

Order in the Economy!

The federal government in any society tries to maintain order and growth in the economy. Disorder in the economy leads to social unrest and political upheaval. Lack of economic growth leads to unemployment, which also generates unrest. If poor economic growth persists, a nation may even wind up unable to defend itself from attack or invasion. For instance, the economy of the USSR under communism could not sustain itself, which led to the breakup of the Soviet Union. Most modern governments take an active role in managing their economies through economic policies. These policies aim to maintain a stable currency and economic growth at a rate that balances inflation and unemployment.

Stabilization and Growth

While consumers and producers make most decisions that mold the economy, government activities have a powerful effect on the U.S. economy in many ways. Perhaps most importantly, the federal government guides the overall pace of economic activity, attempting to maintain steady growth, high levels of employment, and price stability. By adjusting spending and tax rates (fiscal policy) or managing the money supply and controlling the use of credit (monetary policy), it can slow down or speed up the economy's rate of growth -- in the process, affecting the level of prices and employment.

What Would You Do If ...

Partner up with one or two people and choose **3** of the scenarios below. Your job is to provide the following information about each of the scenarios you selected:

1. Summarize the situation and explain what the problem is ...
 2. Explain what you would do personally to deal with the situation ...
 3. Come up with a "big picture" plan for how the situation could be fixed ...
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SCENARIO 1: Employment Crisis! – Unemployment rate soars to 30%

SCENARIO 2: Food Prices Out of Control! – Supply shortages cause food prices to double every month

SCENARIO 3: Gas Prices Hit \$10 per Gallon! – War in the Middle East causes gas prices to spike

SCENARIO 4: Bank Run! – People get nervous about our banking system and want their money back

SCENARIO 5: Terrorist Attacks! – Terrorist attacks hit several major cities across the country

SCENARIO 6: Zombie Apocalypse! – A strange virus is spreading that causes people to become "zombies"