# Class Starters & Enders

## Making the Most of Instructional Time
## Five Minute Lessons

Class Starters and Enders help utilize the last minutes of class when a lesson ends but there is not enough time to start another, or for an interest approach at the beginning of class. Mini-lessons correlate to GPS in the programs areas below.

# Understanding the Economy

**Program Areas:** Business, Financial Management Services, Marketing, Foundation Skills

**Instructions:** Read the material and make notes of important points, answer questions, and be ready to discuss this topic.

Frequently making national headlines, the US economy has become a topic for household discussion. Bailouts, recession, inflation, Wall Street, national debt, foreclosures, and job layoffs are common buzz words in today's news. But what does all of this mean to everyday people? In order to be an informed citizen, it helps to at least understand what some of these terms mean.

The **economy** is the way a country manages its money and resources to produce, buy and sell **goods** and **services**. The US has a **free-market** economy, which means people can buy and trade freely. A free-market economy relies on **supply and demand**. In a healthy economy, demand for goods and services is high. Businesses flourish as they work to keep up with that demand. In a weak economy, demand is low and businesses suffer. Changes in supply and demand lead to **inflation** or the rise of prices of goods and services over a period of time. Inflation results from an increase in the money supply. The value of things fall and the price rises. Inflation often leads people to use more credit to buy things they need to survive.


Wall Street is the heart of New York's financial district, the place where stocks are traded and important business decisions are made. However, when people talk about Wall Street in today's economic crisis, they use the phrase "Wall Street" to stand for big businesses and high-powered investors.

**Credit** is the ability to borrow money. We use credit to make larger purchases for things we don't have cash for initially. When using credit, you are expected to pay a minimum payment each month until you have paid off your credit. **Interest** is charged to those who use credit. Interest is the fee charged for borrowing someone else's money. Interest is expressed through an **interest rate** which varies depending on the type of credit used or the amount of money borrowed. When a consumer decides to use credit to buy things they put themselves into **debt**. Just like personal debt, the US economy is currently experiencing **national debt**. The U.S. national debt is a whopping $10 trillion and is the highest debt in the world. The US owes money to individuals, companies and other governments.

A drop in economic growth that lasts at least six months is considered a **recession**. During a recession, businesses sell fewer goods and services. Once a recession becomes severe (with total sales of goods and services down by more than 10% for a long period of time), a recession can be lead to a economic **depression**. The depression we are most familiar with in US history is the Great Depression of the 1930s. A depression is a time period where the economy is poor and many people are without jobs. While the US economy never reached this economic status, we have experienced symptoms of these hardships such as unemployment, layoffs, and foreclosures. **Unemployment** is expressed in a percentage of how many people are currently out of work. In 2009, the **unemployment rate** was 7%, which means 7 out of 100 Americans were out of work. During the Great Depression, the unemployment rate was 25%. Unemployment is often the result of **layoffs**. A layoff occurs when a company no longer has the resources to pay a certain number of employees, these people are laid off so the company can save money.

Some economists believe that the recent economic recession was the result of the fall of the housing market. Part of the collapse of the housing economy was the large increase of foreclosed homes. **Foreclosure** is the process in which homeowners lose their property because they have failed to make mortgage payments. **Mortgages** are another type of credit that is paid monthly by the homeowner. If a homeowner can't make their payments after a period of time, they lose their home, and it becomes the property of the bank.

**Language Arts Connection**
Define the following terms: **economy, goods and services, free-market, supply and demand, inflation, credit, interest, interest rate, debt, national debt, recession, depression, unemployment, unemployment rate, layoffs, foreclosure, mortgages**

**Review Question:**
1. Explain supply and demand and how it affects the economy's health?
2. What is inflation and how does it affect supply and demand?
3. How does credit work?
4. What are some of the hardships the US has experienced during the current recession?
5. How much is the national debt? Who does the government owe?

**Math Connection**
Students could collect data and monitor the prices of goods and services they consume on a monthly basis.

Georgia CTAE Resource Network - Written by Ashley Spivey and Shannon R Lawrence