

Unit 5: Culture and Economics

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America's economy is the foundation of its nation. Why? Because centuries of investments, choices, and risks are why America is what it is today.. As Trump says "An economic miracle is taking place in the United States — and the only thing that can stop it are foolish wars, politics, or ridiculous partisan investigations." Today's economy is very advanced as the book "How an Economy Grows and Why It Crashes" portrays even though we don't trade fish, we trade money that is more or less backed by gold but not really so at any moment there could be an economic collapse because our dollar loses its *worth*, even though it really isn't worth anything.

When people think of *economics* and what it means in relation to themselves, most people will assume it is all about money, and while money plays a part in economics; economics is *not* just about money and spending it (As we see in Chapter one and two of How an Economy Works and Why it Crashes). Economics is about options, and weighing all of your different choices against one another, for example Able making the decision to go hungry in order to improve his standards of living, and so he can ultimately design his own line of clothing. Some of your imperative choices will involve money, but surprisingly many do not. Most of our day-to-day life choices have nothing to do with money, yet they still play a huge part in our economy. For example, deciding what college you should go to, or what roommate should take care of what chores in your shared living quarters, or even something as basic as choosing whether or not you should spend that extra seventy-five cents to add bacon to your subway sandwich. In many situations, money is merely a helpful tool or just a veil, standing in for a partial way to evaluate some of the goals you really care about and how you make choices about those goals.

Economics affect literally everyone and everything, because Able creates the very first fish catcher he is not only improves his own living standards he ultimately improves Charlie and Baker's as we see in Chapter 2. Learning about economics can help you to understand the world at a much more intricate level, can assist you in making your financial decisions, and help you see the world in a new way. Economics can also ultimately get you ahead of the game financially if you can make smart decisions.

I learned a lot about our economy through the book "How an Economy Grows and Why it Crashes", I also learned innovative ways to catch fish that I could potentially use when times are tough (college life!!). Anyways, I learned a lot about how economy grows and the risks that you have to take to have a successful economy. I also learned that the rich can not really be rich without helping others "The reason the the rich get that way . . . is that they offer something of value to others." Chapter 2 so, a sense greed is almost impossible with our advanced economy. I also learned how to survive in the economic world by assuring that I save rather than spend as the book says "A dollar saved is a dollar earned" which I fully agree with, I think that is an excellent point to make.

I also learned a lot about specialization which is the refined art of making things that specifically YOU are good at. Peter D. Schiff and Andrew J. Schiff cover specialization in Chapter 5 where they mention Duffy and why he should make canoes and give up 8 fish and pricing each canoe at 9 fish rather than every islander giving up 10 fish to make their own which saves everyone money. Specialization not only helps individuals financially, it also increases production which allows for price deflation; which in turn allows for more business because supply is available for the general public which ultimately brings in more sales. For example designing and producing clothing, let's say a single person working makes and average of about

three jeans and two sweaters in a work day. The person decides to expand and hire more workers to create a small business of about 5 workers (some of whom would need to do two or three tasks). This group of workers, each specializing in certain tasks, produces seven times as much supply than was formerly being produced, which ultimately lowers the price of the product as they are beginning to meet supply in demand. Specialization in a job allows workers to focus on the parts of the process where they have an advantage whether that advantage be physical, artistic, or intellectual. All People have different skill sets, talents, and interests, so they will be better at some jobs than at others. The particular advantages may be based on educational choices, which are in turn shaped by interests and talents. For some goods, specialization will be affected by where someone is located.

Speaking of international goods, and geography. International trade is really good for the economy. Say for example, Japan can produce a high rate of paper and rice with efficient speed and at a low cost to their economy, however, they are also trying to create AK47's and rubber ducks to meet their demand for war and bath time. American on the other hand can produce a high rate of AK47's and Rubber ducks, however, our production is being slowed because we are also trying to grow rice and manufacture paper, two things that we (in this scenario) are not good at. Japan and America can trade our specialty products plus a little money which will increase over all production on both parts and the consumers will ultimately be able to consume the product at a much lower cost than if the products were to be made in the united states. Similar to the topic inflation and deflation, which are two immensely argued sides in politics. However, if you consider the facts deflation is better for economics than inflation because inflation means there is a scarcity in products and thus prices rise, all economic advancements have been made in time of deflation when prices are falling and things become more affordable to the public. When prices are more affordable for the public more people can spend.

Economics seeks to understand and address the problem of scarcity, and it also address, or is supposed to address the problem of over-production and inflation. In America our government does not take the natural flow of economics seriously and demands that everything continue the way it is. For example our surplus of housing, we have enough houses and the prices for them are way too high as is, however, we won't let the economy settle and readjust.

To conclude, virtually every single problem in the world today, from global warming, to world poverty, to what pair of pants you're going to wear to school is part of economics. If you, or me, or anyone are going to be part of solving these crucial issues, we as a people need to educate ourselves on economics and understand it and the choices we make through it. Economics is the foundation of every well-established nation. A basic understanding of economics could change the way we think about our world, and furthermore the way we interact with our world. Over all economics is a very important part of not only our society but many societies around the world, it is a huge part of our daily lives.

Citation

Schiff, P. D., Leach, B., & Schiff, A. J. (2014). *How an Economy Grows and Why it Crashes*. Hoboken, NJ: Wiley.