

ECON Chapter 3.2

Promoting Growth and Stability

- America's economy is really big!

I. Tracking Business Cycles

- A. **Macroeconomics** = study of the behavior and decision making of entire economies
1. Examines major trends for the economy as a whole.
- B. **Microeconomics** = study of the economic behavior and decision making of small units (individuals, families, households, and businesses)
1. **GDP** (gross domestic product) = the total value of all the goods and services produced in an economy
 2. **Business cycle**- a period of macroeconomic expansion followed by a period of contraction (or decline)
 - a. Economists study **GDP** and other key statistics to predict **business cycles**.

II. Promoting Economic Strength

- Governments create public policies to stabilize the economy
- They pursue **3 main outcomes** to stabilize economy: **high employment, steady growth, and stable prices**.

A. Employment

1. Aim of federal economic policy makers is to provide jobs for everyone able to work
 - a. Unemployment rate between **4% - 6%** is desirable.

B. Growth

1. American dream is for each new generation to enjoy a higher standard of living than previous generations.

C. Stability

1. General price levels
 - a. Government attempts to keep prices stable.

Example: A jump in the price of milk hurts families with kids; while a plunge in milk prices hurts dairy farmers.

D. Economic Citizenship

1.It's important to understand the macroeconomic process because your elective choices help guide the government in economic policy.

III. Technology and Productivity

- The US enjoys a higher **standard of living** than most of the world.

A.Technological Progress (**technology** = the process used to produce a good or service)

1.Allows the US economy to operate more efficiently

B.The Government's Role

1.Inventions are the engine of the Free Enterprise system.

a.Government provides incentives for innovation.

b.Federal agencies fund R+D (research & development) projects at universities.

c.Also grant patents and copyrights offering inventors the possibility of making huge profits in the free market.