

GED  
Social Studies  
Day 11



COMUNIDADES LATINAS  
UNIDAS EN SERVICIO

# Essential Questions

What do you spend  
your money on?

How do you make  
money?

How do people make  
decisions?

How should economies  
around the world be  
structured to meet the  
needs and wants of its  
citizens?

# What is Economics?



Economics is the social science that studies the production, distribution, and consumption of goods and services, and decisions based on limited resources.

Economics focuses on the behavior and interactions of economic agents (decision makers) and how economies work. There are two main divisions:



# Microeconomics



# Macroeconomics



**Microeconomics** analyzes basic elements in the economy, including individual agents and markets, their interactions, and the outcomes of interactions. Individual agents may include, for example, households, firms, buyers, and sellers.

**Macroeconomics** analyzes the entire economy (meaning total production, consumption, savings, and investment) and issues affecting it, including national income, output, consumption, unemployment of resources (labor, capital, and land), inflation, savings, investment, international trade, and international finance.

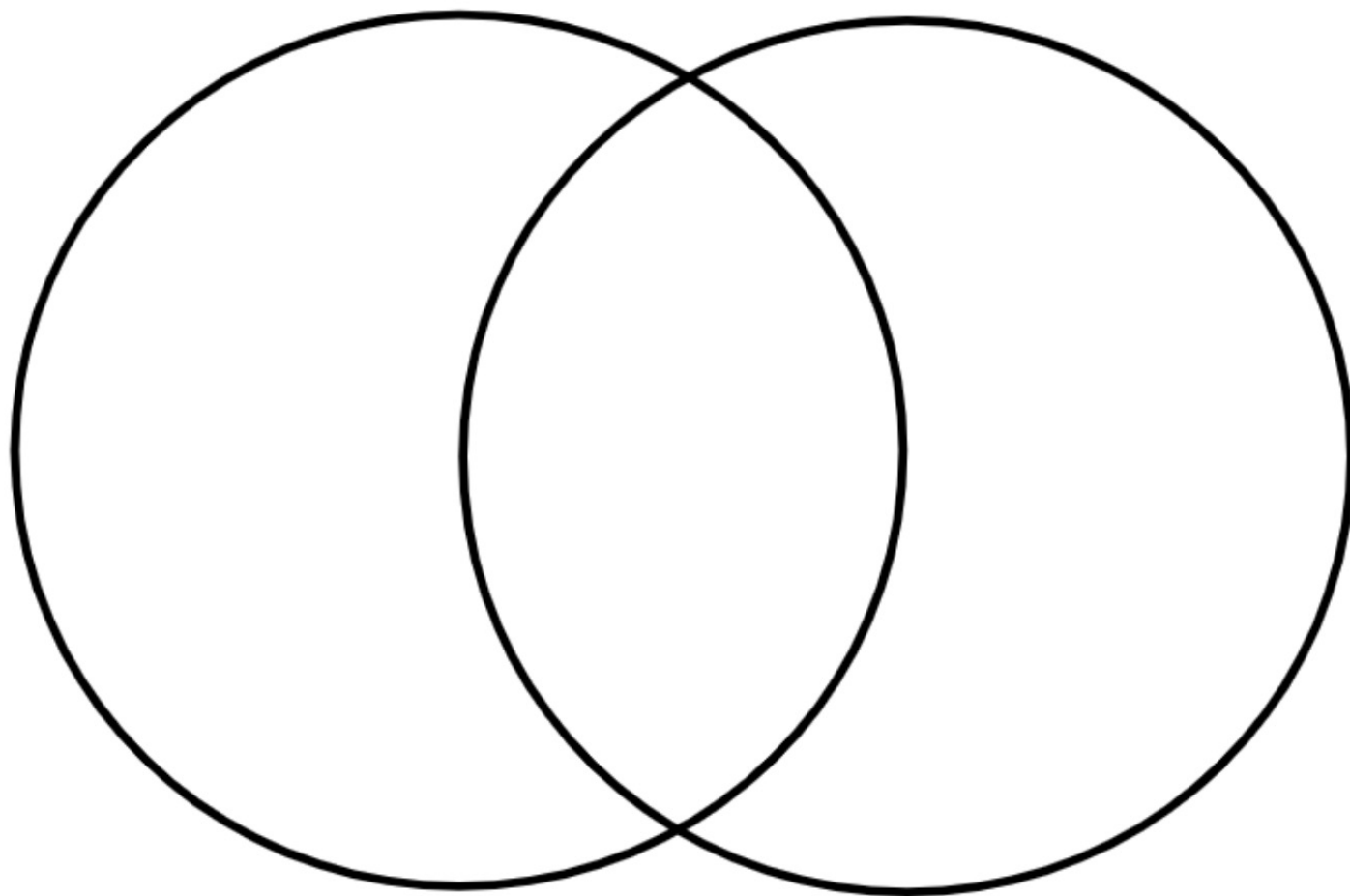
Using the definitions above, place each of the following economic factors into the appropriate section of the Venn Diagram:

Buyers and sellers	Inflation and unemployment	Limited resources to use
Interactions of economic agents	Individuals and families	International trade
Businesses and firms	Whole economy	Consumption of goods/services

Microeconomics

Both

Macroeconomics





**a** The table highlights some of the main economic indicators and how they apply to microeconomics versus macroeconomics.

**b** To help you remember the difference between micro- and macroeconomics, remember that *micro* means “small” and *macro* means “large.”

**b**

	<b>a</b> Production	Prices	Income	Employment
Microeconomics	How many bottles of juice does Company A produce?	What is the price of a bottle of juice from Company A?	What are the wages of the employees at Company A?	How many people are employed at Company A?
Macroeconomics	How many goods and services does the United States produce?	What is the Gross Domestic Product (GDP) of the United States?	What are the total wages and salaries of employees in the United States?	What is the unemployment rate in the United States?

1. Which of the following is an example of microeconomics?
  - A. The United States produced more oranges this year than last year.
  - B. A can of frozen orange juice costs \$2.09 at the supermarket.
  - C. Oranges are one of the primary crops in Florida.
  - D. Millions of gallons of orange juice are exported each year.



## TEST-TAKING TIPS

Try to think of an example that illustrates any unfamiliar term or concept. To differentiate between micro- and macroeconomics, think about your own spending habits versus U.S. economic policies.

# ECONOMICS: 5 Economic Questions

Society (we) must figure out

- WHAT to produce (make)
- HOW MUCH to produce (quantity)
- HOW to Produce it (manufacture)
- FOR WHOM to Produce (who gets what)
- WHO gets to make these decisions?






# What are resources?

■ Definition: The things used to make other goods





A graphic featuring a large white star at the top center, flanked by two smaller white stars. Below these is a blue banner with a white border, containing a quote. The banner is set against a background of blue and white rays emanating from behind the word 'CAPITALISM'.

*“An economic system characterized by private or corporate ownership of capital goods, by investments that are determined by private decision, and by prices, production, and the distribution of goods that are determined mainly by competition in a free market.”*

# CAPITALISM



**What comes to mind when you hear capitalism?**

A market is a place or infrastructure in which the exchange of goods and services takes place. In the most literal sense, a market is a physical place in which things are bought and sold, like a farmer's market, for example. To economists, a market is not necessarily a specific place, but a structure in which buyers and sellers are free to trade with one another. This freedom for buyers and sellers leads to similar prices for the same goods.

Sellers that sell cucumbers at a farmer's market, for example, will tend to have their cucumbers priced similarly. Competition among sellers keeps the price of cucumbers from going too high. Sellers know that if they raise their price too high, their buyers will move to other sellers that have lower prices. Some sellers may add incentives to persuade buyers to purchase their produce or product. In this case, a seller with a higher-priced cucumber might incentivize customers by giving them a free tomato with each cucumber purchase.



Some markets are not competitive but have monopolies. If there were only one seller of cucumbers at the farmer's market and no other sellers of cucumbers could get a spot at the market, this seller could form a monopoly. Without any regulation, this seller could set the price of the cucumbers wherever he or she wanted.

# Questions

Which of the following holds prices for the same goods at about the same level in a market?

- A. competition among sellers
- B. high demand for the goods
- C. incentives for consumers
- D. quantity of goods available



Which of the following describes when a monopoly can occur?

- A. A small number of companies control the market for a good or product.
- B. Each company in a market produces goods that are slightly different and appeal to different customers.
- C. One company sells a good or product that has no good substitutes and other companies are blocked from entering the market.
- D. There are many companies producing the same product, leading to low prices that cannot sustain companies.





**VS**

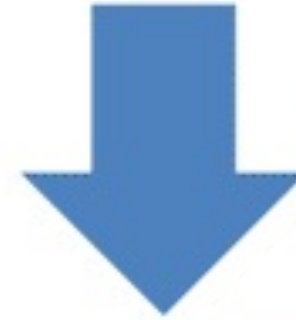


**What do they mean?**

**a** Inflation causes a chain reaction of events, such as rising prices and fewer purchases.

**b** Inflation is the cause. Wars, problems with the food supply, and political unrest are some of the effects.

## Deflation – Prices Decline



Money increases purchasing power, and it takes less units of currency to purchase the same units of goods or services.

Money loses its purchasing power, and it takes more units of currency to purchase the same units of goods or services



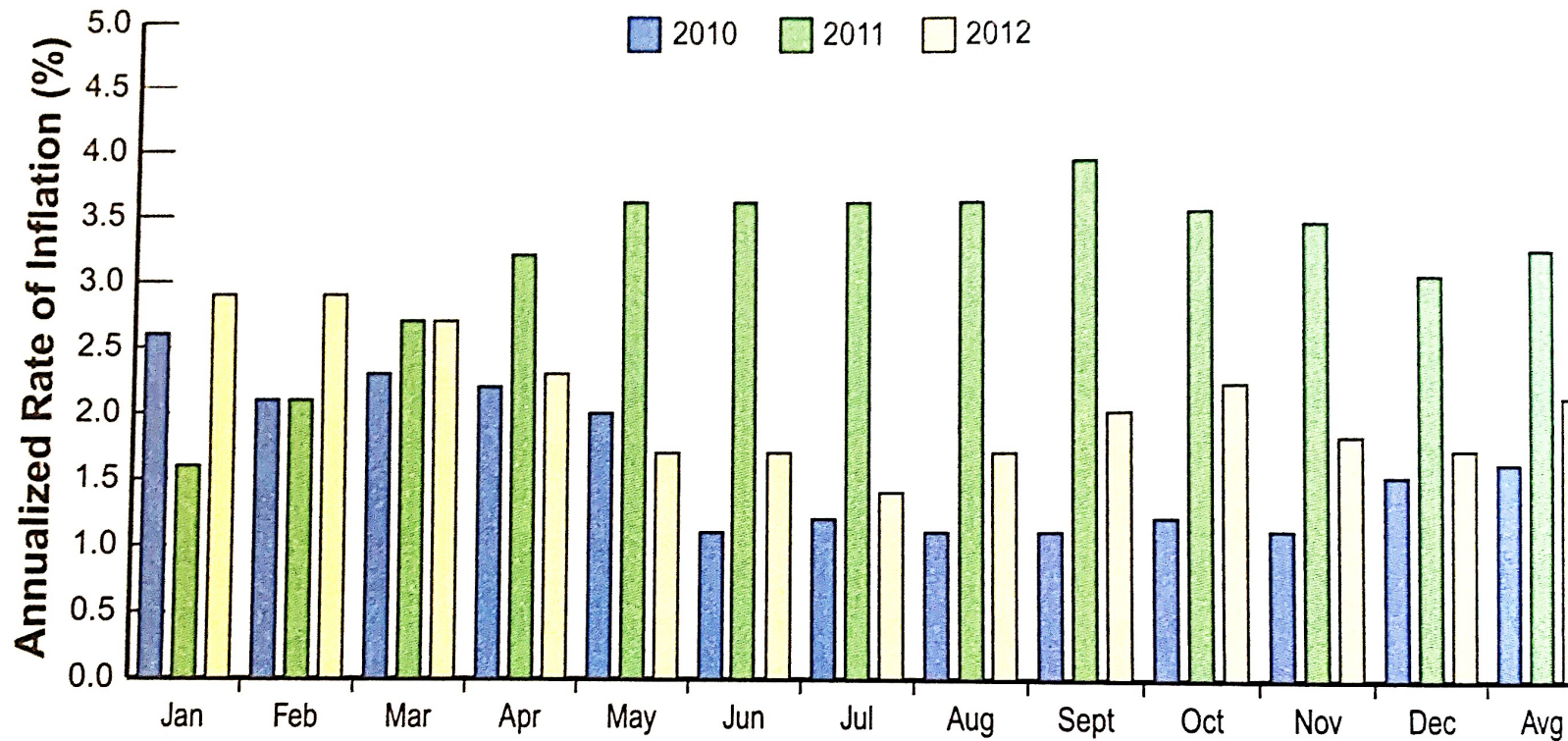
## Inflation – Prices Rise



Two important areas of the study of macroeconomics are inflation and deflation. **a** Inflation occurs when the supply of money exceeds the goods and services available. This causes the value of the money to fall and prices to rise. This, in turn, discourages people from making purchases. Inflation's effects are felt in all sectors of the economy and all segments of society. Deflation occurs when prices fall and the value of money rises. Negative inflation is the same as deflation.

**b** Inflation and the economic instability it spawns have been known to cause wars, problems in the food supply, and political unrest. Developing nations are in the most danger from inflation.

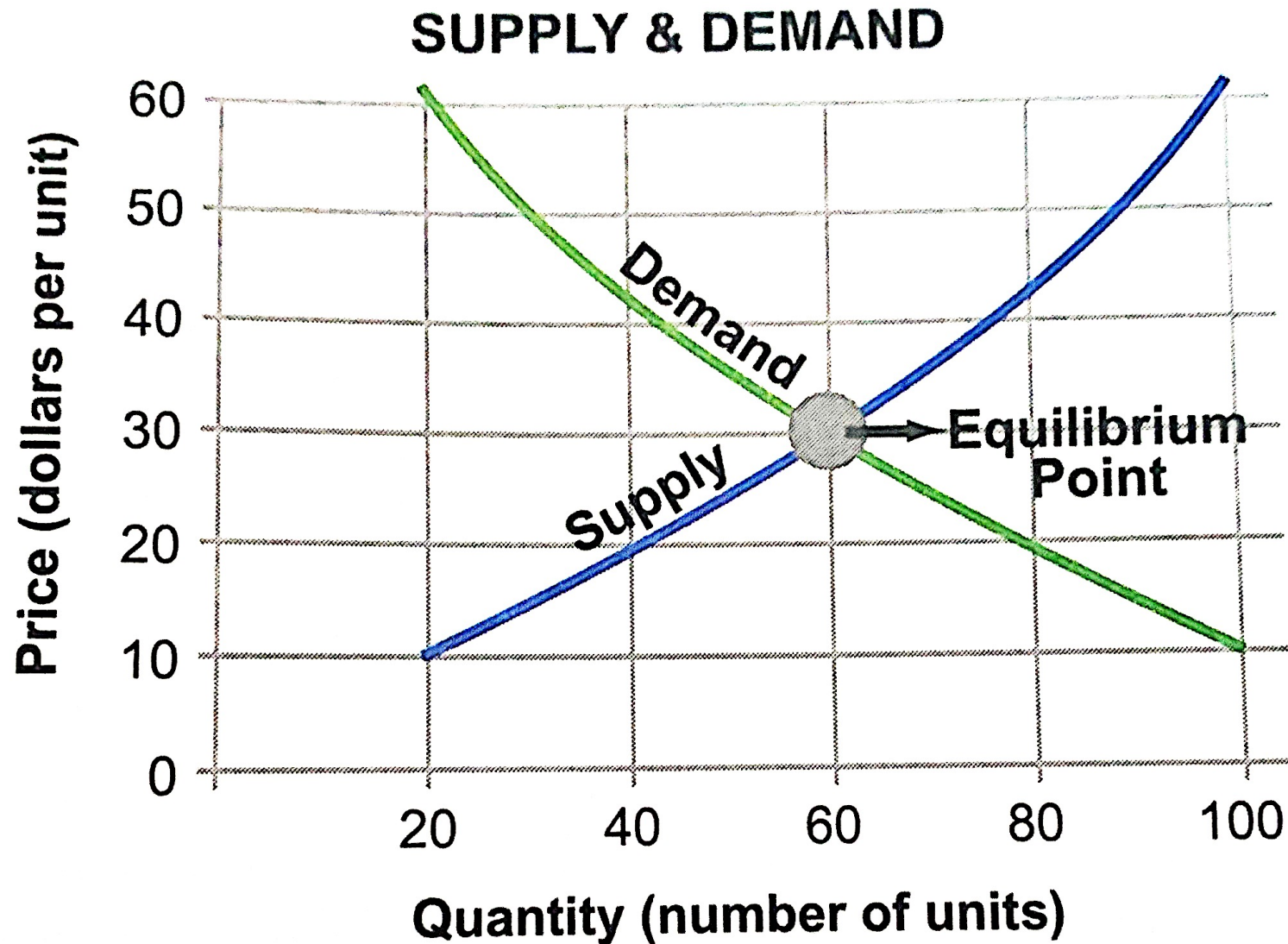
## U.S. INFLATION RATES BY MONTH AND YEAR (2010–2012)



1. Which of the following was most likely true in mid-to-late 2011?
  - A. higher prices, reduced consumer spending, and increased value of money
  - B. higher prices, reduced consumer spending, and political unrest
  - C. increased demand for goods, higher prices, and political unrest
  - D. reduced consumer spending, deflation, and political unrest



# What do you notice from the graph?



The cause-and-effect relationship between supply and demand is a strong determining factor of prices. According to the economic laws of supply and demand, people will pay more for something they want when less of it is available. Alternatively, if there is more of a supply of a good or service than people demand, the supplier will lower the price to coax people into buying more of it. The point at which the supply of an item is set in response to an equality of supply and demand is called the equilibrium point. At prices above the equilibrium point, demand drops.

If the price becomes too high, demand may disappear completely. However, if the price becomes too low, the seller will be unable to make a profit and will stop producing the item.

Supply and demand are themselves the effects of other causes. For example, the effects of inflation can decrease demand and force down an item's price. Inflation can also raise the cost of producing an item, resulting in a higher price, which can also lead to a decrease in demand.



# Questions:

Which of the following statements is true?

Supply, demand, and inflation

- A. are each basic causes of economic activity.
- B. do not influence the economy.
- C. operate independently of one another.
- D. are each influenced by many causes.

Based on the information, which of the following needs to exist for the law of supply and demand to function freely?

- A. competition
- B. government regulation of prices
- C. inflation
- D. a growing economy

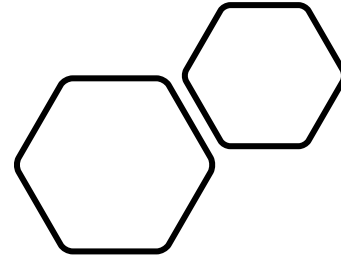
# What are resources?

■ Definition: The things used to make other goods





# Needs vs. Wants



How do you  
determine if you  
***need*** something or  
***want*** something?

## Wants and Needs, Needs and Wants

- NEEDS – “stuff” we must have to survive, generally: food, shelter, clothing
- WANTS – “stuff” we would really like to have (Fancy food, shelter, clothing, big screen TVs, jewelry, conveniences . . . Also known as LUXURIES



VS.





How do we get all  
this stuff that we  
consume?

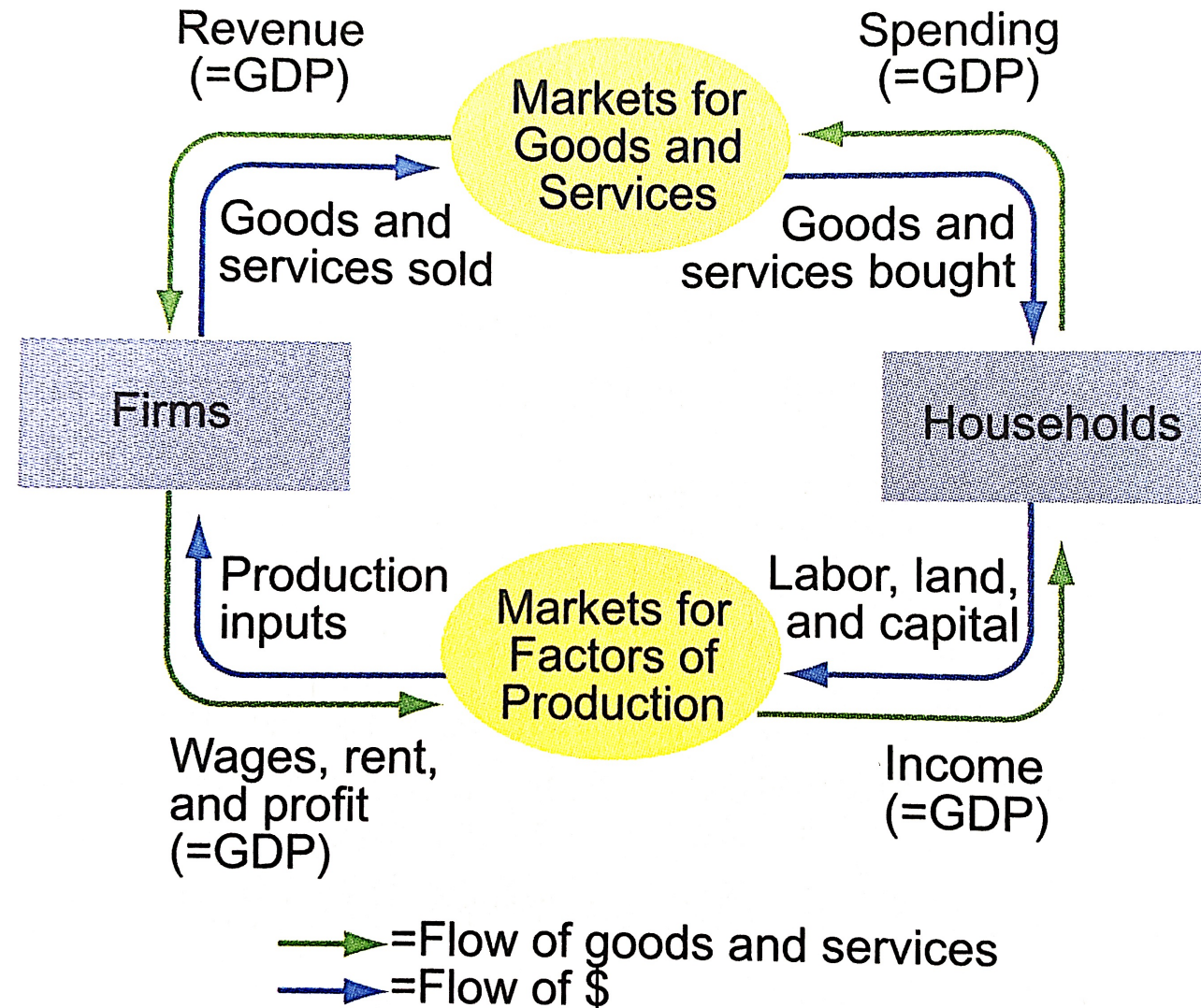
# Production!

## Production Functions





# FLOW OF MONEY, GOODS, AND SERVICES IN THE U.S. ECONOMY



Factors of production are the items used to complete a production process. These factors typically fall into three main categories—land, labor, and capital. At times, a fourth category, defined as entrepreneurship or management, also appears alongside these. In order for a business to achieve success, it must maintain a healthy balance of these factors of production.

The flowchart shows the flow of money, as well as goods and services, throughout the U.S. economy. In this flowchart, households own all of the factors of production. The people in these households sell their labor, land, and capital to firms. In exchange for these factors of production, the people receive wages, rent, and profits.

# Questions:

Suppose you own a company that manufactures lawnmowers. Which of the following factors of production would fall under the category of labor?

- A. money contributed to shareholders in your company
- B. your ability to manage your employees effectively
- C. the work of your employees
- D. the property on which your company is located



Which of the following factors of production is your willingness to start your own business and manufacture products?

The willingness to start one's own business and manufacture products is an example of

- A. labor.
- B. capital.
- C. profit.
- D. entrepreneurship.

Which of the following actions generates income for firms?

- A. buying goods and services from people in households
- B. selling goods and services to people in households
- C. buying factors of production from households
- D. avoiding the markets for goods and services and factors of production

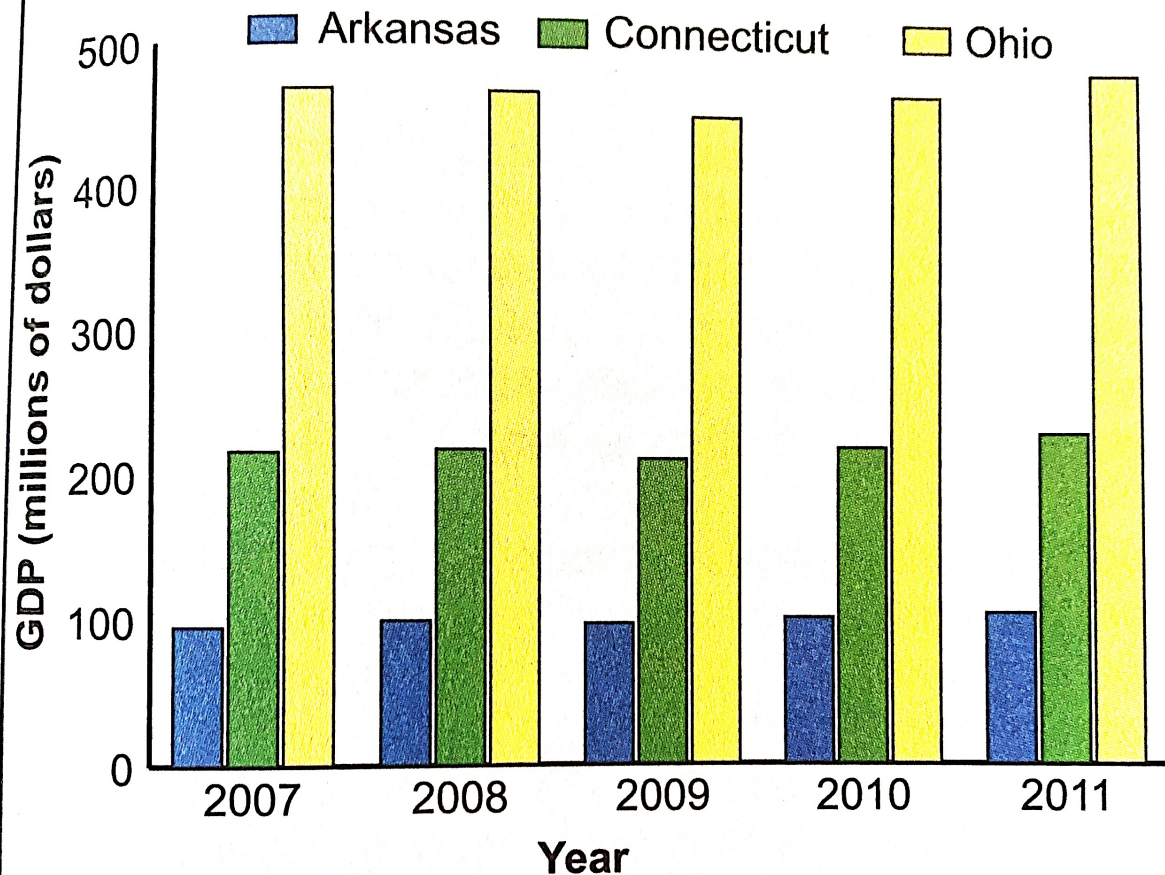
Based on the information and the flowchart, which of the following statements can you determine to be true?

- A. Money, goods, and services move in the same direction throughout this economic system.
- B. After receiving wages, rent, and profit, firms use these items to purchase factors of production.
- C. All transactions between firms and households contribute to the nation's GDP.
- D. Firms control all of the production inputs in this economic system.

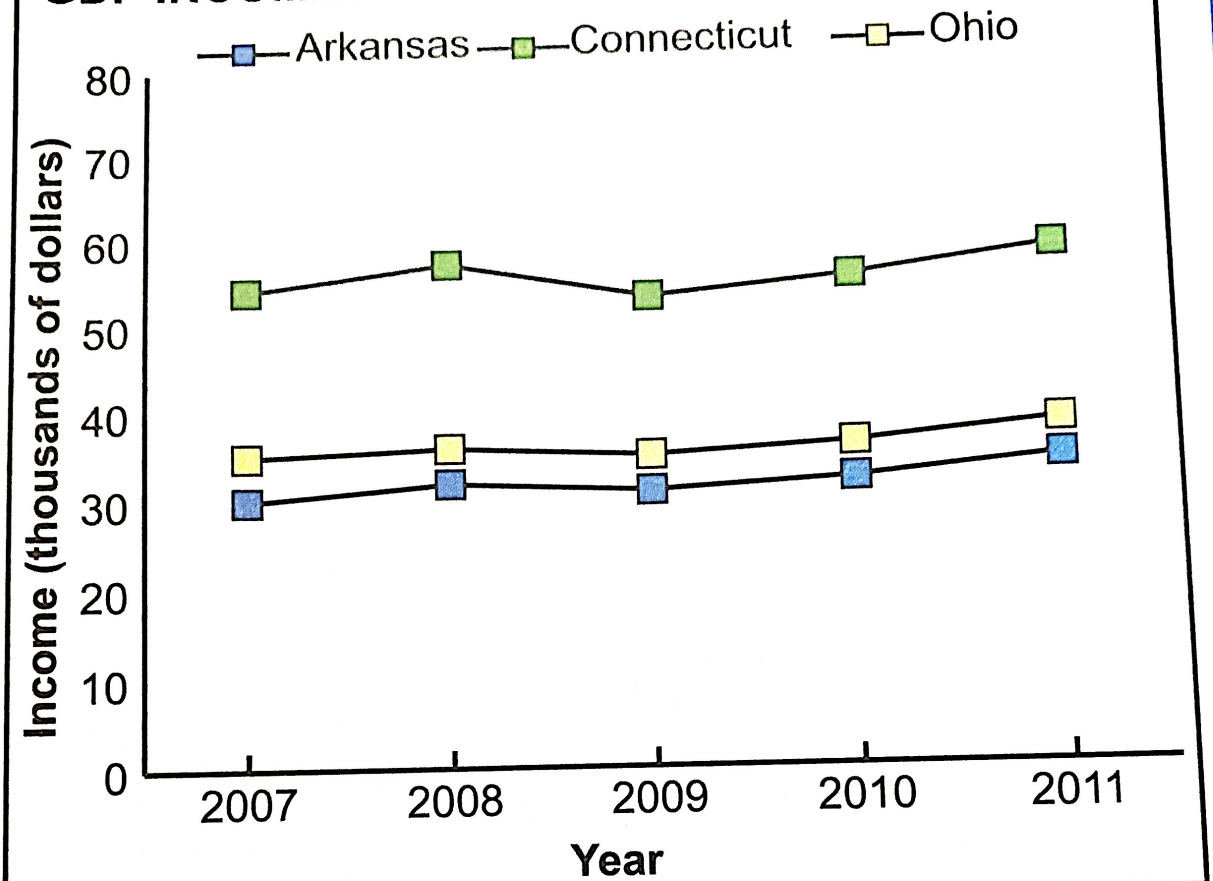


# GDP: Gross Domestic Product

**GDP BY STATE, 2007–2011**



**GDP INCOME PER CAPITA BY STATE, 2007–2011**



Economists use Gross Domestic Product (GDP) to measure how well a nation's economy is doing. The most popular measure of economic development is per capita GDP, which is a nation's overall GDP divided by its total population. GDP by state is the state counterpart to the nation's GDP.

Which of the following statements is true based on the two graphs?

- A. The GDP and per capita income of Arkansas remained at about 50% of those of Ohio for the period shown.
- B. For each state, the GDP and per capita income increased at similar rates.
- C. The period from 2011 to 2015 would likely feature little change in GDP and per capita income for each state.
- D. GDP and per capita income are not related.



Which conclusion are you able to reasonably draw based on a comparison of GDP and income by state as shown in the two graphs?

- A. Imports to Ohio have decreased each year since 2003.
- B. The population of Arkansas is expanding at a higher rate than that at which its wages are increasing.
- C. The GDP of Arkansas and Connecticut will eventually reach the same level.
- D. Connecticut has a smaller population than Ohio.

Unlike the multi-line graph, the multi-bar graph does not take into account which of the following items when measuring the data?

- A. the population of each state
- B. the number of businesses located in each state
- C. the variety of industries found in each state
- D. the national standard for its subject

# Homework!

## Active Assignments



Week 11

To begin, select an activity from All Activities

[Select New Activity](#) 



**All Activities**

Completion: 0/5 (0%)



No Due Date