**cwB - ECON NON-FICTION……..name\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

In economics we study production and consumption. **Production** is the act of producing goods and services by combining resources (human, natural, and capital). For example, if a manufacturer wants to produce a table they will need wood (**natural**), a saw and hammer (**capital**), and human being to put the table together (**human**). In economics we can study why the manufacturer is making tables? How do they make tables? Do they make tables efficiently? The list of questions we ask goes on and on?

Another important part of economics is **consumption**, or the use of goods and services. Economists study why we purchase specific goods and services. Why do consumers by tables? How much are consumers willing to pay for tables? Not all purchases are for goods; a lot of consumer spending is for services. Going to a concert, an NBA game, or attending college are all examples of paying for a service. When a consumer pays $20 to attend an NBA game, an economist would analyze this decision. Is sitting two rows from the top worth $20? Should the consumer have spent $15 more and sat ten rows from the court?

This brings up another important topic in economics: **choice**. In life, humans must make choices. We make hundreds of choices each day. Economists study why we make the choices we make. We often believe that we do not put much thought into our choices, but economists can prove otherwise and explain every choice that we make. At the heart of most choices is the concept of **scarcity**. We as humans have unlimited wants and needs, but goods and services are limited. We cannot have everything we want. Therefore, we must make choices. On a smaller scale, the scarcity of money in your pocket, will force you to choose between buying new clothes or buying an iPad. On a large scale, the scarcity of natural resources can lead to one nation attacking another nation to secure natural resources.

One tool that economist use to study an economy is the **Gross Domestic Product** of a nation. GDP calculates the total amount of spending on products within a nation. Why is this significant? If consumers are willing to spend money, then manufacturers will produce more goods. This will more than likely result in more workers getting hired and even more consumption. If you look at it from a micro level, if you have money to spend, then you can support your family. If everyone in the nation is able to spend, then in theory, everyone is able to live a better life. If you look at the opposite, and envision a country with a low GDP. Where consumers cannot spend, then they cannot buy food, housing, healthcare, and education. With GDP, economists can evaluate each nation and create plans to help nation with low GDPs. Without GDP, we would not have evidence to prove that a nation is suffering. I am sure that many students have seen TV commercials that display suffering in African nations, but those are anecdotal. If we as a nation are going to make a conscious effort to help those in need, we need evidence that proves something is wrong. We also need evidence to help us create a plan to mitigate suffering in developing countries. Without GDP, we would have to make dangerous and possibly biased assumptions about living conditions around the world.

Most of GDP spending is made by **consumers**, but **government spending** and business **spending**, in the form of investing in the company, are also calculated. **Exports** and **Imports** factor in as well. Exporting goods, or selling goods out of the nation and bringing back cash. Imports are subtracted from a nation GDP because when a nation imports goods, money flows out of country and can no longer be spent domestically.

GDP is not the only tool for evaluating the growth and stability of an economy. Economists can study the **unemployment rate** of nations, states, or any specific region. The unemployment rate is the percentage of workers that are looking for work, but cannot find a job. The unemployment rate does not calculate children under the age of 16, fulltime students, retired persons, or citizens that are not looking for a job. The unemployment rate only calculates the labor force because it measures an economy’s ability to employ workers. It is not necessarily a measure of the citizens looking for work, it’s a measure of the stability of an economy. A low unemployment rate means that most citizens are working, and are able to spend on wants and needs like housing, food, healthcare, and education. A high unemployment rate results in the opposite, or an unstable economy where citizens are struggling.

The unemployment rate and GDP are useful tools for helping governments address economic instability. These tools are alerts or warning signals to the government and to investors. If the GDP is dropping, investors may want to sell their investments before they depreciate in value. If the GDP is dropping, the government may want to lower taxes, so citizens will have more money to spend and boost the economy.

**Inflation** is the devaluation or decline in value of money. This is simply the result of printing too much money. Just as the increase in supply of a good or services cause the prices to drop, the same thing occurs to money. The US government can print as much or as little money as it wants. Our currency is not backed by gold like it was before the 1970s. Our dollars are valuable because our government says they are, and as long as our government is still around our dollars will be the accepted currency.

At first glance, it seems that inflation is bad, and it is. No country wants inflation, but it is a phenomenon that governments have had to learn to accept. Inflation is bad, but if it is controlled, then it will not seriously harm an economy. I’m sure everyone is thinking, “Just stop printing so much money.” This will help the dollar retain its value, and next year a gallon of milk will cost consumers the same price. The problem with printing less money is that less money means less spending. If consumers do not spend, then businesses will not produce goods and eventually people will lose jobs because of lack of work. Another problem that occurs when spending drops is innovation stalls. If consumers do not have money to spend, then inventors will not waste their time inventing new products because no one will be able to buy them. Without spending, iPads, smartphones, HDTVs, videos games, etc. would not exist. The government does not have a choice; it must print more money. The only rule is that the government, technically it’s the **Federal Reserve** (our government’s bank), must print just the right amount of money. By studying all parts of the economy, the Fed knows when to hit the gas (print more money), and when to hit the brake (stop printing money – If you would like to know how The Fed does this, please visit Mr. D’s economics website at <http://mrd2012.weebly.com>).

Last but not least, our economy goes through cycles and the best thing to do is NOT FREAK OUT! Our economy is just like nature. In the spring flowers bloom and grow, just like a boom time in our economy. You can envision and X and Y chart with a line shooting toward the upper right hand corner. In the fall and winter, plants appear to die and leaves fall to the ground. The same tings happens with an economy. We experience bust times and the line on X and Y chart begins to drop downward, but the economy is not dead. It’s a cycle; spring time will return and the line will dart back up ward. Our economy is a lot like a werewolf. For 29 days of the month, our economy is growing and stable. Then a full moon hits, and its bust, but then the next day our economy is back to normal. It is completely regular for these dips to happen. In the long run, everything will be fine. Sure, that one day when our economy is werewolf is tough, but over the course of a year or ten years, life is generally fine. My advice: don’t panic the **economy is cyclical**.

As much as you may want to ignore economics, you cannot. Every day you make choices, and every day some of us make bad choices. Why do some students continue to make bad choices every day? They try to ignore economics. If you study your choices, you can learn from your mistakes. Do you study enough, do you eat healthy foods, do you get enough sleep, and do you build quality relationship with friends and your family? Science, Math, and Language Arts do not study YOU! Social studies and in particular economics does. If you do not like social studies, then you do not like yourself. This is okay, many teenagers and tweens do not have a favorable image of their selves, but with economics we can figure out why this is and fix it.

1. Define all bold words in YOUR WORDS.
2. Summarize each paragraph (10 paragraph = 10 summaries)
3. Why is GDP important? (one paragraph minimum)
4. What is the result of high unemployment rate? (one paragraph minimum)
5. Infer how the government can fix a high unemployment rate?
6. Give an example of inflation from your own life.
7. Why shouldn’t citizens worry about a bust period in an economy?
8. Why should students become better economists? (one paragraph minimum)