



TOP 7 REASONS TO STUDY ECONOMICS

1. You can talk about **money** without ever having to make any.
2. Mick Jagger and Arnold Schwarzenegger both studied economics and look how they turned out...PRETTY GOOD, HUH???
3. When you are in the **unemployment** line, at least you will know WHY you are there.
4. Although ethics teaches that virtue is its own reward, in economics we get taught that **reward** is its own virtue..."Greed is GOOD"
5. When you get drunk, you can tell everyone that you are just researching the **law of diminishing marginal utility**.
6. You can't be wrong; only subject to an **unexpected asymmetric shock**.
7. An **economist** is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.

How is the economy doing?

- *Unemployment*

(FULL Employment is 5% UNemployment!)

10.0% *(as of 12/2009)*

- *Inflation (CPI) ... "stagflation"?*

↑0.4% *(11/2009)*

(Average is about ↑3% annually!)

- *Economic Growth (Productivity)*

8.1%↑ *(3rd Qtr. 2009)*

<http://www.bls.gov/>

CHAPTER 1

*A **Brief** Economic
History of the
United States*

Early 1800's (19th century)

- (1800 - 1889)
- Agriculture was KEY (90% vs. 2%)




VS.



- Completion of the National Railroad Network (East >>> West) - 1850

*Q: What were the **advantages** and **Disadvantages** of this...NRN?*

Early 1800's (19th century)

- Mechanization...
- *Do these names sound familiar... Eli Whitney?*  JOHN DEERE
- *What did problems did increased mechanization cause?*



OVERPRODUCTION!

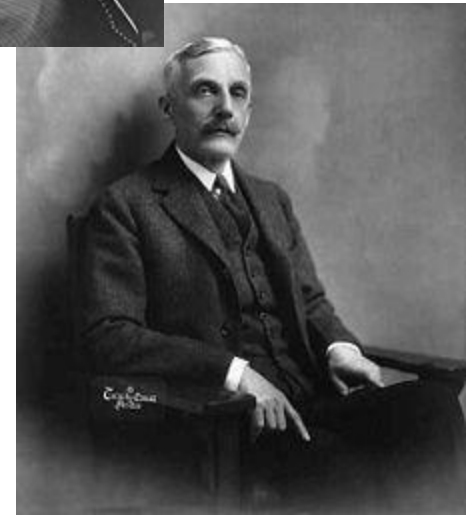
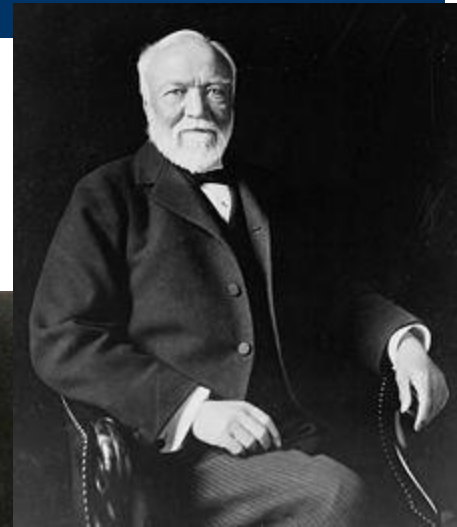
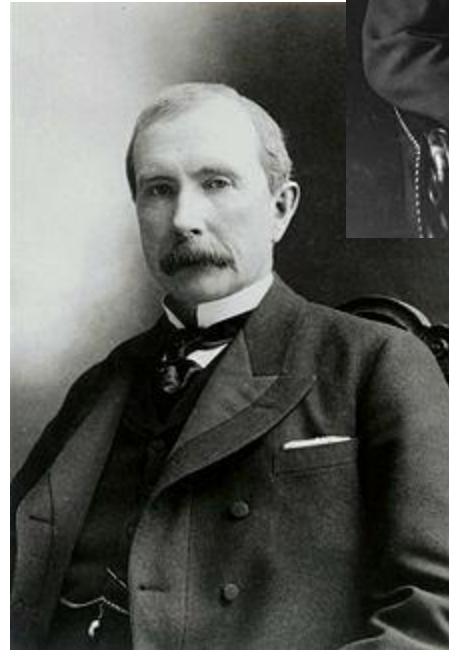
What does this do to prices?

The end of the 19th century was the age of the industrial capitalist... WHO were they?

Industrial Capitalists

- *Carnegie*
...steel!
- *Mellon*
...banking!
- *Rockefeller*
...oil!

Today???



First glance...

SUPPLY and **DEMAND**

What does HIGH supply and LOW demand cause?

SURPLUS!

(Lower prices... "buyers market")

What does LOW supply and HIGH demand cause?

SHORTAGE!

(Higher Prices... "sellers market")

20th Century...

1900 - 1918 (End of WW1)

What industry really took off in the early years of the 1900's?

#1 - TRANSPORTATION

- *Land*
...*Model T Ford (1908)*
- *Air*
...*Wright brothers (1911)*



#2 - HOUSING



1919 - 1941

(End of WWI - Beginning of WWII)

- Roaring 20's

http://www.youtube.com/watch?v=Xmqc_wJN4_M

- What was the cause of the "roaring 20's"?

- 1) Veterans returning home

- *Increased demand for housing, cars...EVERYTHING!!!*
- *Increased \$\$\$ in the economy*
- *Demand for American products*
- *HIGH government spending*

Depression and Recession

Q: What is a "recession"?

A: *A decline in real GDP for 2 consecutive quarters*

Q: What / how much is GDP?

A: *A sum of what we spend on all the goods and services produced in the U.S. in a year...\$14,150,000,000,000+*

Q: What is a "depression"?

A: *A deep and prolonged business downturn*

Great Depression

1929 - 1933

Q: What was the cause(s) of the great depression?

http://www.youtube.com/watch?v=7i6c_R5Pds4&feature=related

- 1) Stock market crash...buying on "margin"**
- 2) Panic and mayhem**
- 3) Drought (Midwest and Oklahoma)**
- ???**

Buying on Margin

\$100...you (10%)

\$900...broker (90%)

\$1,000...invest

\$2,000

\$1,000...you (10%)

\$9,000...broker (90%)

\$10,000...invest

\$20,000

\$10,000...you (10%)

\$90,000...broker (90%)

\$100,000...invest

Great Depression

Q: What finally turned the "great depression" around?

1) *FDR's "New Deal" (Pres. Obama's New Deal?)*

<http://www.cnn.com/2008/POLITICS/11/20/badger.new.deal/index.html>

3R's (Relief, Recovery and Reform)

2) *SEC (stock market) and FDIC (banking)*

3) *Time...what goes UP, must come DOWN
and what goes DOWN must come UP!*

***** HOMEWORK *****

Bukolt Park...What year was it built?

1942 - 1974 (WWII - Vietnam War)

- Rationing...ANYBODY RECALL?

Late 1940's - Early 1950's

- Construction BOOM

50's

- 3 minor recessions

60's (Kennedy and Johnson)

Q: What 3 major government spending programs were implemented?

A: *Medicare, Medicaid and food stamps*

STAGFLATION

Q: What is "stagflation"?

A: *Stagnation + Inflation...
occurring at the same time!*

Q: Why is "stagflation" so rare?

A: *Stagnation is a decline in output
(LOW demand)
Inflation is an increase in prices*

*** HOMEWORK ***

- *Read chapters 1 & 2 in the textbook...*
- *Answer the **FILL-IN QUESTIONS** at the end of chapter 1 (page 22)...*

What's going on out there!!!