

2.6

Supporting Economic Growth



As a Young Economist, I will be able to...

- Explain why the government tracks and seeks to influence business cycles.
- Analyze how the government promotes economic strength and stability.
- Describe the factors that increase productivity.

Tracking the Economy

Governments will track growth & stability of the economy to determine the “health” of the country

Macroeconomics- The study of economic behavior & decision-making in a nation’s whole economy. **Macro=BIG**

Microeconomics- The study of economic behavior & decision-making in small units, such as households & firms. **Micro=tiny**

The government determines both of these for the country!



GDP & the Business Cycle

Gross Domestic Product- Total value of all final goods & services produced in a country in a given year

This will rise & fall during economic growth or decline in the country

Business Cycle- Alternating pattern of periodic expansion & contraction

These cycles have major fluctuations & phases can last months to years



Forecasting the Business Cycle

Changes happen in business cycle because individuals act in own self-interest

Make decisions about factors such as prices, production, & consumption

Government economists make predictions on what will happen in the future

This came out of the Great Depression and the need to avoid catastrophe in the future



Encouraging Economic Strength

Government tries to create public policies that promote economic strength.

Policy makers pursue these goals: high employment, growth & stability, and stable prices & secure financial institutions

One aim of the government's economic policy is to ensure jobs for everyone able to work

American Dream is for each generation to enjoy a higher standard of living than previous generations

More Encouragement

**Government seeks to keep the economy stable.
Consumers, producers, & investors need
confidence in economy**

**Surge in prices puts a strain on economy so
government tries to prevent sudden,
drastic shifts in prices**

**Government protects the security of financial
institutions, such as banks or the stock
market.**

**Example- Your money can be retrieved at any of
your banks across the country &
Government investigates Fraud**



EVEN MORE Encouragement

Our economic policy is made by elected officials & the workers they appoint

Referendum- Proposed laws submitted directly to the public, on spending or other economic issues. Appears on ballots

Voters shape government action & will often make decisions based on self-interest



Productivity & Role of Technology

Technology has greatly improved productivity in the United States

What are some examples?

Obsolescence- the situation where older products & processes become out-of-date

What are some issues with this?



Encourage Innovation

Due to competition, businesses are trying to innovate and make the next “hot item”

Patent- The inventor of a new product gets exclusive rights to produce & sell it for 20 years

Copyright- Grants an author exclusive rights to publish & sell his or her creative work---*the length of the author's life plus another 70 years*

Work Ethic- Commitment to the value of hard work