great Depression** was the **worst economic collapse** in U.S. history.

It lasted from **1929-1942**.

The **Stock Market crash** helped trigger the **Depression**.

It eventually spread to the **rest of the world**.



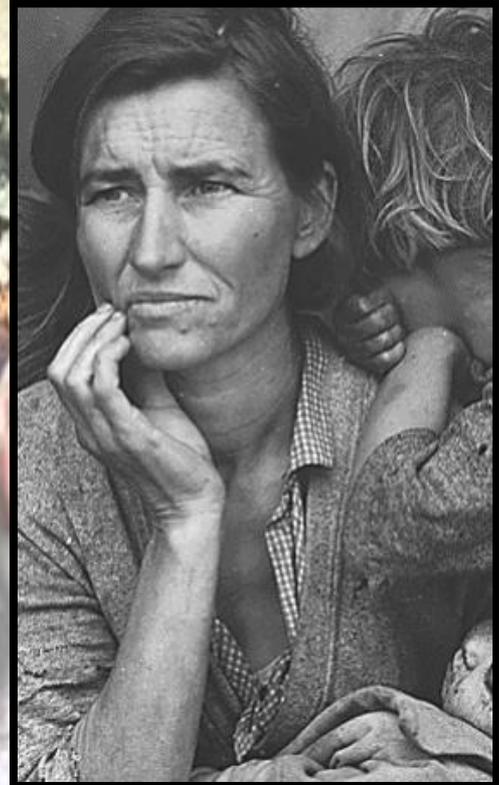


GREAT DEPRESSION:

In 1933, the worst year, over 15 million Americans (or 1/4 of workforce) were jobless.

Europe was still trying to recover from WWI, and the Depression really hurt them.

World War II ended the Depression.

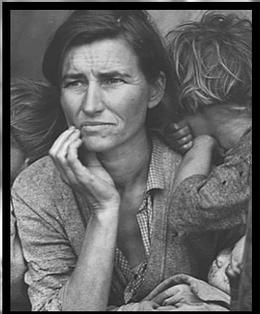
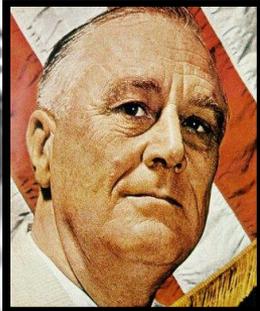
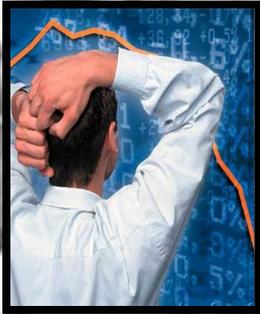




ROOTS OF DEPRESSION:

It is a common misconception that the Stock Market crash of **October 1929** was the *sole cause* of the Depression.

The two events were closely related, but both were the results of deep problems in the modern economy that were building up during the **1920s**.



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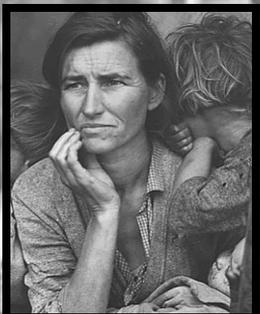
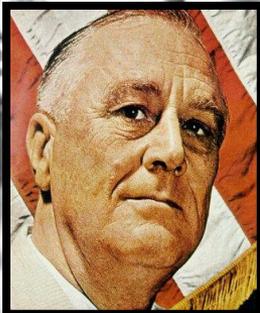
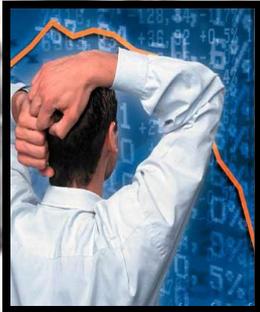




ROOTS OF DEPRESSION:

The “Roaring” **Twenties** appeared to be a prosperous time, but it **was only skin deep**. *(Remember the golden turd?)*

Income was unevenly distributed. The wealthy made large profits, but the **majority of Americans spent more than they made**, and farmers faced **heavy debt**.



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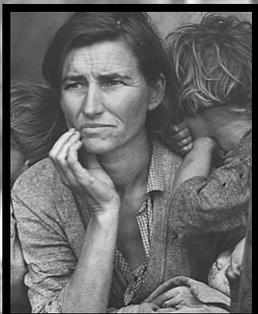
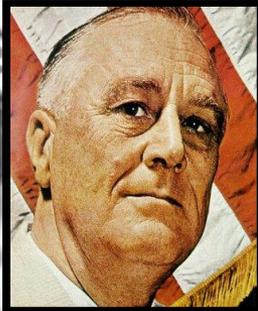
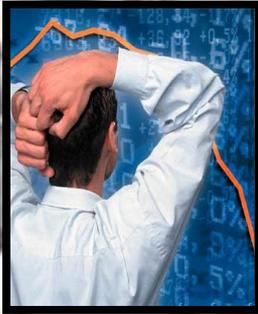




ROOTS OF DEPRESSION:

As is typical of post-war periods, **Americans during the 1920s turned inward, away from foreign issues and social concerns (“Buh-bye Progressives!”) and toward greater individualism.**

The emphasis was on getting rich and enjoying new fads.



**Dr. Hartnell's
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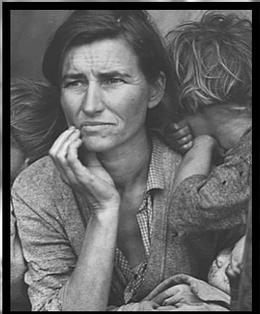
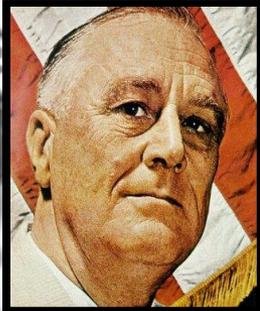
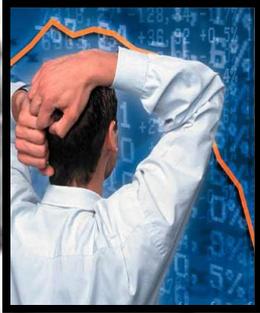


ROOTS OF DEPRESSION:

The **traditional values of rural America** were challenged by the **city-oriented Jazz Age** and the **flappers**.

The **self-centered attitudes of the 1920s** seemed to fit nicely with the **needs of the economy**.

Items once seen as **“luxuries”** were now **“necessities”**.



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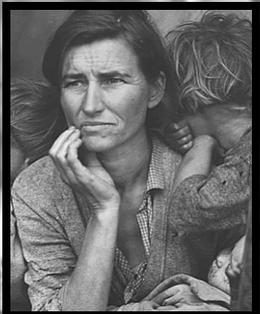
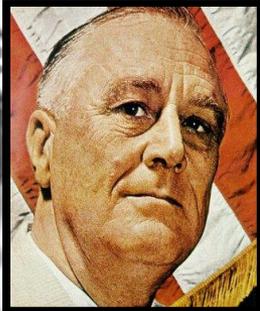
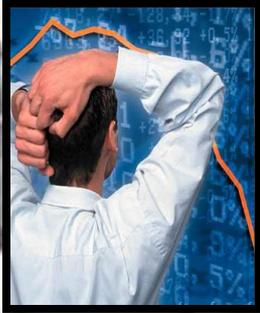


ROOTS OF DEPRESSION:

Prosperity could continue only if demand was made to grow as rapidly as supply.

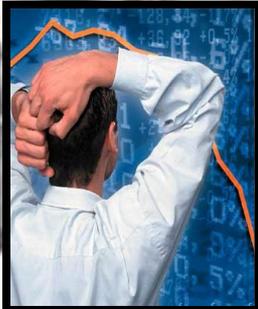
Problem: **top 0.1% of families had a total income equal to that of the bottom 42%.**

So, in order to buy stuff, customers bought on credit and installment plans.



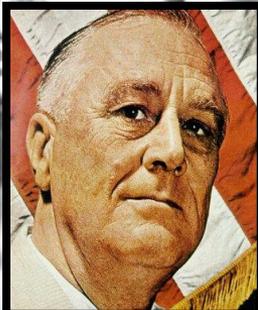
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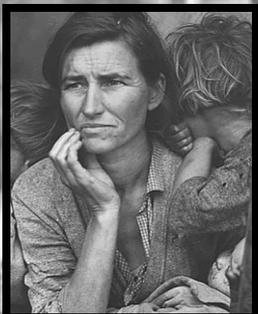


STOCK MARKET COLLAPSE:

The belief that anyone could get rich led many less affluent Americans to get involved with the Stock Market.



Investors bought millions of shares of stock "on margin".

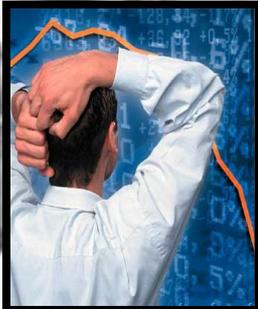


This was a very risky practice that was similar to buying products on credit.

1	-0.73	▼	0.05%
3	8.49	▲	0.38%
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9	-0.54	▼	0.13%
9	-0.01	▲	0.10%
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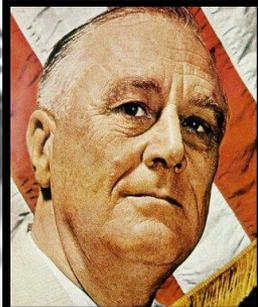


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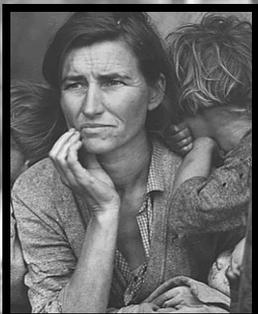


STOCK MARKET COLLAPSE:

Buying stocks “on margin” was a huge gamble.



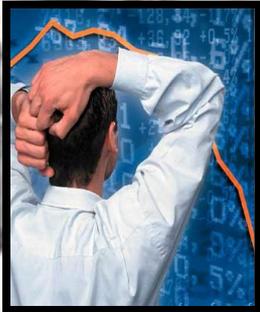
If you bought stock “on margin”, you bought it “on credit”, and thus **relied on profits from the purchased stock to pay off the purchase debt.**



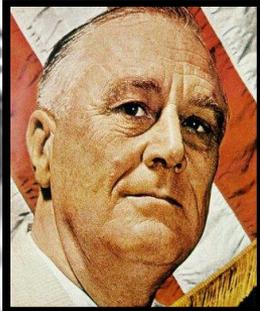
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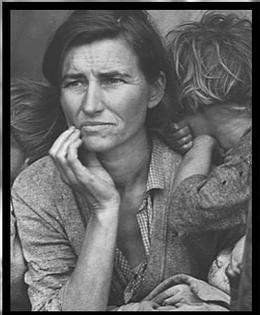
Dr. Hartnell's
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STOCK MARKET COLLAPSE:



Ex. Let's say Dr. Hartnell buys 2 shares of General Electric at \$100 per share (or \$200 total). However, Dr. Hartnell does NOT have \$200.

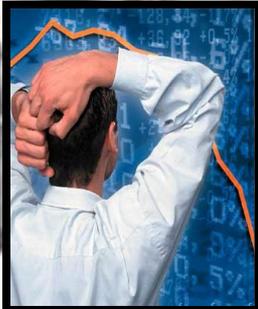


He buys "on margin", which means he plans on using the money he makes off it to pay for the purchase costs.

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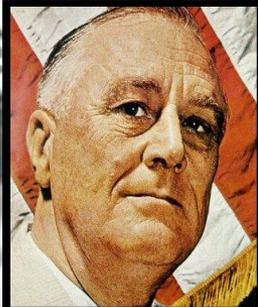


**Dr. Hartnell's
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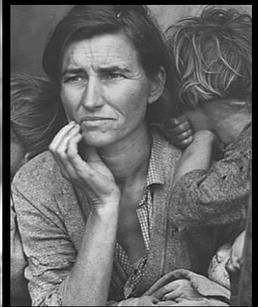


STOCK MARKET COLLAPSE:

Therefore, if his stock increases to \$300 per share, he makes a total of \$600 (or \$400 profit).



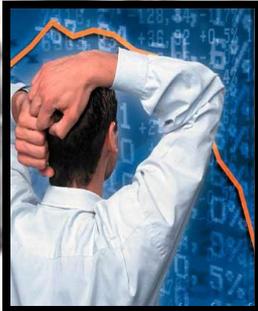
Dr. Hartnell then uses \$200 of the \$400 profit to pay for his purchase costs.



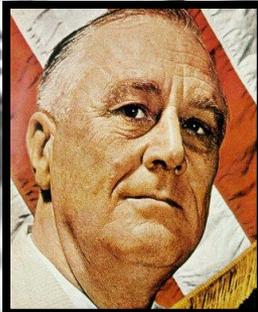
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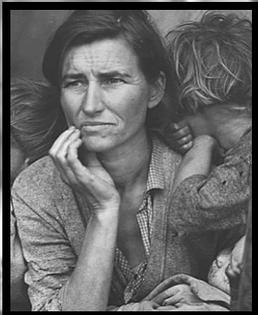
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STOCK MARKET COLLAPSE:

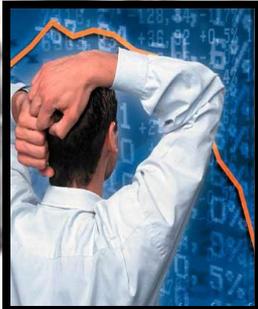


This works well when he is **MAKING** money. If the market prices drop, he won't have enough "profit" to pay for his purchase.



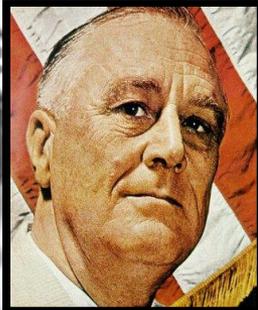
Dr. Hartnell loses everything.
(Loan sharks/mafia probably come for his kneecaps.)



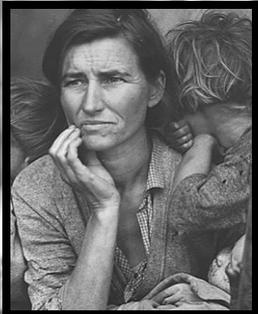


STOCK MARKET COLLAPSE:

In short, the **stock boom** could not last.



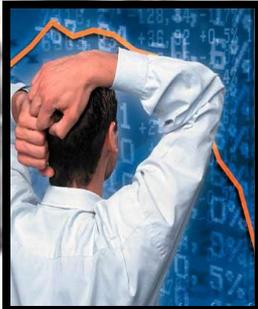
The **Stock Market** (a “Bull Market”) of the **late 1920s** was a classic **example of a speculative “bubble” scheme**, so called **because it expands until it bursts**.



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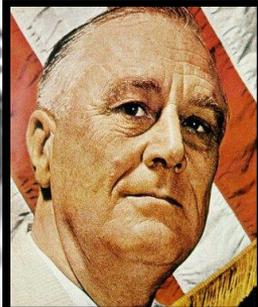
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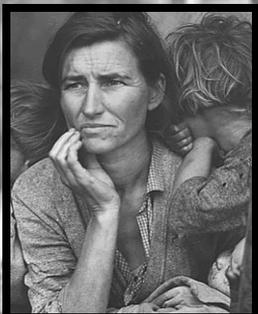


STOCK MARKET COLLAPSE:

By Fall 1929, confidence that prices would keep rising faltered, then failed.



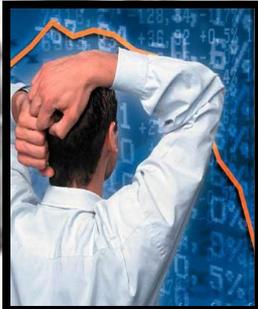
Starting in late October, the Stock Market plummeted as investors began selling stocks. October 29th, dubbed "Black Tuesday", was the worst day of the panic.



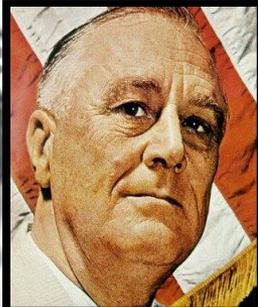
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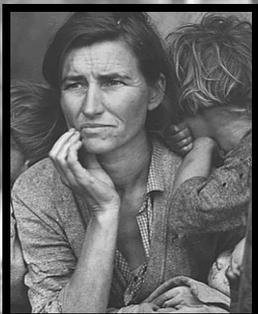
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STOCK MARKET COLLAPSE:



The “Era of Get Rich Quick” was over. **Jack Dempsey**, the boxing hero of the **1920s** and America’s first millionaire athlete, **lost \$3 M (\$48 M today)**.



Cynical New York hotel clerks asked incoming guests, *“Do you want a room for sleeping... or jumping?”*

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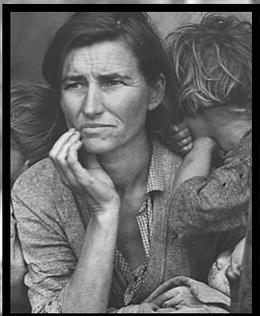
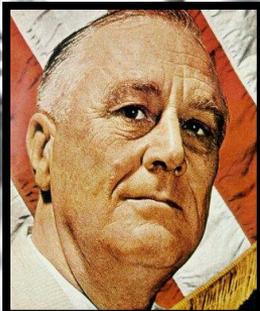
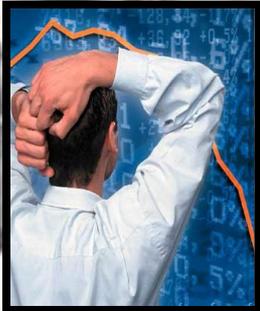
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DEPRESSION LIFE:

By 1932, the banking system nearly collapsed. More than 5,000 banks failed by March 1933, wiping out the savings of millions of people.

As people lost their jobs and savings, mortgages on many homes and farms were foreclosed.



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People's Paper Santa Ana Register Daily Evening

FINAL EDITION

VOL. XXIV, NO. 285. SANTA ANA, CALIFORNIA, MONDAY, OCTOBER 28, 1929. 20 PAGES. 3c Per Copy. 65c Per Month

BILLIONS LOST AS STOCKS CRASH

Pantages In Jail Awaits Sentence To State Prison

GUILTY SAYS JURY AFTER MANY HOURS

Theater Man Declares He 'Got Raw Deal' and Did Not Even Have Chance MISS PRINGLE GLAD In Statement Says Not Sure Whether She Will Continue Her Stage Career

LOS ANGELES, Oct. 28.—(UP)—Dressed in the blue domino of the Los Angeles county jail, Alexander Pantages was "advised" today and assigned No. 10251. The theater magnate had little to say about his conviction but said he was "not a criminal," 77-year-old dancer. "I believe I got a raw deal," Pantages declared. "I didn't have a chance with the jury from the start. It looks like a man is up there in a woman's place."

SENATE "FARM BLOC" STARTS BATTLE FOR HIGHER TARIFFS

STATE PLANS TO ROUND UP TAX DODGERS

SACRAMENTO, Oct. 28.—(UP)—The Senate among California banks and corporations was to be rounded up in a determined campaign by the state, the United Press learned exclusively today. With returns on the new four per cent income tax on banks and corporations nearly complete, a list of 2,000,000 has been sent into the state treasury, according to an announcement by State Finance Tax Commissioner Raymond L. Slight. Slight declared he will keep the total at 2,000,000.

Friend Brings Man To Jail On Rum Charge

Harry Carter, deputy sheriff, today was setting himself on the back and bringing in his persuasive power. A friend of a man Carter says is a bootlegger arrested the subject here and brought him to jail for the offense. Carter said: "We found a still at the place of Francis Trujillo, but Trujillo was not at home, so I persuaded his friend to bring him to jail for me when he showed up, and got by, so did it."

BINGHAM TAKES EXCEPTION TO SENATE LOBBY

WASHINGTON, Oct. 28.—(UP)—Charging the senate lobby investigation committee with unfair political tactics, Senator Bingham, Republican, Connecticut, today defended in the senate his employment of Charles L. Evans of the Connecticut Manufacturers' association as his secretary. "I was advised by friends not to appear before the committee because it had been framed against me as a friend of the administration," Bingham said. He also criticized Chairman Evans of the industry committee for appointing as his secretary a man who had been indicted for a crime.

Alliance Of Two Factions May Win Out

WESTERN REPUBLICANS GROUP WITH SOUTHERN DEMOCRATS TO INCREASE RATES

WASHINGTON, Oct. 28.—(UP)—The senate "farm bloc" seems in action today in an effort to override the House committee and block tariff protection on all vegetables and fish sold to new crops. Confirmation that an alliance of western Republicans and southern Democrats would overwhelm all opposition, members of the senate claimed everything that has been demanded by the most extreme protectionists of national farm organizations. "Not only did they propose to raise the specific duties on most crops, including inland or foreign, cotton oil, olive oil, peanut oil and vegetable tallow, but they demanded an advance, hence practical from 10 to 15 per cent."

JURY BELIEVES HER STORY

Alexander Pantages, (center) millionaire vegetable dealer, who was found guilty of violating Justice Pringle, 100 and who now faces imprisonment in the state penitentiary for a 10-year term.



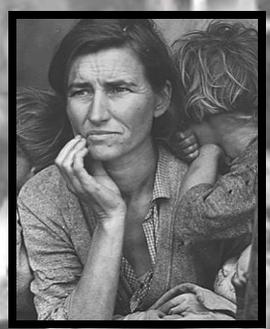
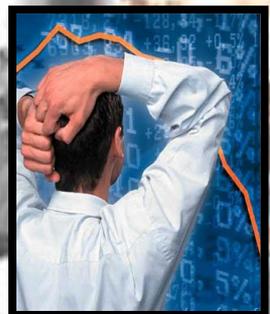
CHRISTIANITY MUST DESTROY WAR OR WAR WILL OVERTHROW CHURCH, SAYS PASTOR SCHROCK

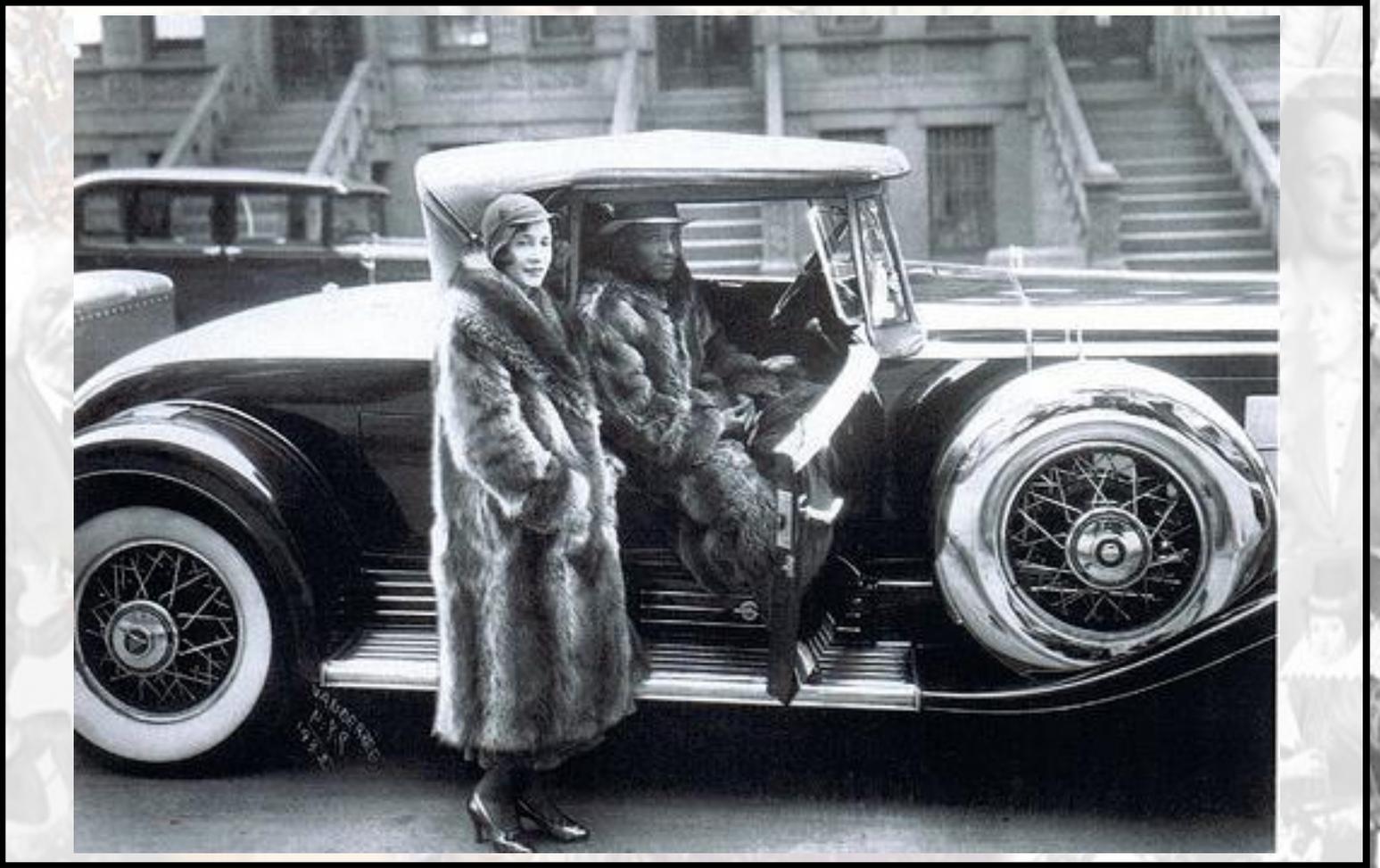
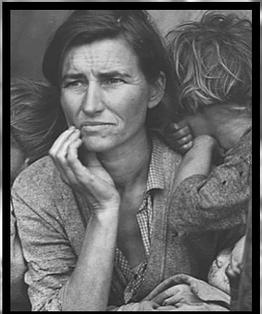
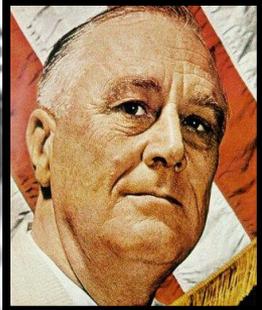
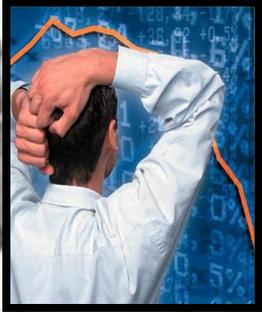
"WAR is a problem in arithmetic," said the Rev. Perry W. Frederick Schrock, in his address at the First Congregational church last night. His subject grew out of a moving picture which has been shown at his church for the past few weeks. "The title of the picture was 'The

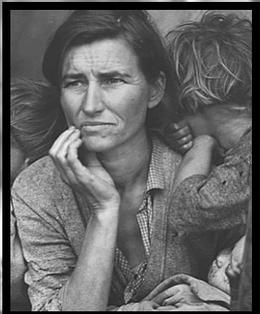
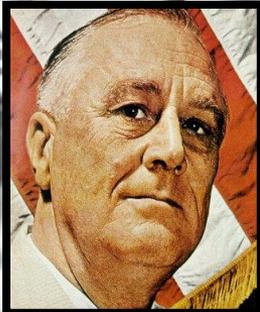
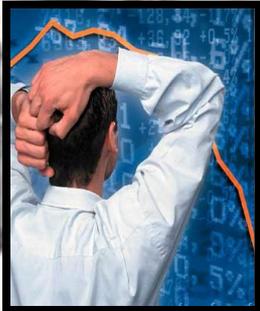
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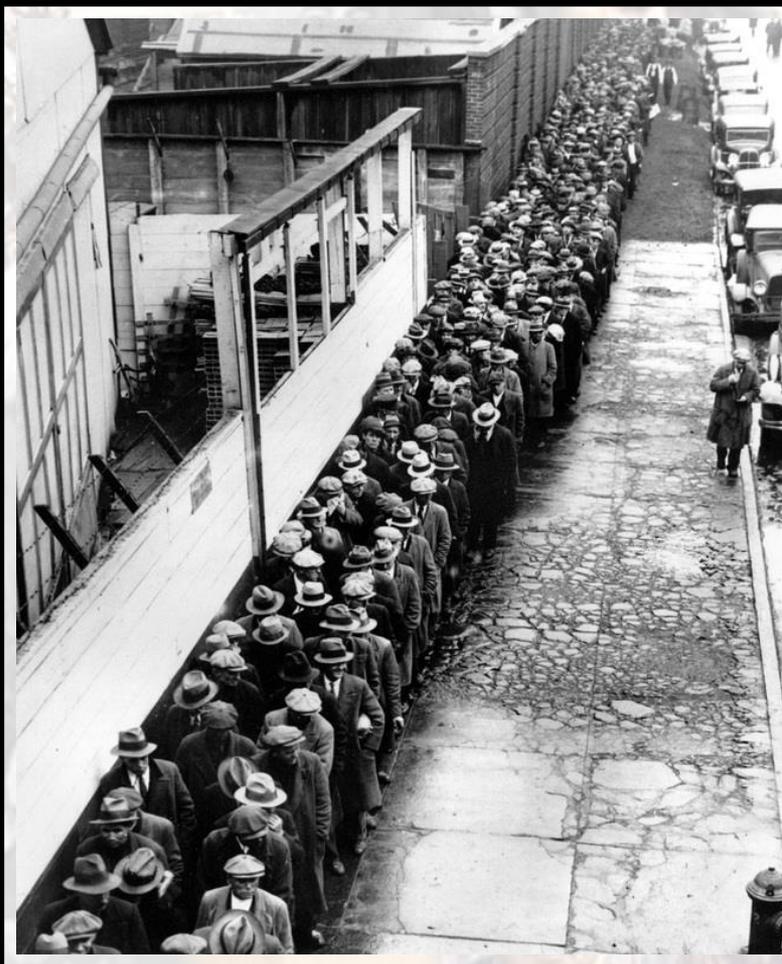
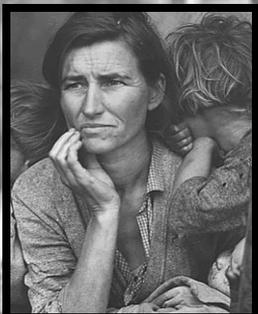
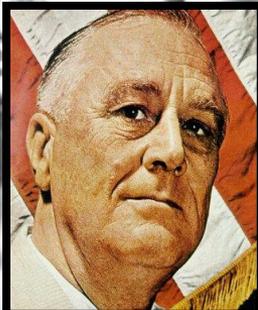
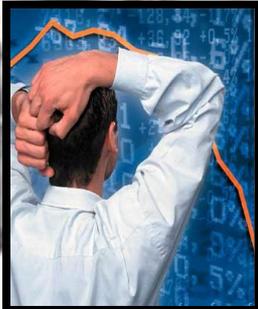
Banking Support Unable to Prevent Break Accompanied by Wild Trading TICKERS FAR BEHIND

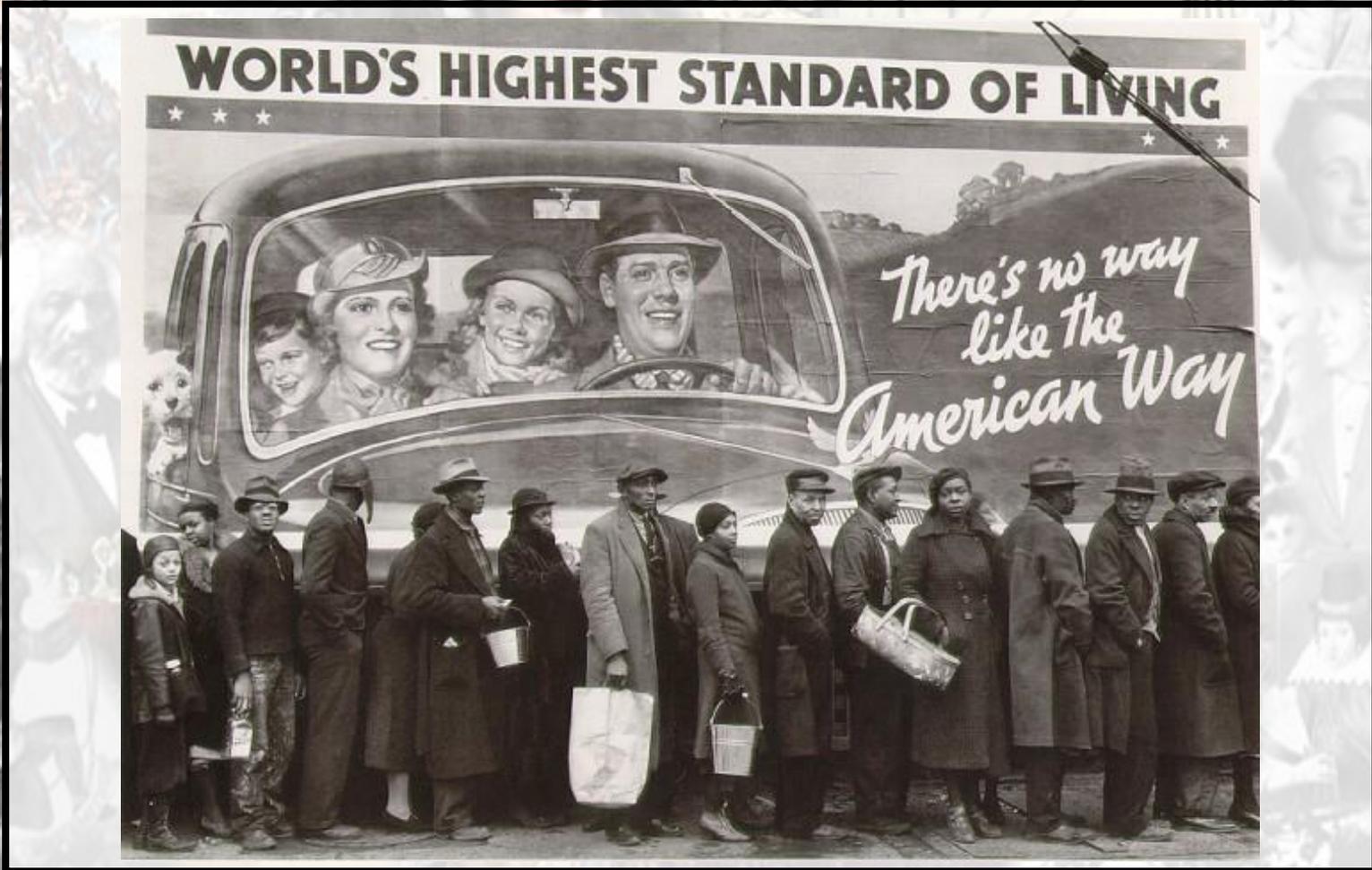
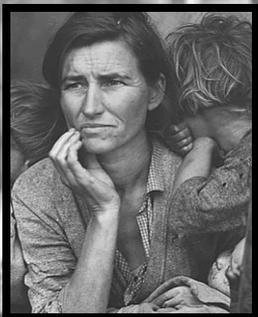
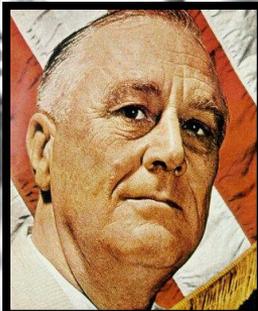
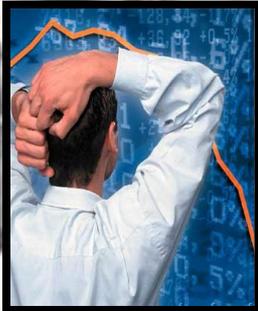
NEW YORK, Oct. 28.—(UP)—Billions of dollars in volume were unloaded today as the stock market plunged downward—headed by the earlier leaders United States Steel. Banking support, which came in to protect the market in the desperate downward lunge but was unable to prevent today's break, which accompanied frenzied trading. "There were no hints behind the scenes that we on the floor. The market was of great volume although not so good as that of the previous heavy bid Thursday when crop and stock exchange sales almost reached 25,000,000 shares. "There were rumors all along the line. The markets of the stock market which the establish (bank) had been leading the market. The 15 and 20 per cent production—massed billions of dollars that in trading volume were reaching 10 a week period. "The bank houses really had sufficient ammunition with a few billion dollar bonds through relations with the market and so far they have held last. "Several billion have the bank and the market have the bank

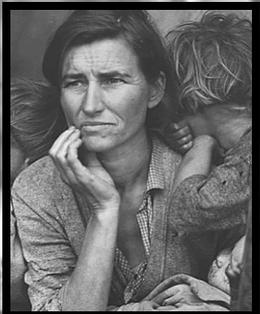
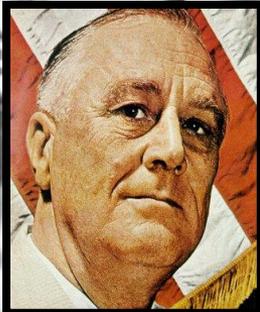
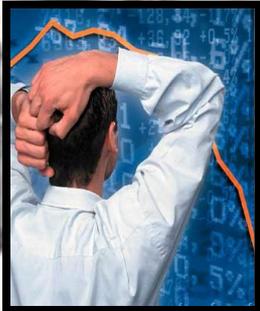








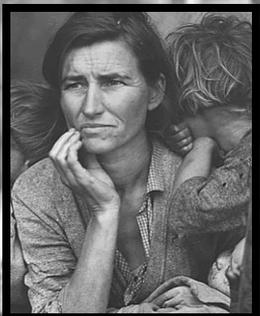
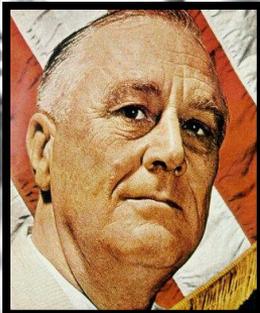
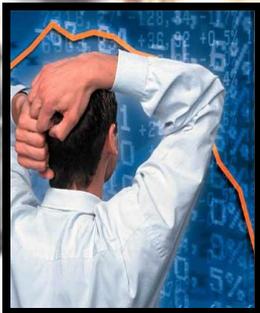






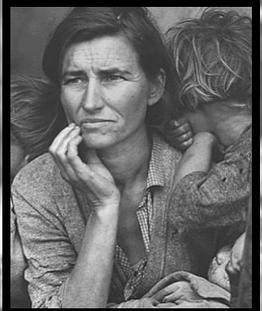
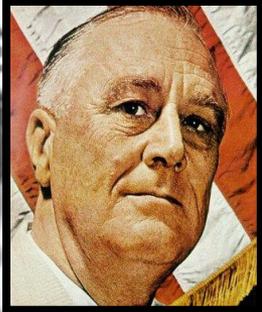
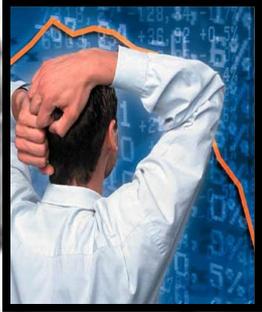
DEPRESSION LIFE:

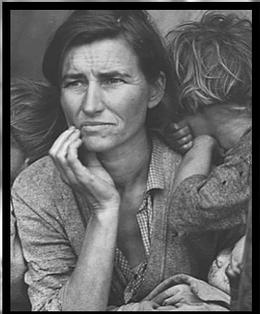
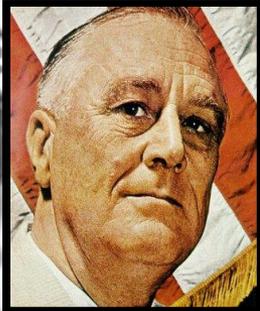
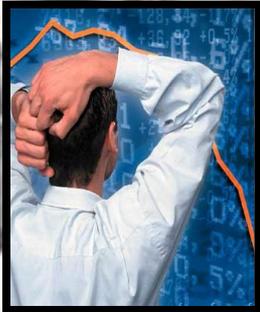
Homeless people built shacks out of old crates and **formed shantytowns**, which were called “**Hoovervilles**” out of bitterness toward President **Herbert Hoover (1929-1933)** who refused to provide **Federal aid** to the **unemployed**.

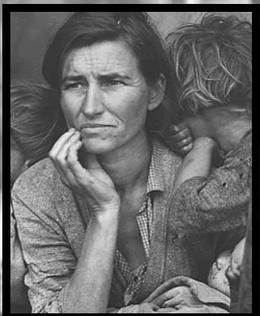
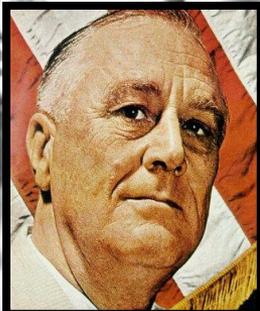
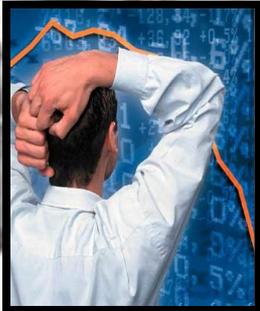


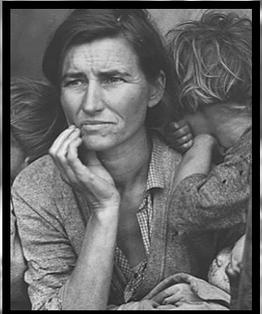
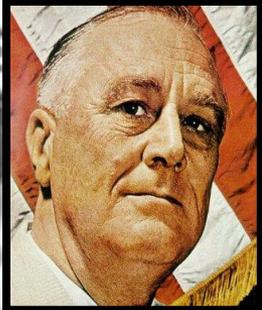
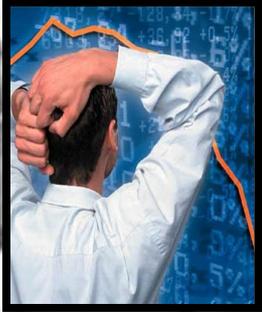
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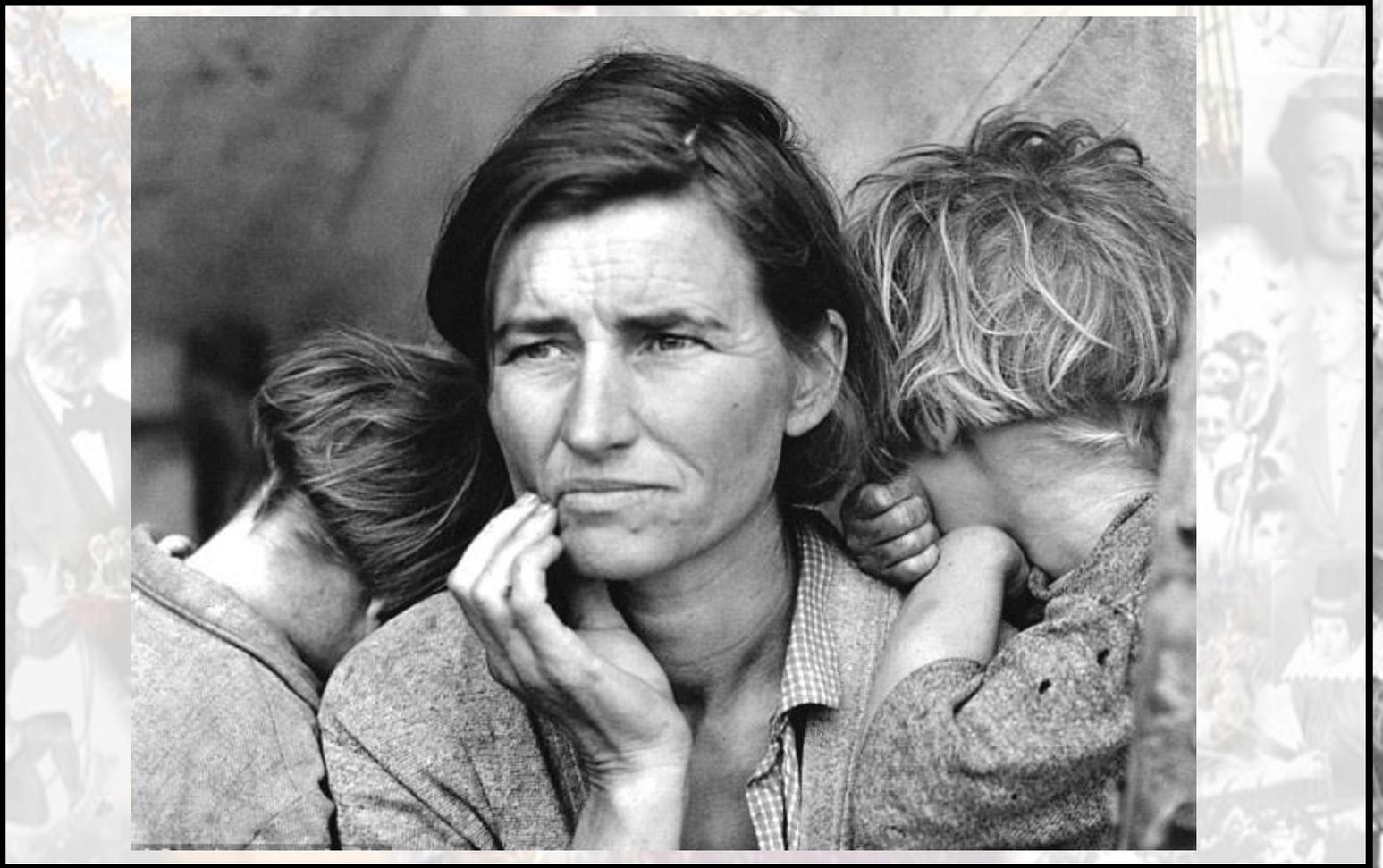
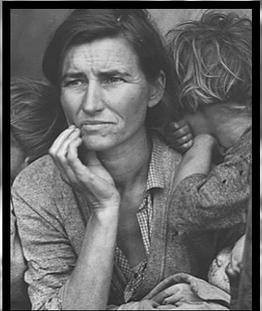
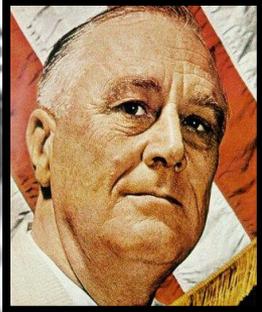
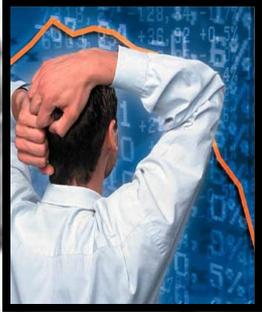


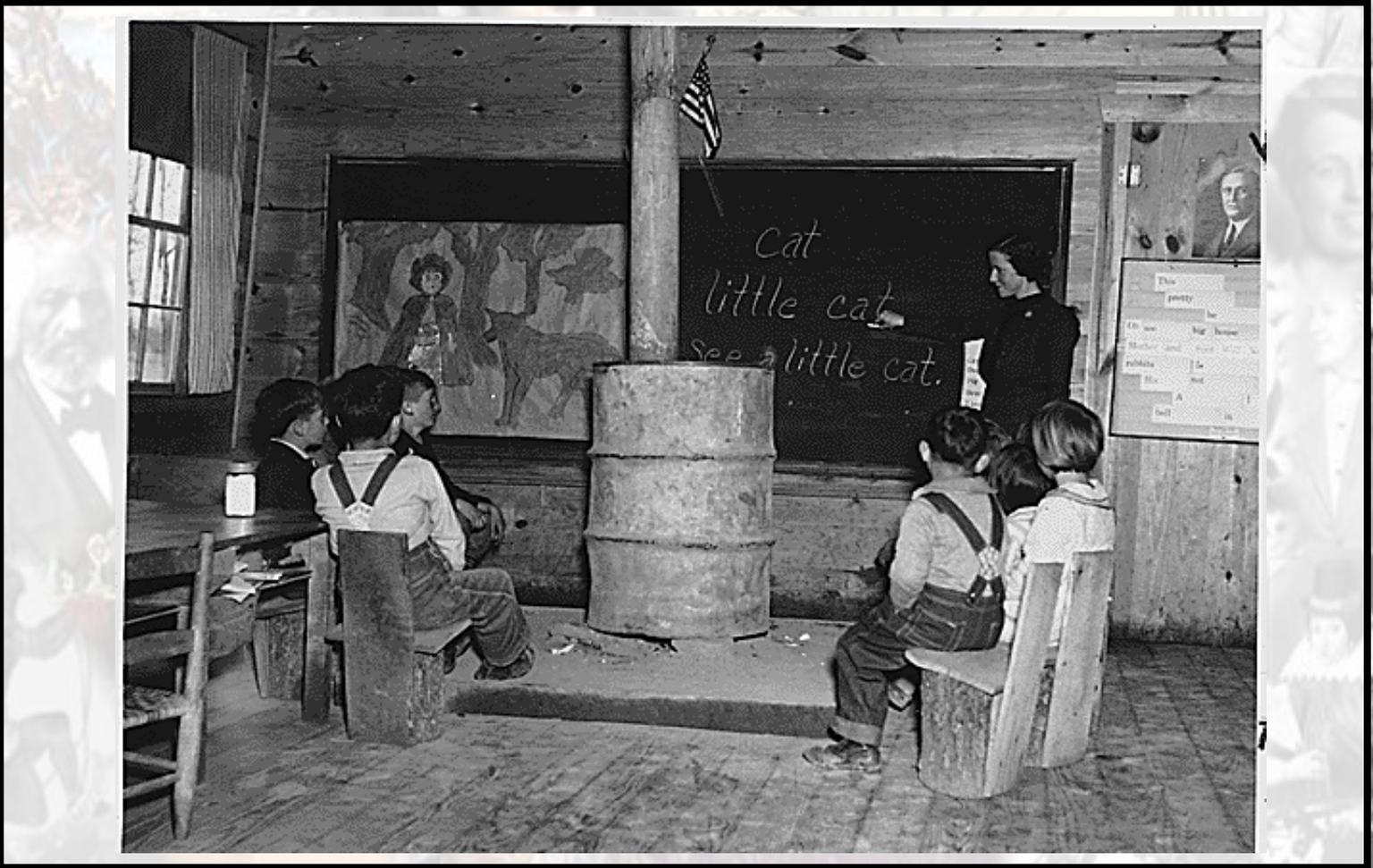
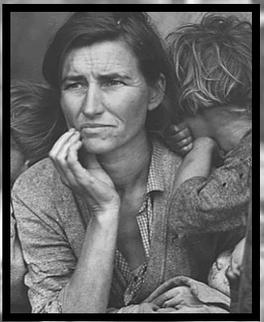
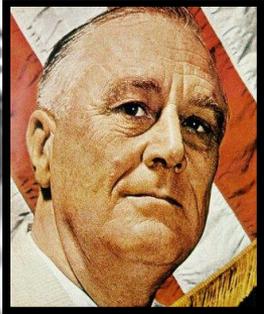
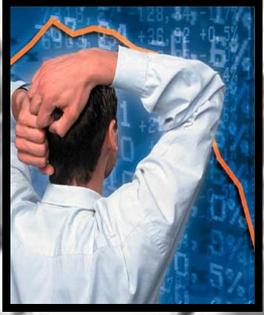


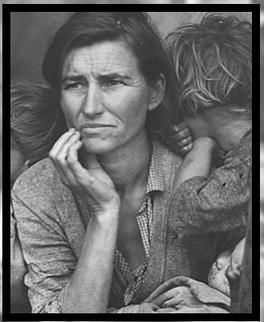
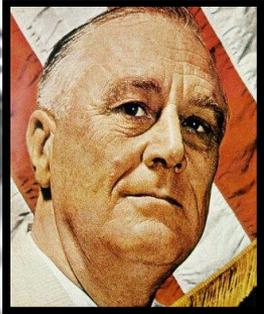
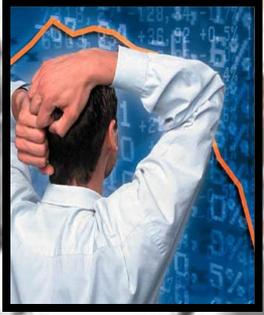


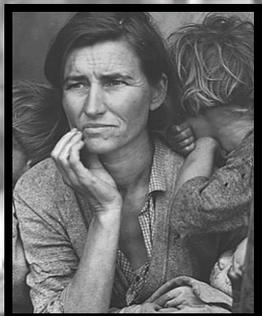
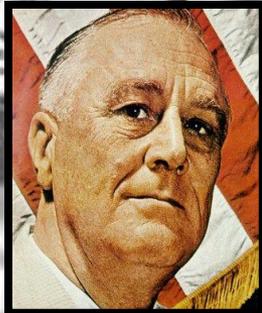
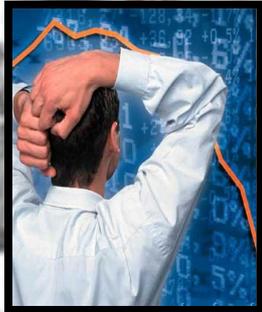












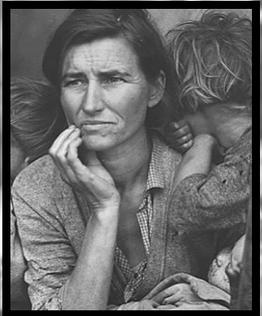
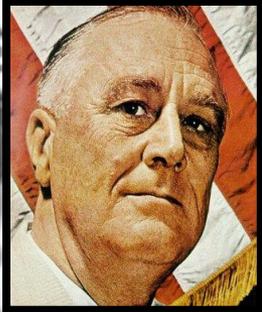
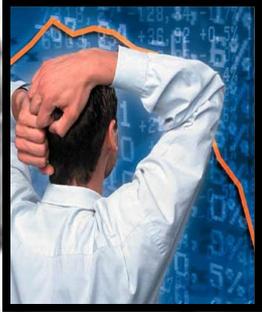
DEPRESSION LIFE:

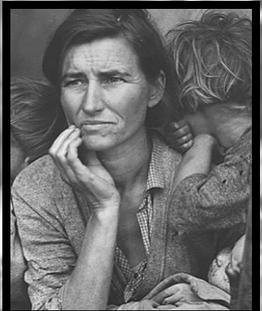
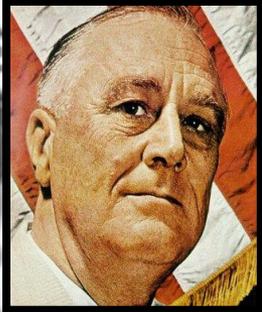
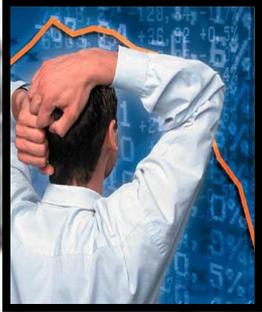
Farms suffered monetarily and physically. In 1930, a severe drought spread across the Great Plains and lasted 10 years. Once-productive topsoil turned to dust and carried away by strong winds. Parts of Kansas, Oklahoma, Texas, New Mexico, and Colorado became known as the “Dust Bowl”.

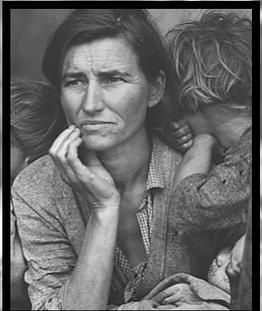
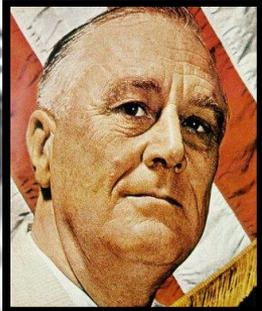
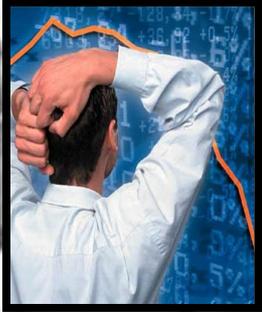


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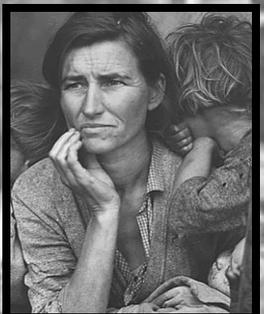
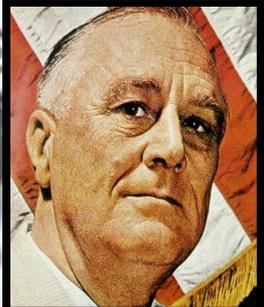
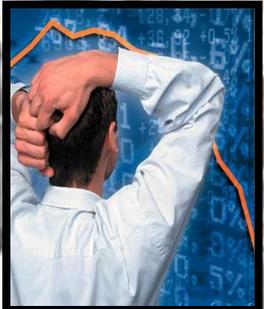






DEPRESSION LIFE:

In June 1932, over 20,000 WWI veterans calling themselves the “Bonus Army” marched on D.C. to ask for early payment of Federal bonuses they had been promised. The Government refused, and Federal troops used tear gas and bayonets to evict the veterans and their families.

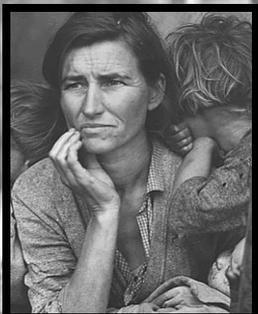
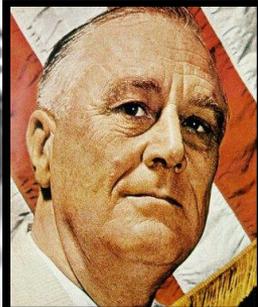
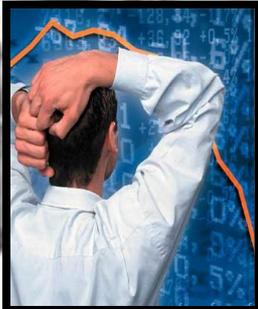


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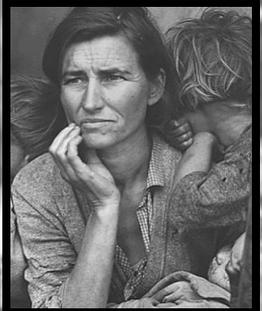
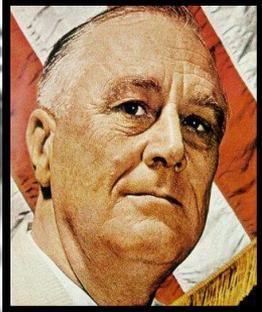
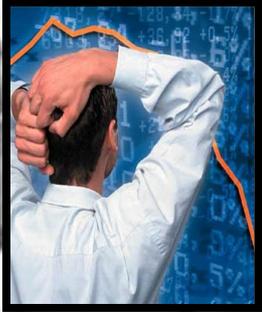


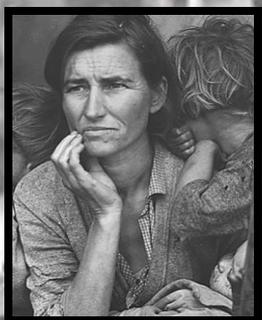
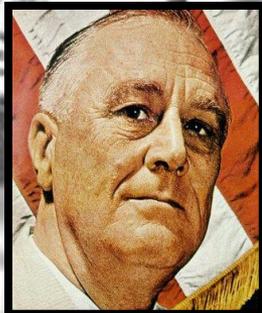
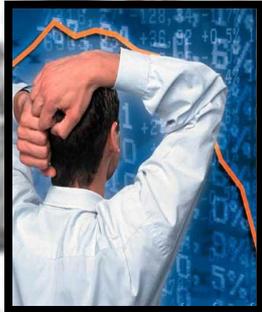
DEPRESSION LIFE:



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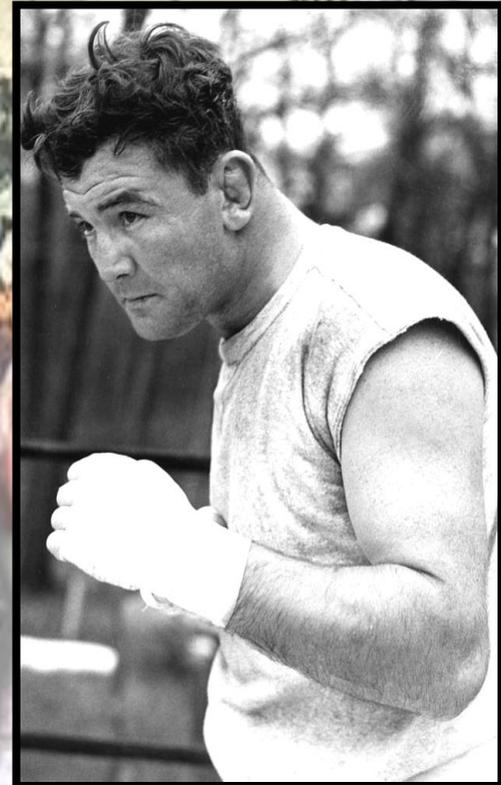




DEPRESSION LIFE:

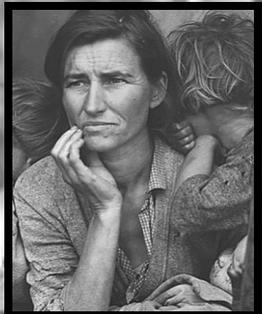
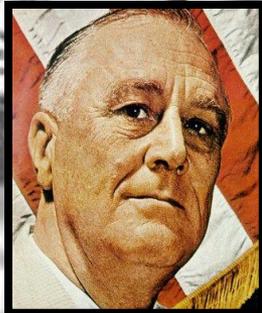
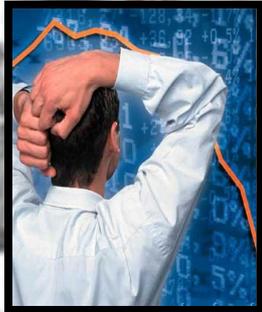
Americans began cheering for “underdogs” in sports as a way of coping with their daily lives. One was a boxer... and the other was a horse!

Jimmy Braddock (1905-1974) was an up-and-coming boxer in the 1920s. He made over \$2,000 a fight (\$15,000 today).



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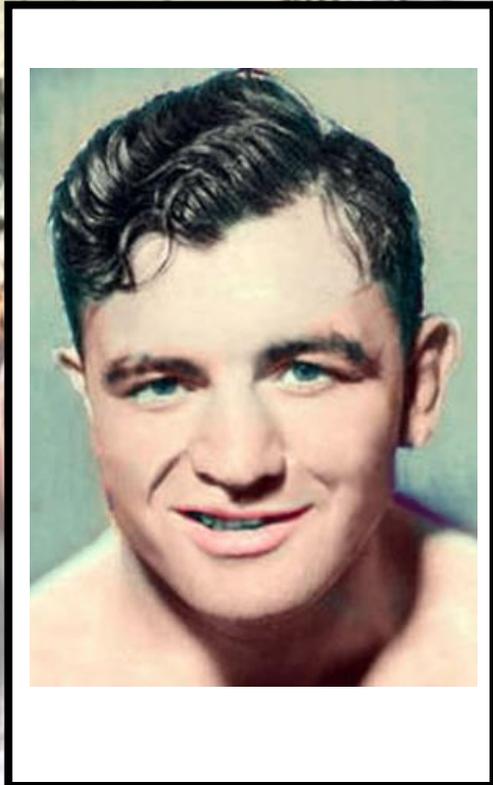


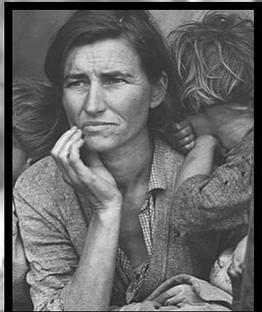
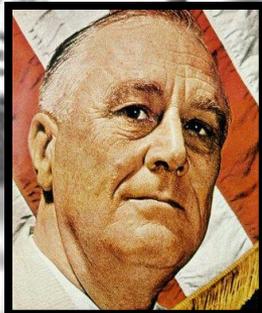
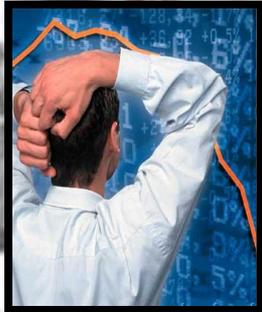


DEPRESSION LIFE:

He fell on hard times during the Depression and broke his right hand (bad for a boxer). He had to work on the docks unloading ships and went on welfare to feed his family.

After another boxer was injured, Braddock filled in and began a remarkable comeback.

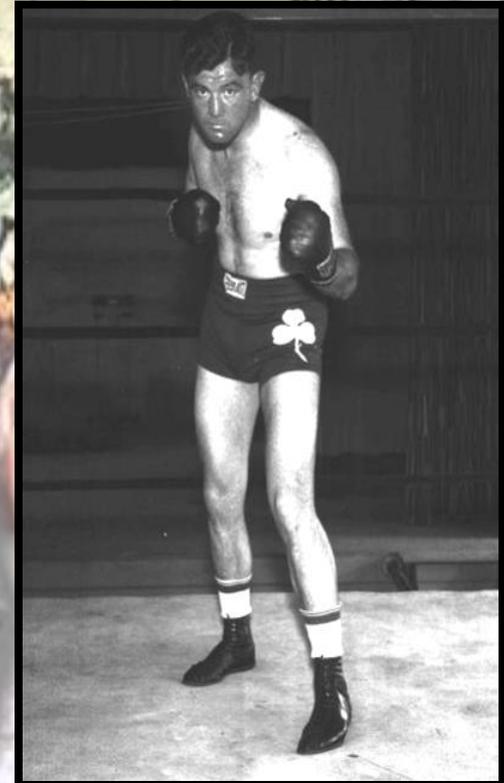




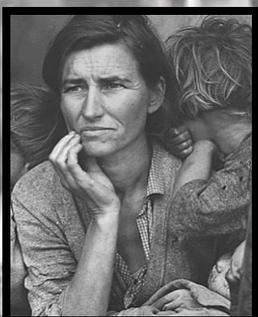
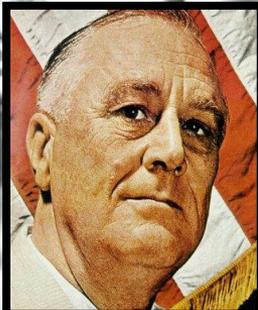
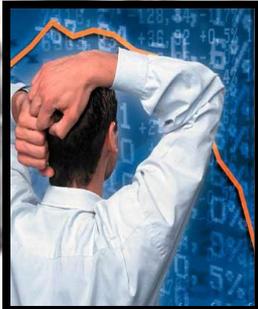
DEPRESSION LIFE:

In 1935, he beat Max Baer and won the Heavyweight title. For this unlikely feat (since he had been a 10-1 underdog), he received the nickname “Cinderella Man”.

After his boxing comeback (51-26-7), Braddock returned the welfare money he had used.



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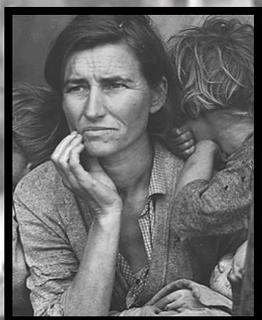
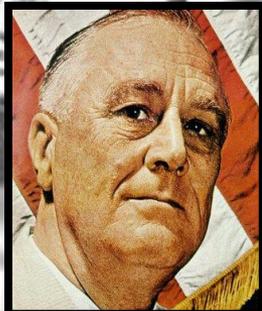
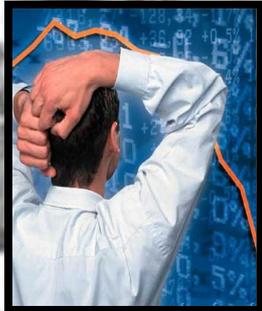


DEPRESSION LIFE:

Seabiscuit (1933-1947) was a racehorse that became an unlikely champion and symbol of hope to many Americans during the Great Depression.

Despite being a descendant of the “Roaring” Twenties’ stud horse **Man O’ War**, he lost his first 17 races.





DEPRESSION LIFE:

In 1938, he upset the heavily-favored horse War Admiral in a head-to-head race that was watched by 40,000 spectators and followed by another 40 million radio listeners.

Seabiscuit ended his career with 33 victories and \$437,730 in prize money (over \$7.18 million today).



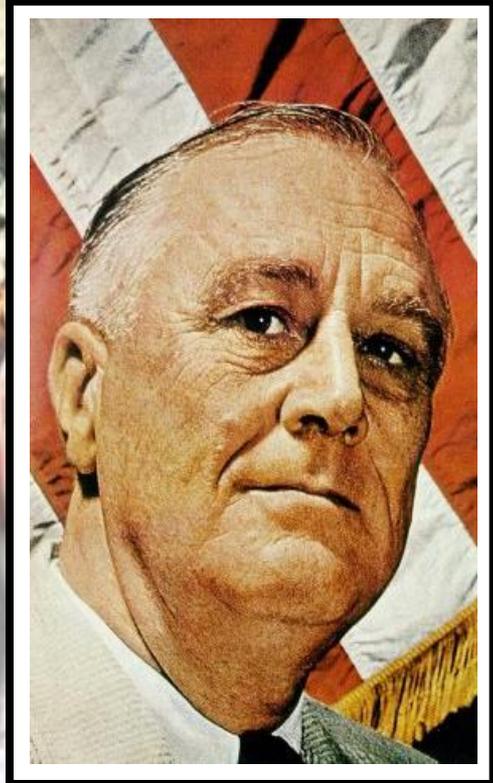
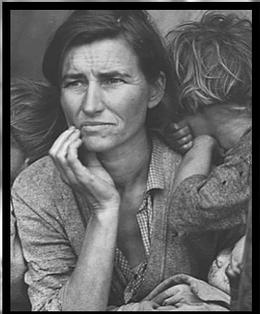
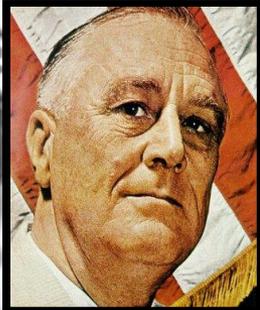
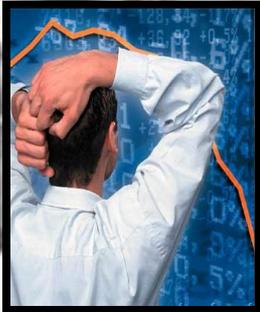
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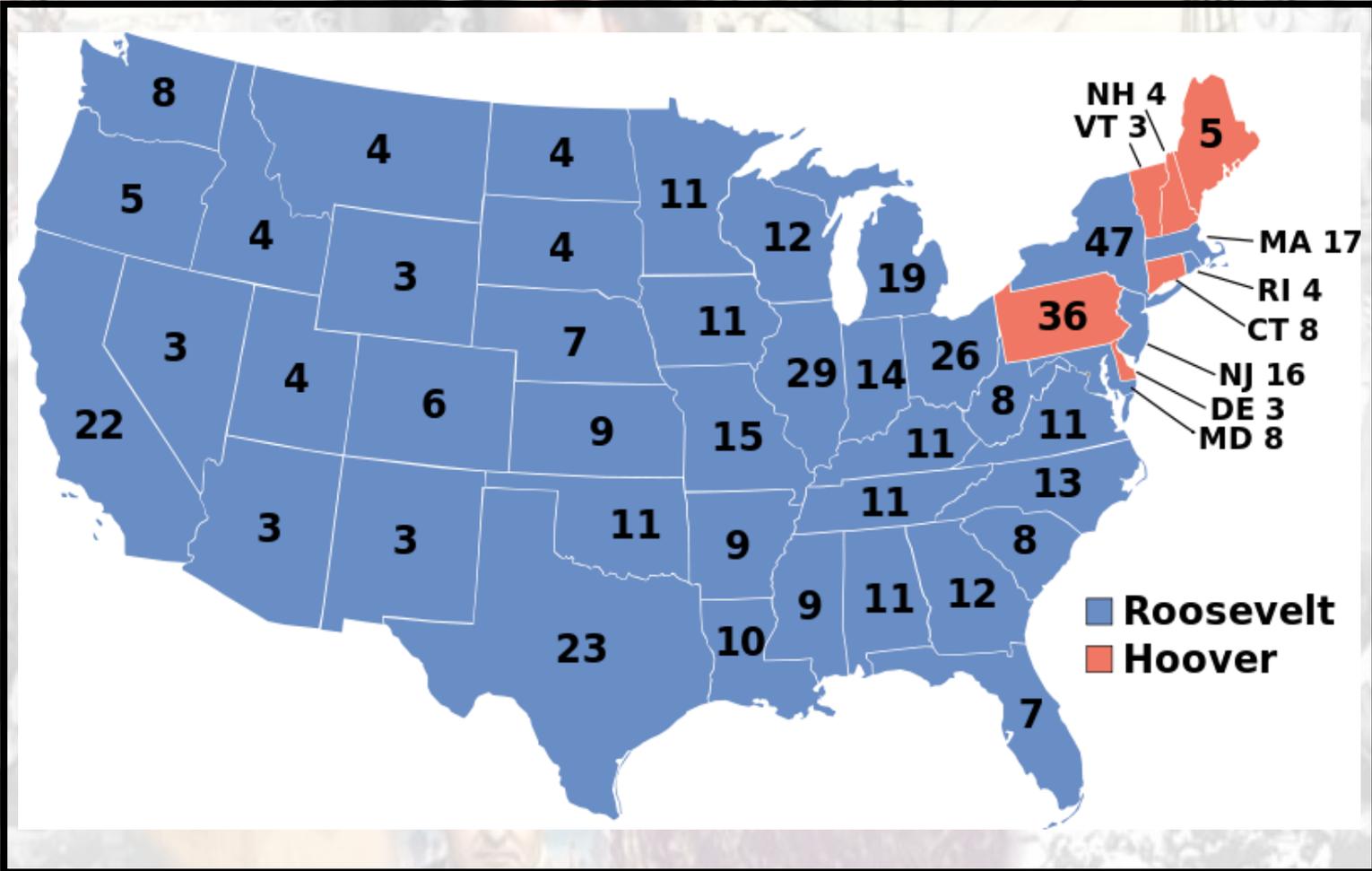
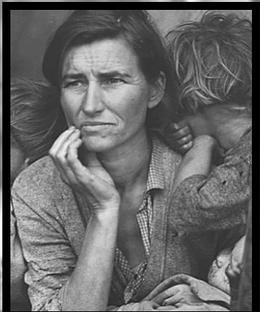
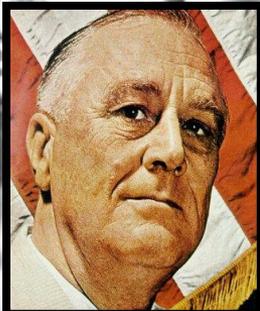
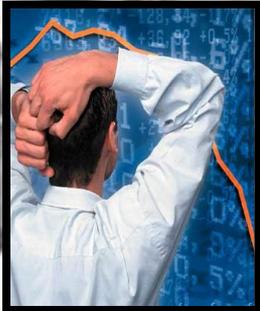


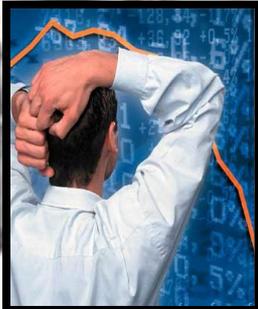
DEPRESSION LIFE:

By the Election of 1932, the Depression had made Hoover so unpopular that the Democrat Franklin Delano Roosevelt won by a landslide.

Roosevelt gained 89% of the Electoral Vote (472-59) and 57% of the Popular Vote (7.1 million more votes than Hoover).

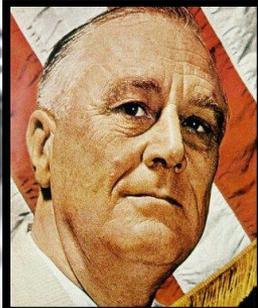




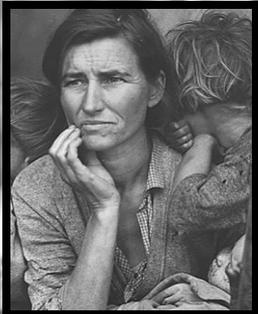


DEPRESSION LIFE:

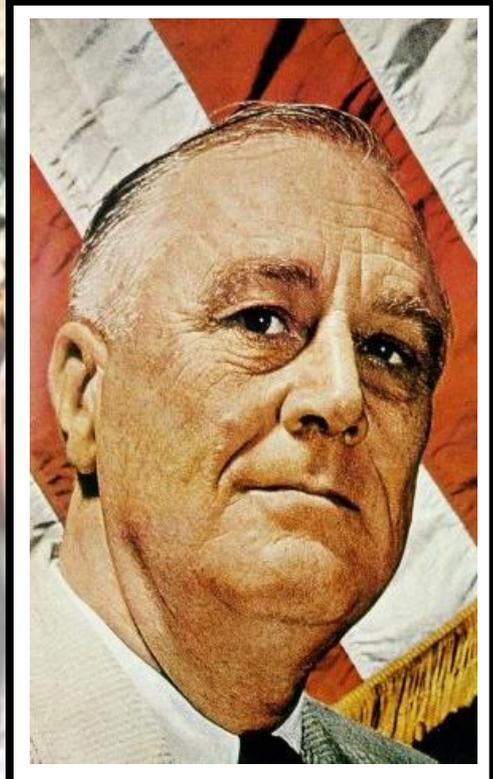
FDR declared: *“The only thing we have to fear is fear itself.”*



He began broadcasting **“Fireside Chats”** on the radio to **reassure Americans** that the country would get through this.



Roosevelt tried to lift the nation’s spirits with his economic plan, the **New Deal**.



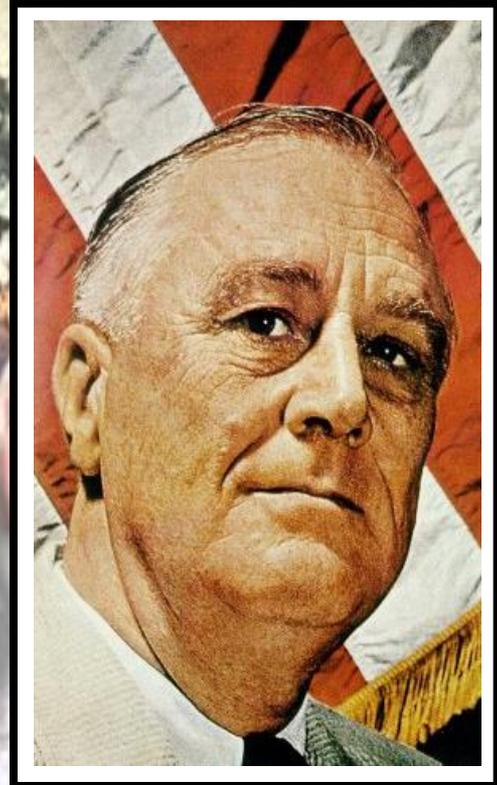
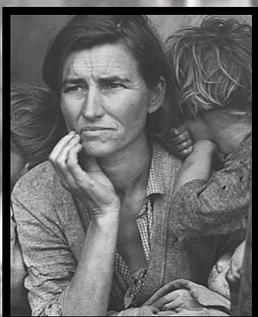
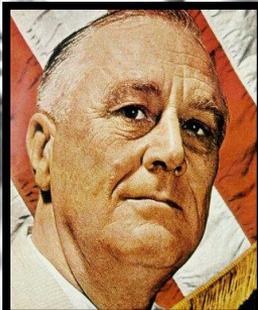
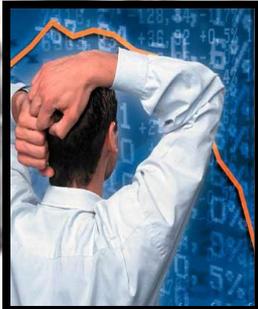
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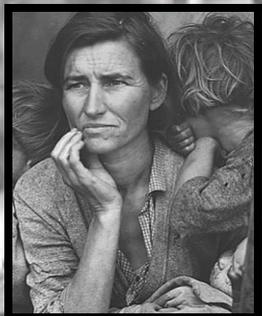
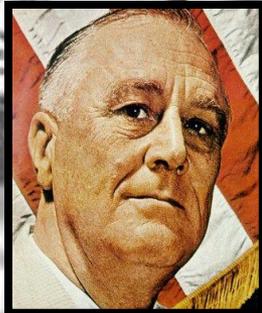
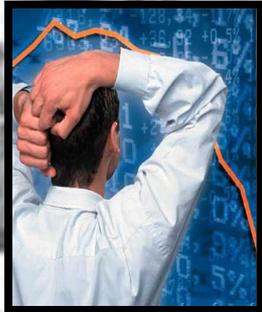
DEPRESSION LIFE:

The **New Deal** produced a wide variety of programs to reduce unemployment, assist businesses and agriculture, regulate banking and the Stock Market, and provide security for the needy, elderly, and disabled.



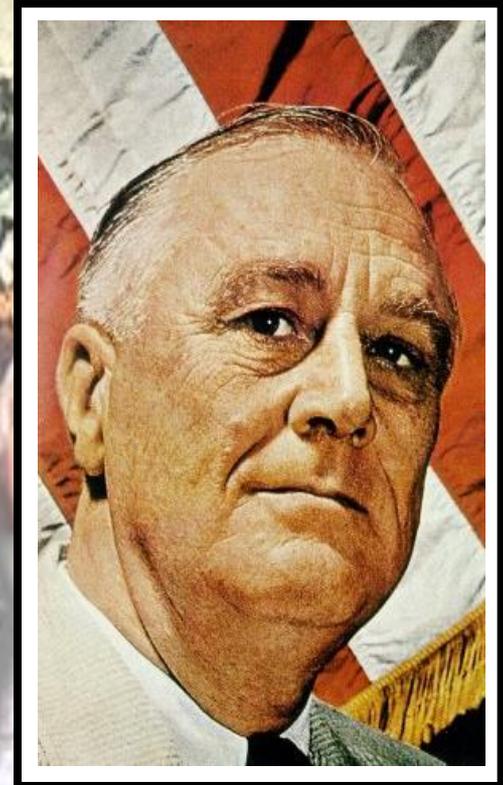
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DEPRESSION LIFE:

The **basic idea** of early New Deal programs was to **lower the supply of goods** to the current, depressed level of consumption. **Under** the **Agricultural Adjustment Act of 1933**, the **Federal Government** sought to raise farm prices by paying farmers *not* to grow surplus crops.



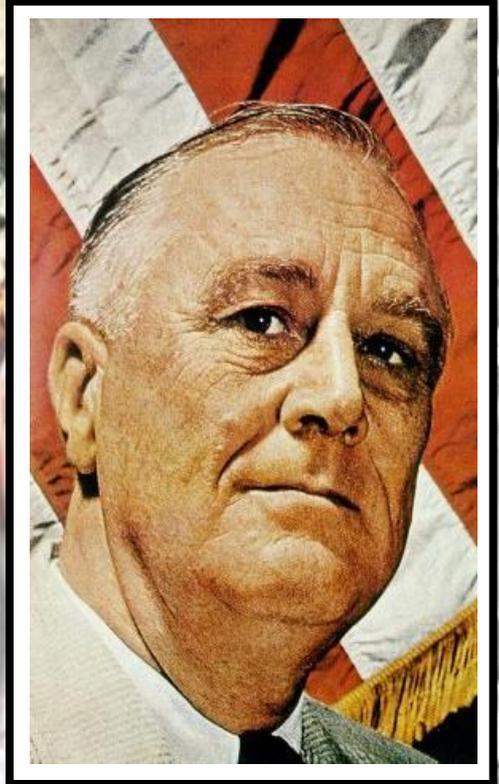
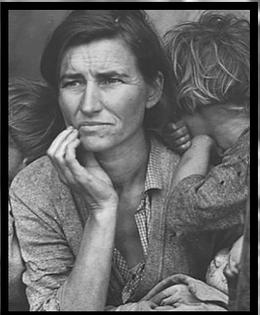
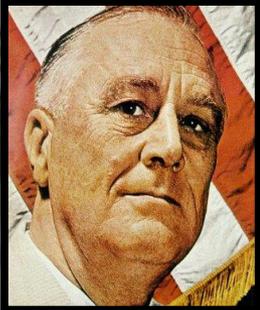
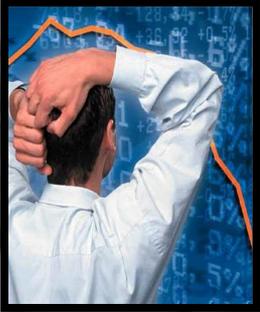
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DEPRESSION LIFE:

Parts of the **National Industrial Recovery Act** created codes that regulated competition and **guaranteed minimum wages.**

Massachusetts had the first minimum wage laws in **1912.** However, in **1938,** **minimum wage** was set across the U.S. at **\$0.25 / hour (\$3.22 today).**



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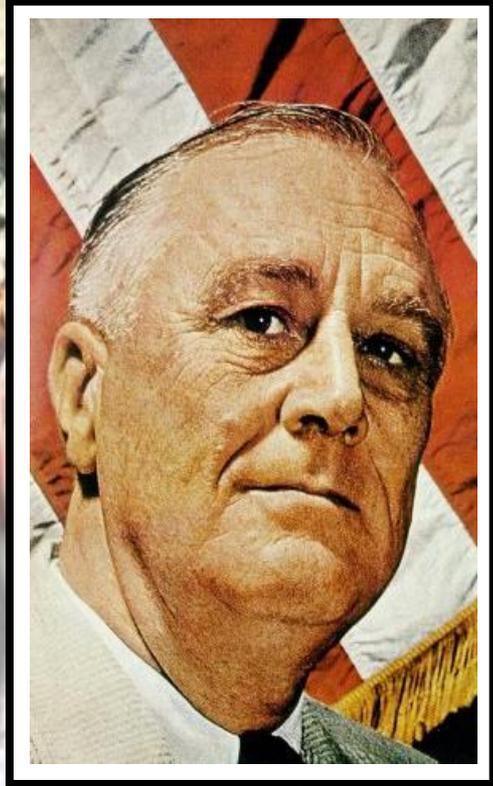
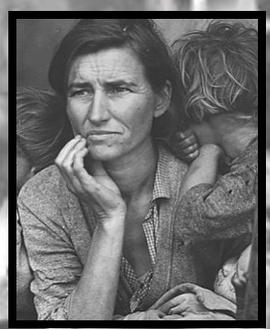
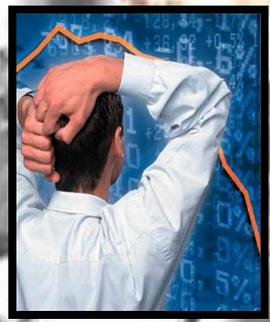




DEPRESSION LIFE:

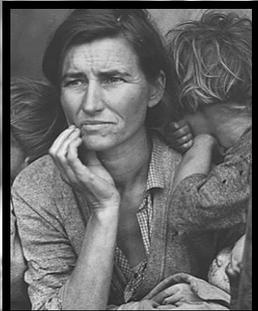
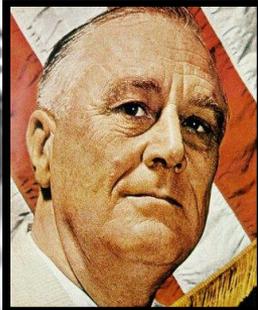
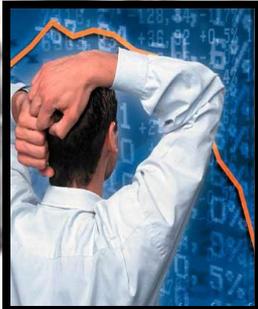
The **New Deal** pumped large amounts of \$ into the economy via **public works** programs.

Public works provided jobs and built schools, dams, and roads. The **Tennessee Valley Authority (TVA)** provided power and improved living conditions in the **Southeast**.



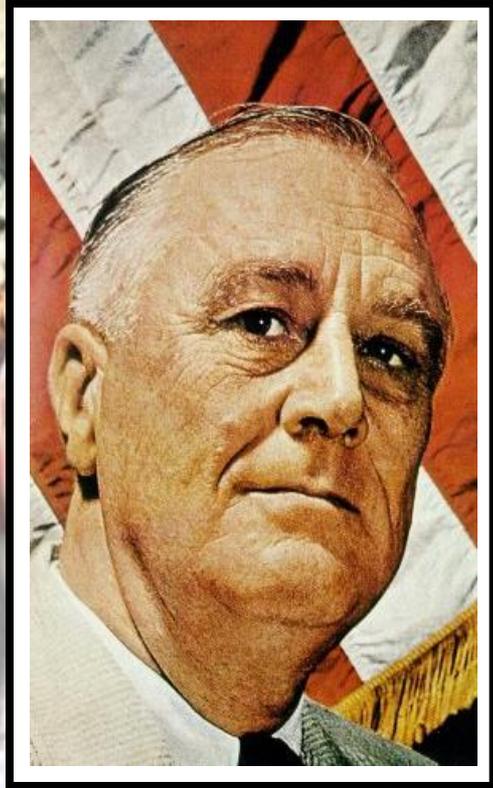
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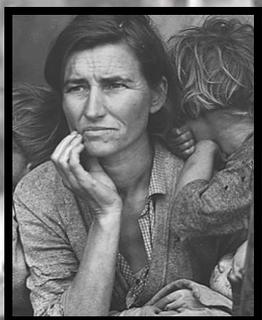
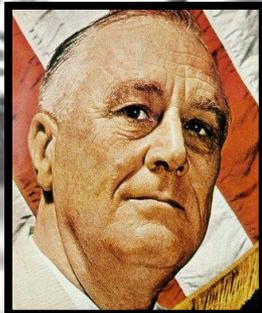
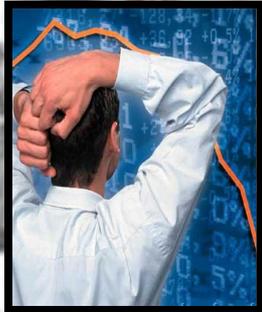


DEPRESSION LIFE:

The **New Deal** helped people survive, but it **acted as a painkiller rather than a cure for the nation's financial ills.** Unemployment was reduced but remained high during the **1930s.** Still, the **Depression forced the U.S. to institute social-security programs and accept labor unions.**

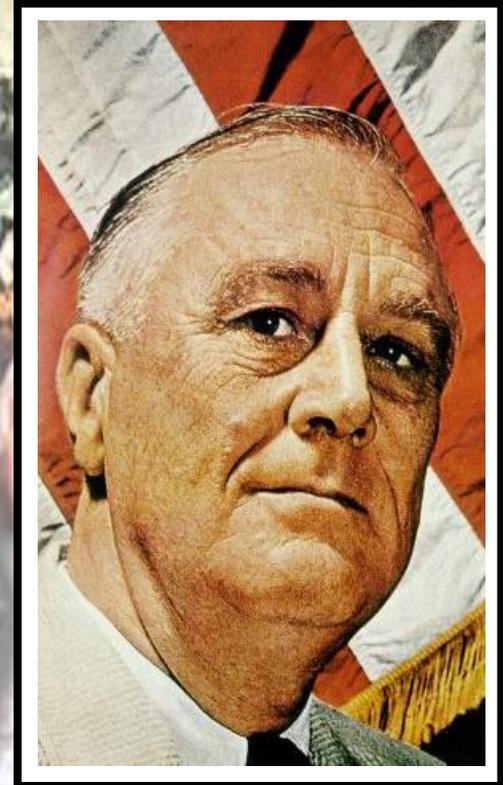


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DEPRESSION LIFE:

Unions and minorities, who benefited from the New Deal, became staunch **supporters of the Democratic Party**, changing American politics for decades. **Many conservatives believed the New Deal was turning the U.S. toward socialism.** Others felt it didn't go far enough and sought revolutionary change.

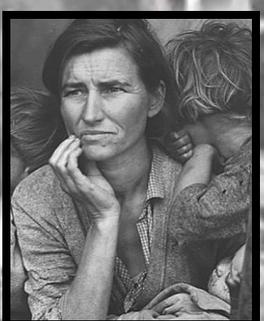
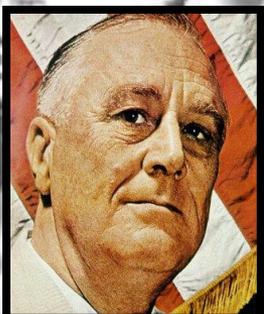
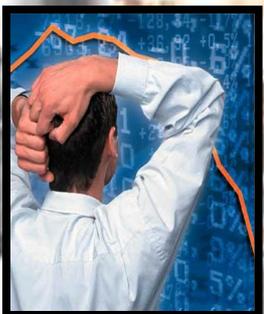


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DEPRESSION LIFE:

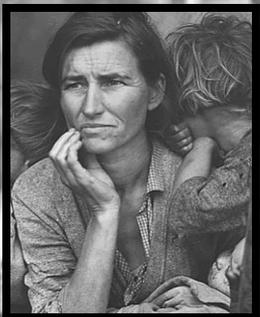
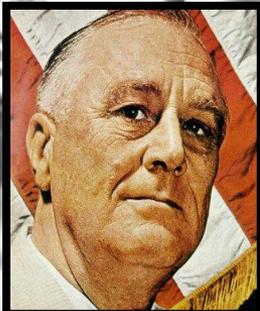
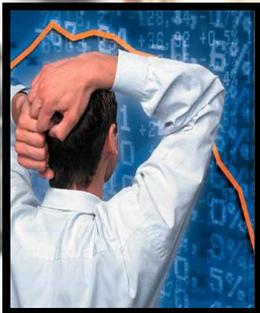
With the outbreak of WWII in 1939, the U.S. began spending tons of money to make ships, aircraft, weapons, and other war materials. This stimulated industrial growth. After the U.S. entered the war in 1941, the economy expanded, and unemployment was replaced by a shortage of workers.





DEPRESSION LIFE:

Prosperity returned after WWII. However, the experience of the Great Depression left a lasting mark in the forms of a greater role for the Federal Government, a new political climate, and a feeling that the free market must be regulated in order to avoid another such economic catastrophe.



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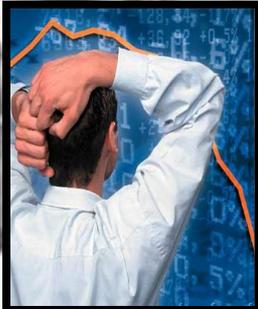




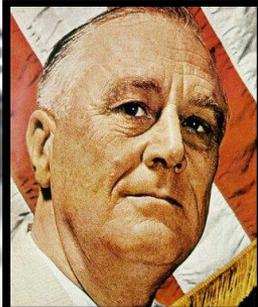
**It's the
Economy,
Stupid!**

25 Key Economic
Terms *Everyone*
Should Know

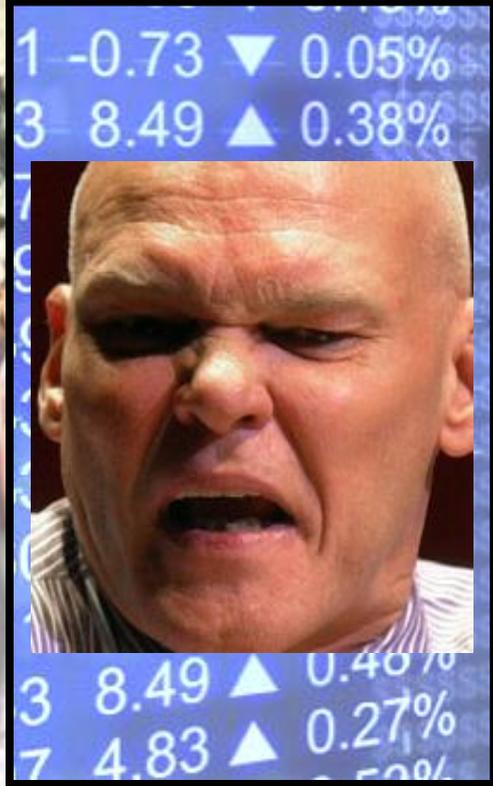
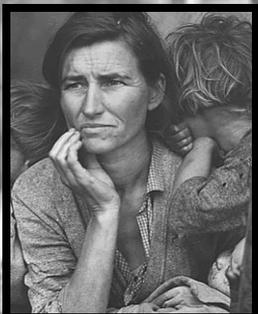




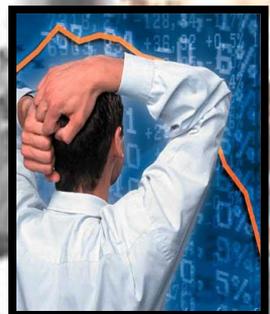
“It’s the Economy, Stupid!”



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



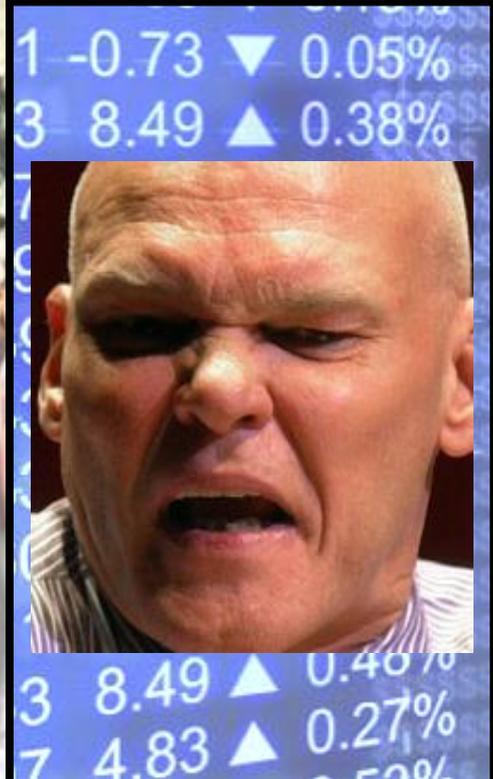
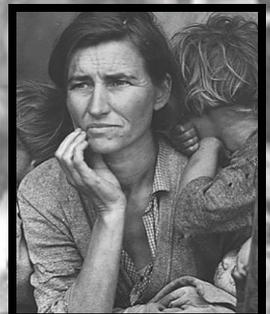
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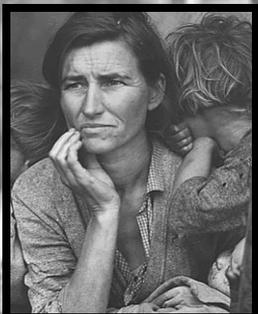
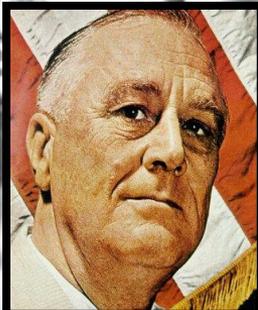
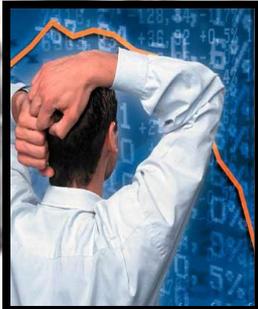
“It’s the Economy, Stupid!”



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.



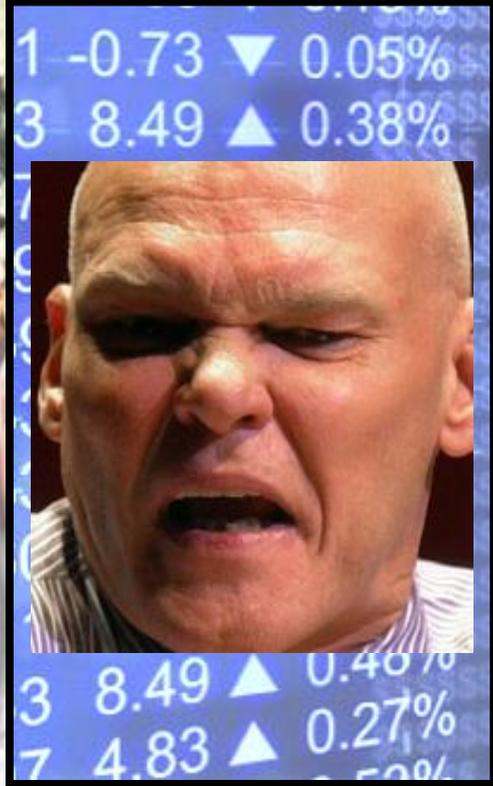
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“It’s the Economy, Stupid!”

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.



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135 LIVE!**





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:
 - a. **Vertical integration**: You buy out your suppliers.
 - b. **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**.



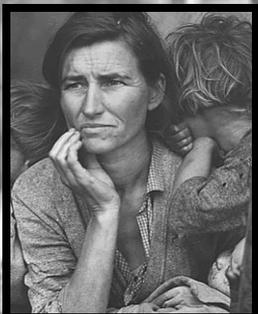
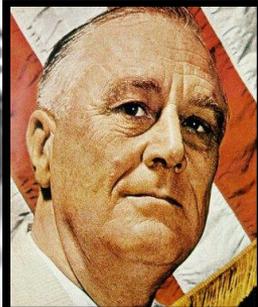
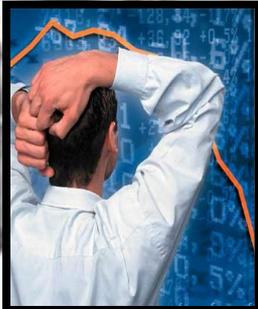
IT'S THE ECONOMY STUPID

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.

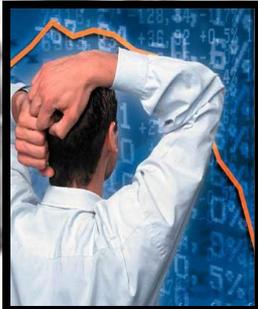
If you spent \$1 million/day for 1 million days = \$1 trillion.

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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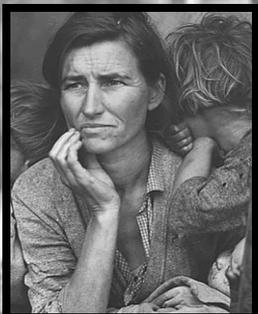
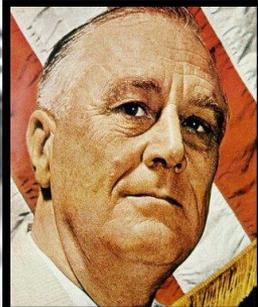
“It’s the Economy, Stupid!”

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%
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

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?



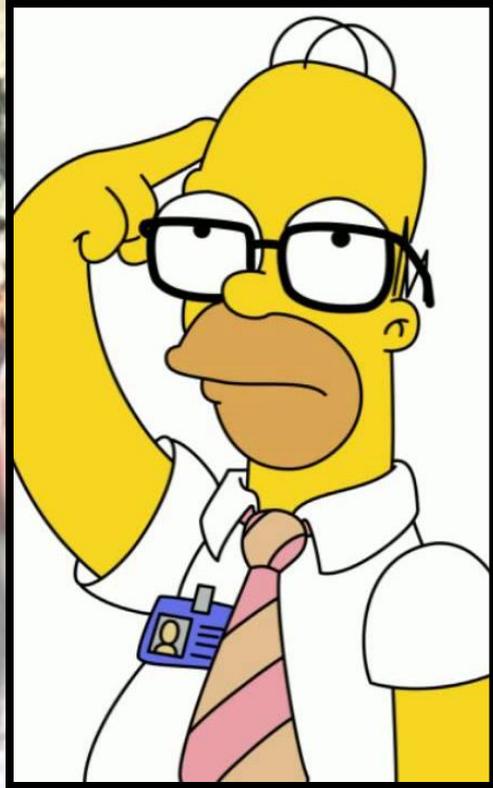
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FAST 5: UNIT 4, LESSON 6 (MW 4.06)

QUESTION 1 

1. What caused the Great Depression? What ended the Great Depression?



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FAST 5: UNIT 4, LESSON 6 (MW 4.06)

QUESTION

2



2. What two "underdogs" did American sports fans cheer for during the Great Depression? Explain what both accomplished and why they were loved by the public.



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QUESTION 3 



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3. What did the New Deal do to try to get the U.S. out of the Great Depression?



FAST 5: UNIT 4, LESSON 6 (MW 4.06)

QUESTION 4 

4. 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 4, LESSON 6 (MW 4.06)

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

