**Topic 1A: Economic Indictors**

**LVL 1: As you read, answer the following questions**

1. What three sectors of the economy interact with and rely on one another for revenue, goods and services, and factors of production?
2. Why do economists analyze data of economic activity?
3. How do nations measure economic growth?
4. Why do nations want steady growth?
5. What are some things that are associated with economic growth?
6. Which graph do economists use to illustrate economic growth?
7. What does price stability refer to?
8. What is used to measure price changes?
9. How do price predictions impact our personal finances?
10. What does full employment refer to?
11. How does consumer demand impact profits of entrepreneurs?
12. How does consumer demand and profits of entrepreneurs impact government tax revenue?

**SSEMA1 Illustrate the means by which economic activity is measured.**

Economic activity derives from the sectors of the economy we explored in the fundamentals and microeconomics domains. Individuals, businesses, markets, and governments all interact to create a country’s economy. The degree of strength or weakness of all economic activity in an economy will affect the individual components of that economy. For this reason, public and private entities constantly measure specific types of economic activity and synthesize the data to create a picture of the economy’s health. The pictures drawn by the data inform policy makers who may choose to intervene in the economy to meet economic goals.

1. **Identify and describe the macroeconomic goals of steady economic growth, stable prices, and full employment.**

The social economic goal of growth in most countries is measured by using changes in real gross domestic product over time. Countries want steady **economic growth** because it means the economy is moving in the right direction. Steady economic growth is usually associated with things like entrepreneurs starting new businesses, firms becoming more productive by adding capital or new technology, workers becoming more productive through increases in knowledge and skills, and productive resources being available in greater quantities for the economy. Standard SSEF6, element d, showed how to illustrate economic growth on a production possibilities curve indicating a growing economy.

**Price stability** refers to minimizing increases in the price level over time so that a country’s money will retain its purchasing power over time. Countries have many ways to measure changes in the price level in the economy, one of which is the Consumer Price Index. Countries want stable prices so individual, firms, and governments can correctly predict how much the money they have now will buy in the future. Our predictions, about changes in the purchasing power of our money over time, affects how we save, how much we save, and when we decide to spend our savings.

**Full employment** refers to the state of the economy when virtually all who are willing and able to work have the opportunity to do so. Countries have many ways to measure full employment. Countries want full employment because of the circular flow of the economy studied in standard SSMI1, element a. The income people receive from working affects their ability to buy products and pay taxes. If consumers become unemployed, they will have less income to spend, firms will receive less revenue, and entrepreneurs will earn less profit. Businesses may close because they cannot cover their costs, causing increased numbers of workers to become unemployed. If workers and entrepreneurs are earning lower incomes, they will pay less to the government in taxes, reducing the amount of public goods and services available. If governments cannot maintain roads or fund schools, the infrastructure needed to support economic activity will decline and the economy will contract.

**LVL II Consider the following questions**

1. When you hear about how the economy is doing in conversations or on TV, what types of topics do people mention?
2. What other factors might an economist look at to evaluate how well an economy is doing?
3. What are the tradeoffs for focusing so much on economic growth?