Economic Cycles and Financial Decision-Making

Presenter:

Theodore R. Daniels
Founder & President
Society for Financial Education & Professional Development, Inc.
Topics

Consider how economic trends impact you personally

- How circular flow applies to the economic system
- Impact of supply and demand in the marketplace
- Basic economic terminology
- Recent economic trends
- How current events can have an impact on a person's financial situation
- Psychological issues that drive an individual's spending and saving choices
Economics 101

Microeconomics vs. Macroeconomics
Economics 101

Microeconomics
Economics 101

Macroeconomics
Economics 101

- Supply and Demand
- Monetary Policy
- Fiscal Policy
- Economic Peaks
- Down swing
- Bottom out
- Recovery
Economic Terminology

Peak – the economy is fully expanded and dynamic

- Prices for goods and services rise
- Consumer spending and business spending are at high levels
- Business inventories are lower because of higher consumer demand
- Demand for money is higher; thus higher interest rates
- Investor attitudes are more daring
Downswing – the economy begins to lose steam

- Early signs of unemployment begins
- Prices for goods and services and interest rates remain high
- Reduction in business spending
- Consumer spending is reduced slightly
- Families and businesses take on less debt
- Investors become more conservative
Economic Terminology Cont’d

Bottom out – the economy is at the worst part of the downswing

- Mounting financial problems among families and businesses
- Unemployment rate is at a high level
- Prices of goods and services begin to rise more slowly
- Families and businesses do not take on new debt
Economic Terminology Cont’d

Recovery – household and business spending begins to increase due to a decrease in unemployment

- Business spending responds to increased consumer spending
- Unemployment rate begins to decrease
- Interest rates and prices begin to increase
- Consumers take on more debt
- Investors seek higher yields and capital appreciation on investments
Economic Cycles
Fiscal Policy – used by Federal Government to increase or slow economic activity
Monetary Policy

Money Supply – used by Federal Reserve Board to increase or slow economic activity

Discounted interest rate
Economic Cycles & Stock Market Reaction
Brainstorm 3-5 significant events in state, U.S., and/or world history that have impacted people's spending, savings, and investing decisions.
Recent Economic Trends

- Local
- National
- Global
Reflection

Reflect on what you have learned during this seminar about economic principles and trends. Think about how you can integrate what you have learned into your classroom instruction. Be prepared to share your reflections in a wrap-up discussion.

Think about:

How can you help your students develop knowledge about basic economic principles that have relevance to their lives?
Application

- Reflect on your personal "economic footprint." Develop two tactics:
  - How can you personally make a positive impact on the local economy?
  - How can you further your own understanding of local and national economic trends?