The Journey of Unemployed Adults from Financial Literacy to Entrepreneurship

Financial Literacy Curriculum Content

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MODULE 2: Entrepreneurship

Lesson 17: My Country’s Economy

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Lesson 17: My Country’s Economy

To manage their finances and assets and to take control of their financial situation, people need to understand some fundamental economic principles. People are able to comprehend their own economies and interpret events that will either directly or indirectly affect them thanks to this situation, which we can also refer to as economic literacy. When making their own financial decisions, people also need a basic understanding of economics (also known as economic literacy). People will be more logical in their own decisions and will be able to make more accurate decisions thanks to the knowledge they have about the nation's economy.

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Various Financial Concepts

Production

Producing the goods and services required to satisfy consumer demand is referred to as production. By combining labor, money, and resources from the natural world, entrepreneurs produce goods and services.

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Various Financial Concepts

Consumption

Consumption is the term used to describe how people use goods and services to fulfill their needs. Consumption is valuable and effective as long as it is done in accordance with needs. On the other hand, excessive and unnecessary consumption can eventually hurt both the consumer and the national economy. The way we consume today has changed as a result of social, cultural, economic, and technological advancements. With his purchases, the person who consumes for no other reason tends to become established in society and forge an identity. Using this identity, he attempts to advance in society.

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Income

Income is the portion that a person receives in exchange for the production activity in which he engages for a specific amount of time. A person receives income depending on how they participate in production: wage income for labor, interest income for capital, and profit income for business owners.

There are two basic concepts related to national income:

Gross Domestic Product

Gross National Product

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Gross Domestic Product (GDP)

Gross domestic product (GDP) refers to the market value of all final goods and services produced in a country in a given period. It is the income earned by both citizens of that country and foreigners within the borders of a country. In other words, it refers to the sum of the income of all employees in that country.

Per Capita National Income: It is found by dividing the country's GDP by the country's population. When the GNP of the country is divided by the population, the GNP per capita is obtained.

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Gross Domestic Product (GDP)

GDP is the basic measure of the size of an economy and gives information about the level of development and economic strength of the country. The per capita income is the most basic indicator of the living standard and average income level of that country.

GDP per capita in Turkey in 2021 was 9,592 USD. According to IMF data, Turkey ranks 78th in the world in per capita income. At the top is Luxembourg with 137 thousand dollars, followed by Ireland, Switzerland and Norway. The USA ranks 6th with 69 thousand dollars, while Germany ranks 18th with 51 thousand dollars. Many countries such as Bulgaria, Russia, China, Romania, Iran and Greece are above Turkey in the per capita national income ranking.

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Gross National Product (GNP)

It refers to the sum of the income earned by a country's own citizens only within and outside the borders of that country. To calculate this, the income sent to the country by the citizens of a country working abroad is added to the GDP, and the incomes sent by the foreigners working in the country to their home country are subtracted from the GDP.

Inflation

Inflation is the continuous rise in the general level of prices as a result of the aggregate demand being greater than the aggregate supply in an economy. However, rising prices of some goods or non-continuous increases in prices are not inflation. In order to talk about inflation, the rise in prices must be experienced in all goods and services, that is, at the general level of prices, and must be continuous. The more money in the economy, the higher the probability of an increase in the inflation rate.

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Inflation

Inflation is one of the most important problems faced by all countries, especially in recent years. When there is inflation, there is a decrease in the purchasing power of money, which means that price stability has not been achieved. In periods of high inflation, the rise in the general level of prices causes an increase in family budget expenditures, and the amount of money paid for goods and services to be purchased increases.

Inflation is sometimes caused by an excessive increase in demand and sometimes by an increase in costs. Again, importing some inputs and goods in foreign-dependent economies may cause high prices to come to the country.

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Simple Steps

Calculating the rate of increase in the general level of prices is how the inflation rate is determined. The CPI and PPI are the two metrics employed in our nation to accomplish this. The **CPI** uses retail prices, which are significant to consumers. Although consumers use a variety of goods and services, not all of them can be considered when calculating inflation. In order to determine how many products and services are the most representative of all products and services, changes in their prices are calculated.

PPI tracks changes in the cost of the producer's inputs, intermediate products, and finished goods. Both monthly and yearly calculations are made for both indicators.

The annual inflation rate in the United States was reported to be 7.1% in November 2022, which is the highest rate in the previous 40 years. The Turkish Statistical Institute (TUIK) reports that year-end inflation in Turkey for 2022 was 64.27% in the CPI and 97.72% in the PPI.

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Unemployment

Unemployed people are those who are 15 years of age or older who are unable to find a job they can perform for but are willing to accept the going wage rate. Both those who work and those who do not make up the labor force. The unemployment rate in this situation is calculated by dividing the labor force's size by the number of unemployed people.

For example, the Turkish Statistical Institute (TUIK) determines the unemployment rate in the Turkish nation. The use of the means of production in production, on the other hand, is indicated by employment. When unemployment declines and employment rises, both the national income and welfare level rise.

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Unemployment

According to OECD (2023), in 2023, the unemployment rate in Greece was 15% for women and 8.3% for men. In Spain, the unemployment rate was 14.5% for women and 11% for men. In Turkey, the rate is 14.5% and 11% respectively. In Lithuania, the rate is approximately 7.5% for both genders.

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Growth

Economic growth is the expansion of a nation's capacity for production as well as the production of more goods and services.

The country's production capacity is increased by both the expansion of its production tools and the advancement of technology, creating the opportunity to produce more goods and services.

The rate of growth of real GDP and real GNP is used to gauge economic expansion. Growth raises welfare levels, increases per capita income, and allows people to purchase more goods and services. Income disparities will also vanish if governments implement the right policies.

On the other hand, **development** describes the rise in a nation's standard of living in terms of its social, political, and economic facets.

Development factors include national income in addition to saving rate, literacy rate, urbanization rate, population growth rate, and per capita energy consumption. Turkey grew by 11.4% in 2021, per TUIK data. In the third quarter of 2022, Turkey's growth rate was 3.9%, whereas the USA's growth rate was 2.6%.

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Export - Import

Selling domestically produced goods and services to foreign nations is known as exporting. When goods and services are exported, foreign currency is brought into the nation in exchange, raising national income. Governments aid exporters for this reason.

Contrarily, import refers to the acquisition of products and services from other nations that are either not produced at all or are produced locally but do not satisfy domestic demand. As payments are made abroad in foreign currency, the country's income declines in response.

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Payments Balance-External Deficit

An indication of a nation's economic interactions with the outside world is its balance of payments. It displays the foreign earnings and payments made over the course of a year. The foreign trade balance, on the other hand, only displays the export and import of goods; if the import exceeds the export, a "foreign trade deficit (foreign deficit)" results.

Foreign currency

"Currency" refers to any type of foreign payment instrument used to conduct international economic transactions. Financial transactions involving foreign currencies include bank transfers, foreign currency deposit accounts, and foreign currencies themselves.

Cash in foreign currencies is referred to as **"effective"**.

The term **"currency markets"** refers to the markets where national currencies, or foreign exchange, are traded. The price of the foreign currency is established when foreign exchange buyers and sellers collide in these global markets.

The term **"exchange rate"** refers to this exchange rate. The rate of change between the local currency and the foreign currency is, therefore, the exchange rate.

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