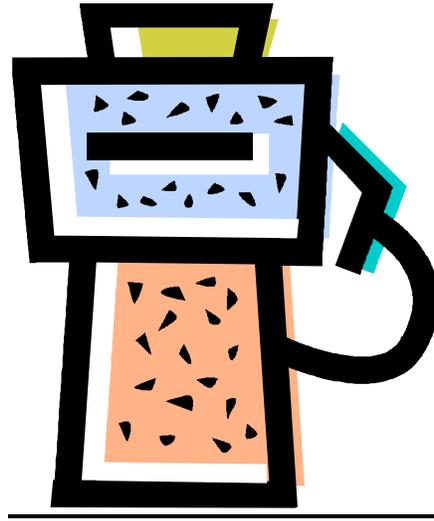


How Does Economics Affect Me?



Well... Before the Lord put me in Meredith's college-level high school course I did not know how to answer that question. I was one of those who did not understand what economics was all about. Now I can answer the question to an extent. I am not an expert but I now have an answer.

Have you seen the prices of fuel lately??? Goodness, they are so unstable. You may ask what does that have to do with economics. I would say everything. A lot of people think that the rise and fall of the fuel prices is because of the cost by the barrel. That does have some part to do with it but it is not the entire reason. If you look around the prices for everything seem to be increasing. The cost of fuel does have a bit to do with this as well, but it is again, not the entire reason. Another reason is the inflating dollar.

You may wonder what that has to do with anything, but it has a great deal to do with it. Let's look at this a little deeper. Right now the US is at war with Iraq and on the brink of war with other countries this is probably a normal issue but the government, like citizens have to pay for things. The difference between citizens and the government is that they can print money legally to pay for it we can't. The printing of additional currency and flooding the markets with it is that it reduces the worth of the dollar. This is because the government does not have the gold reserves to back the amount of dollars in the economy.

THE GOVERNMENT DOES NOT HAVE THE GOLD RESERVES TO BACK THE AMOUNT OF DOLLARS IN THE ECONOMY.

So let's say the dollar is only worth 75cents instead, that means that you need 25% more money to pay what you would have been able to pay with just the dollar. This is what causes the prices to increase on items in the market, including fuel. Now there are a few other factors of the cost of fuel being so high. With the war going on militants are attacking refineries. This means that other refineries have to work harder to produce more oil to keep up with the demand. Then when there is a colder winter, more people are using more oil to heat their homes, the demand for more oil goes up and the supply goes down, hence increase of prices. Then the countries that are producing the oil are doing it in such a way to increase the price per barrel, which peaked at a little over 100 dollars a barrel last week, before going to again.

There is another scare in the oil industry. There are several leaders that want to switch the oil from the dollar to either the euro or a "basket of currency". (<http://biz.yahoo.com/ap/071118/opec.html>) This would almost destroy the worth of the dollar and possibly send us into economic collapse.

So in conclusion, economics is learning how currency effects the way we live.

