

Delaware Model Unit Gallery Template

This unit has been created as an exemplary model for teachers in (re)design of course curricula. An exemplary model unit has undergone a rigorous peer review and jurying process to ensure alignment to selected Delaware Content Standards.

Unit Title: Economic Stability

Designed by:
District:

Content Area: Social Studies
Grade Level(s): 9-12

Summary of Unit

(Includes text from the Delaware Social Studies Clarifications Document)

This unit focuses on the overarching question, "How can economic stability be achieved?" Unlike the study of individual markets, the total economy is the sum of all markets in a society. Understanding involves the ability on the part of the students to analyze how changes in one market will impact others.

Background Information

When either the consumption or production decisions are added up for a year, the information tracks the health of an economy. Economists have come to refer to these changes in economic activity over time as the **business cycle**. The length of the cycle varies and reflects the decisions consumers, producers, and governments make and the impact these decisions have on an economy.

There are four parts to any business cycle (using the Great Depression as an example):

- Peak – the highest point gross domestic product (GDP) achieves. (The economy hit its peak in October 1929.)*
- Recession – the period during which GDP declines. There must be at least six consecutive months of decline in the GDP to be called a recession.
- Trough – the lowest point GDP hits before economic growth begins for the next phase. (The economy hit its lowest point in 1933.)*
- Expansion — an increase in GDP for a specific time period. Growth may increase slowly as in the 1930s or rapidly as in the 1990s.

** The peak and the trough can only be determined in retrospect after the recession or expansion has begun.*

Within a business cycle, the economy will show symptoms of instability, fluctuating between periods of unemployment and inflation. For the most part, the unemployment rate rises during a recession and declines during an expansion. In the 1970s, the United States experienced almost a decade of a condition known as "stagflation," during which both unemployment and inflation occurred at the same time. Since then, the cycles have reflected normal patterns.

What causes unemployment to rise above the 5% rate that is considered full employment? What does it mean to be unemployed? How are unemployment figures calculated? To be

unemployed, a person has to be willing to, able to, and looking for work, but not be able to find it. The Bureau of Labor Statistics calls 64,000 households a month and asks a series of questions to determine the unemployment rate. It is not related to the number of people collecting unemployment. Consequently, many economists believe that the rate is too low due to the methods used to collect information and the fact that there are discouraged workers who have given up looking for a job.

Unemployment is categorized by observing five different causes:

- A. **Cyclical unemployment** is a result of overall decreased demand for goods and services, causing a downturn/recession in the economy that is reflected in the business cycle.
- B. **Structural unemployment** refers to people that do not have the skills to match the job openings that are available. Demand for the skills they have decline. Businesses trying to reduce costs eliminate jobs. Time is required for many workers to retrain and find new jobs.
- C. **Frictional unemployment** refers to workers who are between jobs. Examples of this range from those who have just graduated from high school or college to someone whose spouse has been transferred and has not yet found a new job to someone who was unhappy in their previous job and quit before having another one lined up.
- D. **Seasonal unemployment** is a result of demand for workers declining because of the type of job they have. For example, landscapers have to find alternatives during the winter months, or summer resorts close down in September and other jobs are not available there. Construction workers and farm labor have to contend with the weather as a factor in whether or not they are employed. Knowing that the weather will change and that the season comes around yearly, causes workers in these fields to find other intermittent employment or to live off savings during the off-season.
- E. **Technological unemployment** refers to technological change and innovation creating new goods and services that can make skills obsolete. Some workers have difficulty responding to the changes their companies implement. For many, retraining is necessary to find jobs that will allow them to maintain their standard of living. Some might choose not to retrain.

Unemployment reduces household income, which creates less demand for goods and services. More people may be laid off and there is another round of decreasing income to households. Less income creates less tax revenue, which may result in a lower level of public goods and services and the jobs related to their delivery.

During an expansionary phase of the business cycle, characterized by economic growth, the possibility of **inflation** exists. Defined as an increase in the overall level of prices, inflation affects consumers, producers, and government differently. When the inflation rate rises above 3%, **real purchasing power** in the economy declines for many people. Two root causes of inflation are demand-pull and cost-push. In the first scenario, the economy is considered to be overheated and that "too much money is chasing too few goods." What does this mean? Productive resources in an economy are being used to their fullest capacity and choices are made by markets as to how to use them, so there is upward pressure on prices to determine who will get the goods and services. Incomes are higher than the amount of goods and services available so prices rise. In the cost-push scenario, the costs of productive resources rise, pushing up the cost of production. Producers cut back on the amount they can supply so prices for the **final goods and services** rise. A good example of this was the inflation of the 1970s caused by the rapid increase in oil prices. Not only did gasoline prices increase for consumers, but the cost of transporting

goods rose quickly. Since oil is also the base for many other products like plastics, fibers, pharmaceuticals, etc., their cost increased. Consumers whose incomes did not keep pace with the price increases found their real purchasing power declining.

There are gainers and losers during an inflationary spiral. If one is a saver, the value of savings declines if the interest rate received does not stay ahead of the inflation rate. A person with a fixed income, such as a retiree or welfare recipient, loses purchasing power. A creditor loses because he is being paid back in dollars that will buy less than when he lent the money. On the other hand, a borrower gains because they have received the goods or services at the lower price, and they pay back in dollars worth less. People whose income rises faster than the inflation rate gain, as do those whose assets increase in value faster than the inflation rate.

To combat the instability of inflation and recession, the Federal Reserve System (also known as "the Fed") and the federal government use the tools of **monetary and fiscal policy**, respectively. The goals of the Federal Reserve System are to promote economic growth, full employment, and to achieve price stability. Since inflation is caused by having too much money in circulation, the Fed uses monetary policy to control and stabilize the money supply. Acting as "the banker's bank," the Fed increases or decreases the money supply by providing incentives for banks to make (or not make) loans to businesses and households.

The tools which the Fed uses to accomplish these goals include being able to set **reserve requirements**, the **discount rate**, and the **federal funds rate target**, and to conduct **open market operations**. The reserve requirement is the percentage of deposits a bank must keep as cash in their vault or on deposit at the Fed. Rarely is the reserve requirement altered because the impact of changing the **money multiplier** would be too great. To encourage or discourage banks from lending, the Fed sets the discount rate, which is the interest rate banks must pay the Fed for short-term borrowing at the discount window. The Fed also sets the target interest rate for federal funds, the interest that banks charge each other for short-term borrowing. The most often used tool of monetary policy is open market operations, the buying and selling of **government securities** to increase or decrease the money supply.

If the economy is in recession, the Fed will take steps to increase the money supply by buying government securities, lowering the discount and/or federal funds rate, and possibly lowering the reserve requirements. Increasing the money supply provides the banks with more lending capability so that they can make more loans, increasing demand for goods and services. During inflationary times, there could be too much money in circulation, so the Fed decreases the amount of money by selling government securities, by increasing the discount and federal funds rate, or by increasing the reserve requirement.

While the Federal Reserve is responsible for monetary policy, the executive and legislative branches of the federal government utilize fiscal policy to combat the ups and downs of the business cycle. The two tools that the President and Congress can use are taxing and spending policies. When faced with a recession, the fiscal policy suggested by this condition is to reduce taxes, increasing household and business income, which in turn increases households' ability to purchase goods and services. If done when the problem exists, this policy can encourage economic growth. If consumer and producer demand is still sluggish, the government can increase government spending by purchasing goods and services from businesses, which then need to hire additional productive resources including labor. When an inflationary spiral is affecting the economy, fiscal policy actions indicate that taxes should be increased and cuts should be made in government spending. The consequence of this policy is to decrease overall demand so that prices will stabilize.

Stage 1 – Desired Results

(What students will know, do, and understand)

Delaware Content Standards

- Include those addressed in Stage 3 and assessed in Stage 2.

Economics Standard Two 9-12a: Students will develop an understanding of how economies function as a whole, including the causes and effects of inflation, unemployment, business cycles, and monetary and fiscal policies.

Big Idea(s)

- Transferable core concepts, principles, theories, and processes from the Content Standards.

Interdependence Economic Stability

Unit Enduring Understandings (K-12)

- Full-sentence, important statements or generalizations that specify what students should understand from the Big Ideas(s) and/or Content Standards and that are transferable to new situations.
- A nation's overall level of income, employment, and prices are determined by the interaction of spending and production decisions made by all households, firms, government, and trading partners.
- Because of interdependence, decisions made by consumers, producers, and government impact a nation's standard of living.
- Market economies are dependent on the creation and use of money, and a monetary system to facilitate exchange.

Contextual

- Economic instability affects the choices made by households, businesses, and government.

Unit Essential Questions

- Open-ended questions designed to guide student inquiry and learning.
- Why is our economy interdependent?
- How can we determine the overall health of the economy?
- Why are market economies dependent on the creation and use of money and a monetary system to facilitate exchange?
- **How might government policy decisions affect the stability of the economy?**
 - How do Federal Reserve decisions affect the stability of the economy?
 - How does fiscal policy affect the stability of the economy?

Knowledge and Skills

- Needed to meet Content Standards addressed in Stage 3 and assessed in Stage 2.

Students will know...

- How the economy operates as a whole
- Money flows/real flows (demonstrated in the circular flow diagram)
- Major sectors of the economy – households, businesses, and government
- Business cycle – peak, recession, trough, expansion, contraction

- Causes and effects of unemployment – cyclical, structural, frictional, seasonal, and technological
- Causes and effects of inflation, deflation, and stagflation
- How the U.S. monetary system operates
- Tools of Monetary Policy/ Federal Reserve
- The structure of the federal budget
- The differences between the U.S. deficit and debt
- Tools of fiscal policy/U.S. Government

Students will be able to...

- Analyze the effects of an event on the economy as a whole
- Analyze economic statistics and determine the health of the economy
- Explain how the Federal Reserve controls the money supply in order to achieve economic stability
- Explain how Congress and the President use taxing and spending to achieve economic stability
- Recommend monetary and fiscal policy actions

Stage 2 – Assessment Evidence

(Evidence that will be collected to determine whether or not Desired Results are achieved)

Suggested Performance/Transfer Task(s)

- Performance/transfer tasks as evidence of student proficiency

An effective assessment for ALL students should be designed to include:

- Complex, real-world, authentic applications
- Assessment(s) for student understanding of the Stage 1 elements (Enduring Understandings, Essential Questions, Big Ideas) found in the Content Standards
- Demonstration of high-level thinking with one or more facets of understanding (e.g., explain, interpret, apply, empathize, have perspective, self-knowledge)

Transfer Task #1 – Economic Measurement

This performance task should be reviewed with students prior to beginning Lesson Two and be completed at the conclusion of Lesson Two.

Prior Knowledge	Now that you understand the business cycle and can analyze economic indicators to determine current economic conditions, you are ready to predict how the health of the economy will affect sectors of the economy.
Problem	The board of directors for an American manufacturing company wants to understand how the economy has affected company profits over the past 10 years and make predictions for the future.
Role/ Perspective	You are the economic advisor for an American manufacturer. (You chose the actual company. Examples include: General Motors, Ryan Home Construction, Safeway Grocery Store, etc.).
Product/ Performance	<p>As an economic adviser, it is your responsibility to research the last 10 years of economic conditions and present your findings to the board of directors. In this presentation you must include the following content:</p> <ul style="list-style-type: none"> • An overview of the trends over the last 10 years up to present day for each economic indicator (GDP, GDP per capita, inflation, unemployment, retail sales, and housing starts, and any other indicators that might affect the company you have selected) • An explanation of how these trends reflected conditions in the overall economy including any changes in the business cycle over that 10-year time period • A prediction of how the economic conditions would most likely affect an automobile manufacturer, either positively or negatively • Recommendations about what their company could do to maximize future sales considering the current economic statistics

	Your presentation could take the form of a PowerPoint presentation, a presentation using posters and/or handouts, or a video.
Criteria for an Exemplary Response	<p>Your presentation should include:</p> <ul style="list-style-type: none"> • Trends over the last 10 years up to present day for each economic indicator (GDP, GDP per capita, inflation, unemployment, retail sales, and housing starts, and any other indicators that might affect the company you have selected) • An explanation of how these trends reflected conditions in the overall economy, including any changes in the business cycle over that 10-year time period • A prediction of how the economic conditions would most likely affect an automobile manufacturer, either positively or negatively <p>Recommendations about what their company could do to maximize future sales considering the current economic statistics</p>

Transfer Task #2 – Monetary Policy and Federal Reserve Simulation

This performance task should be reviewed with students prior to beginning Lesson Three and be completed at the conclusion of Lesson Three.

Prior Knowledge	Now that you understand the business cycle, can analyze economic indicators to determine current economic conditions, and are knowledgeable about monetary policy tools used by the Federal Reserve, you are ready to make recommendations about influencing economic stability.
Problem	<p>The country is facing an economic crisis described by the following economic statistics:</p> <ul style="list-style-type: none"> • Unemployment Rate: ____ • Inflation Rate: ____ • GDP: ____
Role/ Perspective	You are a member of the Federal Reserve Board. Since you will be working with other members of the board, the group should collectively decide which student will take on the role of which member. Prior to beginning the simulation, you will complete a brief biographical sketch of this member.
Product/ Performance	<p>As a member of the Federal Reserve, you will be expected to present your recommendations to stabilize the national economy. In this simulation you must:</p> <ul style="list-style-type: none"> • Introduce yourself to the group by sharing your biographical sketch. • Complete your entrance ticket prior to the simulation which asks you to: <ul style="list-style-type: none"> ▪ Determine what phase the business cycle is in by evaluating the economic indicators ▪ Predict how the current economic condition is affecting the average American citizen

	<ul style="list-style-type: none"> ▪ Develop a plan to stabilize the economy using the appropriate monetary tool(s) • As a group, write a statement explaining the monetary tool(s) used and an explanation of why those tools were used • Complete an exit ticket after the simulation which asks you to reflect on your original thoughts. Based on discussion from the simulation you will: <ul style="list-style-type: none"> ▪ Determine what phase the business cycle is in by evaluating the economic indicators ▪ Predict how the current economic condition is affecting the average American citizen
Criteria for an Exemplary Response	<p>In this simulation be sure to:</p> <ul style="list-style-type: none"> • Introduce yourself to the group by sharing your biographical sketch. • Complete your entrance ticket prior to the simulation which asks you to: <ul style="list-style-type: none"> ▪ Determine what phase the business cycle is in by evaluating the economic indicators ▪ Predict how the current economic condition is affecting the average American citizen ▪ Develop a plan to stabilize the economy using the appropriate • As a group, write a statement explaining the monetary tool(s) used and an explanation of why those tools were used • Complete an exit ticket after the simulation which asks you to reflect on your original thoughts. Based on discussion from the simulation you will: <ul style="list-style-type: none"> ▪ Determine what phase the business cycle is in by evaluating the economic indicators ▪ Predict how the current economic condition is affecting the average American citizen

Teacher Tips

The teacher will provide the statistics using minutes from the Federal Open Market Committee (<http://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>).

Since the committee's decision is included, the student can, at the completion of the analysis, compare his/her product/performance with what the committee actually decided.

Or, teachers may want to use current statistics that are available at the Bureau of Economic Analysis (<http://www.bea.gov/>).

Student Resources to Support Transfer Task #2:

Federal Open Market Committee Members and Their Biographies
<http://www.federalreserve.gov/monetarypolicy/default.htm>

A Day in the Life of the FOMC explains what takes place at an FOMC meeting
<http://www.philadelphiafed.org/education/resources/day-in-life-of-fomc/>

How the Fed Guides Monetary Policy
<http://www.frbsf.org/publications/federalreserve/fedinbrief/guides.html>

A Little More About the FOMC

<http://www.frbsf.org/publications/federalreserve/fedinbrief/fomc.html>

Federal Open Market Committee Calendar and Minutes

2003–2008 <http://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

1978–2002 http://www.federalreserve.gov/monetarypolicy/fomc_historical.htm

Transfer Task #3 – Fiscal Policy and Public Policy Analysis

This performance task should be reviewed with students prior to beginning Lesson Four and be completed at the conclusion of Lesson Four.

Prior Knowledge	Now that you understand the business cycle, can analyze economic indicators to determine current economic conditions, and are knowledgeable about fiscal policy tools used by the national government, you are ready to make recommendations about influencing economic stability.
Problem	The country is currently facing an economic crisis described by the following economic statistics: <ul style="list-style-type: none">• Unemployment Rate: _____• Inflation Rate: _____• GDP: _____
Role/ Perspective	You are a member of Congress.
Product/ Performance	As a member of Congress you will be expected to present your recommendations to stabilize the national economy. In this presentation you must: <ul style="list-style-type: none">• Determine what phase the business cycle is in by evaluating the economic indicators• Predict how the current economic conditions are affecting the average American citizen• Develop a plan to stabilize the economy using the appropriate fiscal policy tool(s)• Explain how the plan will influence the budget Recommend long-term methods to reduce the national budget deficit and national debt
Criteria for an Exemplary Response	When making your recommendations be sure to: <ul style="list-style-type: none">• Determine what phase the business cycle is in by evaluating the economic indicators• Predict how the current economic conditions are affecting the average American citizen• Develop a plan to stabilize the economy using the appropriate fiscal policy tool(s)• Explain how the plan will influence the budget• Recommend long-term methods to reduce the national budget deficit and national debt

Teacher Tip

The teacher will provide the statistics using minutes from the Federal Open Market Committee. <http://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

Or, teachers may want to use current statistics which are available at the Bureau of Economic Analysis. <http://www.bea.gov/>

Rubric(s)

- Scoring guide to evaluate performance/transfer tasks used as evidence of student proficiency.

An effective scoring guide should:

- Measure what is appropriate for the Content Standard that is assessed.
- Provide opportunities for differentiation of the performance/transfer tasks used as evidence of student proficiency.

Transfer Task #1

Scoring Category Your findings include:	Score Point 3	Score Point 2	Score Point 1
An overview of the trends over the last 10 years (up to present day) for each economic indicator—at least six	The overview provides valid trends for all six economic indicators	The overview provides valid trends for at least four economic indicators	The overview provides valid trends for fewer than four economic indicators Or The overview provides invalid trends for three or more economic indicators
An explanation of how these trends reflected changes in the business cycle over the 10-year time period	The explanation is well developed and reflects an accurate change in the business cycle over the 10-year time period	The explanation is partially developed and/or reflects a somewhat accurate change in the business cycle over the 10-year time period	The explanation is minimally developed and/or reflects an inaccurate change in the business cycle over the 10-year time period
A prediction of how the economic conditions would most likely affect an automobile manufacturer, either positively or negatively	The prediction provides well developed reasoning	The prediction provides partially developed reasoning	The prediction provides minimally developed reasoning

Scoring Category Your findings include:	Score Point 3	Score Point 2	Score Point 1
Recommendations about what their company could do to maximize future sales considering the current economic statistics	The recommendations provide well developed reasoning	The recommendations provide partially developed reasoning	The recommendations provide minimally developed reasoning
Uses content appropriate vocabulary in order to demonstrate understanding	Content-appropriate vocabulary is well developed and evident	Some evidence of content-appropriate vocabulary usage	Minimal evidence of content-appropriate vocabulary usage

Total Score: _____

Above the Standard: 13 to 15

Meets the Standard: 8 to 12

Below the Standard: 5 to 7

Transfer Task #2

Scoring Category Your simulation evidence includes:	Score Point 3	Score Point 2	Score Point 1
An introduction in the form of a biographical sketch	The introduction is well developed with detailed supporting information	The introduction is partially developed with limited supporting information	The introduction is minimally developed with little supporting information
An entrance ticket that determines what phase the business cycle is in	The entrance ticket accurately determines what phase the business cycle is in	Somewhat accurately determines what phase the business cycle is in	Inaccurately determines what phase the business cycle is in
An entrance ticket that predicts how the current economic condition is affecting the average American citizen	Provides a prediction with well developed reasoning	Provides a prediction with partially developed reasoning	Provides a prediction with minimally developed reasoning

Scoring Category Your simulation evidence includes:	Score Point 3	Score Point 2	Score Point 1
An entrance ticket that provides a plan to stabilize the economy using the appropriate tool(s)	Provides a plan using the appropriate tool(s)	Provides a plan using somewhat appropriate tool(s)	Provides a plan using inappropriate tool(s)
A statement explaining how and why the monetary tool(s) used	The statement is well developed with clear linkage regarding why the monetary tool should be used	The statement is well or somewhat well developed with somewhat clear linkage regarding why the monetary tool should be used	The statement is minimally developed with unclear linkage regarding why the monetary tool should be used
An exit ticket evaluates economic indicators and determines what phase the business cycle is in	The exit ticket thoroughly evaluates the economic indicators and accurately determines which phase the business cycle is in	Partially evaluates the economic indicators and somewhat accurately determines which phase the business cycle is in	Minimally evaluates the economic indicators and/or inaccurately determines which phase the business cycle is in
Predicts how the current economic condition is affecting the average American citizen	Provides a prediction that includes well developed reasoning	Partially developed reasoning	Minimally developed reasoning
A plan to stabilize the economy using appropriate tool(s)	Provides a plan using the appropriate tool(s)	Somewhat appropriate tool(s)	Inappropriate tool(s)

Total Score: _____

Above the Standard: 21 to 24

Meets the Standard: 15 to 20

Below the Standard: 8 to 14

Transfer Task #3

Scoring Category Your recommendations include:	Score Point 3	Score Point 2	Score Point 1
An explanation of the phase that the business cycle is in	The explanation provides well developed reasoning	The explanation provides partially developed reasoning	The explanation provides minimally developed reasoning
A prediction of how the current economic conditions are affecting the average American citizen	The prediction provides well developed reasoning	The prediction provides partially developed reasoning	The prediction provides minimally developed reasoning
A plan to stabilize the economy using the appropriate fiscal policy tool(s)	The plan uses the appropriate fiscal policy tool(s)	The plan uses somewhat appropriate fiscal policy tool(s)	The plan uses inappropriate fiscal policy tool(s)
An explanation of how the plan will influence the budget	The explanation provides well developed reasoning	The explanation provides partially developed reasoning	The explanation provides minimally developed reasoning
A recommendation of long-term methods to reduce the national budget deficit and national debt	The recommendation provides accurate methods with well developed reasoning for how the methods will reduce the national budget	The recommendation provides somewhat accurate methods and/or partially developed reasoning for how the methods will reduce the national budget	The recommendation provides inaccurate methods with minimally developed reasoning for how the methods will reduce the national budget

Total Score: _____

Above the Standard: 13 to 15

Meets the Standard: 8 to 12

Below the Standard: 5 to 7

Other Evidence

- Varied evidence that checks for understanding (e.g., tests, quizzes, prompts, student work samples, observations and supplements the evidence provided by the task)

Formative Assessment is embedded into the lessons through the Checks for Understanding.

Student Self-Assessment and Reflection

- Opportunities for self-monitoring learning (e.g., reflection journals, learning logs, pre- and post-tests, self-editing—based on ongoing formative assessments)

When students are required to think about their own learning, to articulate what they understand and what they still need to learn, achievement improves.

– Black and William, 1998; Sternberg, 1996; Young, 2000.

How a teacher uses the information from assessments determines whether that assessment is formative or summative. Formative assessments should be used to direct learning and instruction and are not intended to be graded.

The Checks for Understanding at the end of each instructional strategy should be used as formative assessment and may be used as writing prompts or as small-group or whole-class discussion. Students should respond to feedback and be given opportunities to improve their work. The rubrics will help teachers frame that feedback.

An interactive notebook or writing log could be used to organize student work and exhibit student growth and reflection.

Stage 3 – Learning Plan

(Design learning activities to align with Stage 1 and Stage 2 expectations)

Key Learning Events Needed to Achieve Unit Goals

- Instructional activities and learning experiences needed to align with Stage 1 and Stage 2 expectations.

Include these instructional elements when designing an effective and engaging learning plan for ALL students:

- Align with expectations of Stage 1 and Stage 2
- Scaffold in order to acquire information, construct meaning, and practice transfer of understanding
- Include a wide range of research-based, effective, and engaging strategies
- Differentiate and personalize content, process, and product for diverse learners
- Provide ongoing opportunities for self-monitoring and self-evaluation

Lesson One

Essential Question

- Why is our economy interdependent?

Background: Initial Excerpts from Clarification Document Lesson Focus – Interdependence (Circular Flow)

Unlike the study of individual markets, the total economy is the sum of all markets in a society. Understanding involves the ability on the part of the students to analyze how changes in one market will impact others. In a market economy, there are three major players in the economy: households, businesses, and government. What the society produces generates income for households. Households sell their productive resources (land, labor, capital, and entrepreneurship) to business in exchange for income (rent, wages, interest, and profit). Household income is spent, taxed, or saved. The money spent for private goods and services returns to businesses, while the taxes paid to the government fund public goods and services. Savings is money households do not spend on goods and services. Most households place this income with financial intermediaries, banks, and brokers. These financial institutions transfer the savings through businesses borrowing from banks, the buying and selling of corporate stocks and bonds, the funding of mortgages, and the buying of insurance. Businesses from small to large borrow to expand. This requires buying more productive resources from households, which in turn creates more household income. Additionally, goods and services are exported and imported by American households and businesses causing increases in consumption and production within the United States.

The 6-8 benchmark introduces students to the concept of the circular flow model. The Clarification Document explains:

Money in an economy facilitates trade and encourages specialization by reducing the costs of exchange. The more an economy specializes, the more efficient it becomes. With increased efficiency comes a higher standard of living and greater interdependence.

Banks, taxes, and spending by governments transfer income and financial resources from one entity to another. These actions often promote economic growth and redistribute income.

Banks transfer money from savers to borrowers. Households are willing to save their money because banks are willing to offer interest payments as an incentive. Borrowers

decide that the benefits of borrowing outweigh the costs. The loans made by banks transfer savings to borrowers. These transactions increase the money supply. This in turn increases economic activity and promotes economic growth.

Taxes transfer money from individuals and businesses to the government. The government uses that revenue to provide public goods and services and support the purposes of government. Taxes that are levied can alter what people buy and affect production decisions because of their impact on costs in the production process.

Government spending transfers revenue to individuals and businesses and provides public goods and services. Public goods and services provide benefits to more than one person at the same time, and their use cannot be restricted only to those people who have paid to use their goods and services. Students should be able to analyze how tax dollars are used to pay for public goods such as national defense, education, and roads and explain why these services would be underprovided in the private sector without government intervention. Governments sometimes use taxes to influence economic activity. Government policy can address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Many government policies also redistribute income. Social welfare programs, such as food stamps and Medicaid, are examples of this. **Circular Flow Models** (the movement of output and income from one sector of the economy to another—often illustrated as a circular flow diagram) can help students to analyze the role of money, banking, taxes, and government spending in a market economy.

Strategy 1: Gathering Information

Simulation – The Circular Flow of Economic Activity

Simulations are helpful because they integrate a variety of differentiated learning strategies. Auditory, kinesthetic, and visual learners all benefit from the multiple steps involved with the *Circular Flow of Economic Activity* available through the National Council on Economic Education's Virtual Economics version 3.0 CD. Copies of the CD were distributed over the last few years by the University of Delaware's Center for Economic Education professional development programs. If your school does not have a copy, you may contact the Center for Economic Education to arrange professional development and distribution of the CDs.

To access *The Circular Flow of Economic Activity*, place the CD into your computer and using the tab entitled "Search by Publication," locate the Economics in Action publication and click on Lesson 10. All directions and materials are included in the lesson.

At the conclusion of the simulation, a class-wide debriefing should take place. Questions for the debriefing should include:

1. What are the three main parts around which all activities revolve? **Households, government, businesses**
2. What are the four productive resources? **Land, labor, capital, entrepreneurship**
3. What are the money payments received for each of the above? **Rent, wages, interest, and profit**
4. For what three activities do households use their income? **Spending, saving, and investing**
5. What do households get in return for placing their income in these areas? **Goods/ services or profit**
6. What is the main activity for which households use their income? **Spending**
7. What is the second largest use of household income? **Taxes**
8. If there is income left where does income go? **Saving or investing**

Debriefing questions source: Barbara Emery, Program Coordinator, Center for Economic Education and Entrepreneurship, University of Delaware

Check for Understanding

Why does economic activity as a whole create a circle? Explain your answer.

Rubric

2 – This response gives a valid reason with an accurate and relevant explanation.

1 – This response gives a valid reason with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see [Student Self-Assessment and Reflection](#)

Strategy 2: Gathering Information

Think/Pair/Share

First, pose the following questions to the class as a whole:

- When economists refer to “the economy,” what are they talking about?
- How is my life affected by how well the economy is doing?
- How do you know how well the economy is doing?

Ask students to quietly record their own answers in their interactive notebook or journal. Students should be given approximately 3 to 5 minutes to think about and then record their answers. Then place students in pairs. The two should compare and contrast their answers through discussion and then make any revisions to their own answers based upon the discussion. At that point, the teacher should circulate among the partners, answer questions, listen for and address misperceptions, etc. Partners should then report out during a class-wide debriefing.

During the class-wide debriefing, answers will vary and might include the following:

- When economists refer to “the economy,” what are they talking about?

The total economy is the sum of all markets in a society. There are three major “players” or sectors—the households, businesses, and government. Households sell their resources (land, labor, capital, and entrepreneurship) to businesses in exchange for income (rent, wages, interests, and profit). The income is spent, taxed, or saved. Government provides public goods and services using the taxes collected. We use the circular flow model to represent our economy.

- How is my life affected by how well the economy is doing?

The economy and how well it is doing affects my life in a variety of ways. This includes how easy it is to get a job, how easy or difficult it is to purchase goods and services, how expensive goods and services are, and what types of public goods and services I am eligible to receive. For instance, public schooling is paid for using tax money. If the economy is not doing well, some extracurricular activities could be cut if the money is not available.

- How do you know how well the economy is doing?

Answers might include different types of media reporting the information, but students should begin to think about what the media is reporting—the unemployment rate, inflation, etc. Students should also reflect on personal experiences such as not being able to find a job, not having enough “extra” money (i.e., disposable income) to go shopping for luxuries, etc., if the economy is not doing well or having no problem finding a job, getting a raise, etc., if the economy is doing well. Students might begin to think about economic statistics, but the focus of that discussion will take place in Lesson Two, Strategy One.

During the debriefing, misconceptions should be addressed if any remain. It should also be a time for students to ask questions.

Check for Understanding:

How has your understanding of the economy changed as a result of this discussion? Support your answer with an example.

Rubric

2 – This response gives a valid change with an accurate and relevant example.

1 – This response gives a valid change with an inaccurate, irrelevant, or no example.

For administration of formative assessment see **Student Self-Assessment and Reflection**

Strategy 3: Extending and Refining Cooperative Learning

To pre-assess student understanding and link to prior knowledge, students will exhibit examples of the circular flow model using real life examples. This will be accomplished through the following steps:

1. Students should take out the circular flow graphic that includes households, government, and businesses which was distributed in Strategy One.
2. Students should be paired and given the following materials:
 - An oversized sheet of construction paper or flipchart paper
 - Scissors, markers, etc.
 - Old magazines or other sources of graphics
3. Then students create a circular flow collage by recreating the circular flow diagram on their paper and finding examples within magazines of the circular flow actions taking place. The actions should include both money flows and real flows. For instance, a picture of a person purchasing goods at a store or someone getting their hair cut in a salon would represent the connection between households and business firms (real flow). The picture would be cut out and pasted onto the collage with an arrow that shows the flow of money (money flow) going from households to business firms.

Check for Understanding:

What is/are my role(s) in the economy? Explain your answer.

Rubric

2 – This response gives a valid role with an accurate and relevant explanation.

1 – This response gives a valid role with an inaccurate, irrelevant, or no explanation.

How do my actions affect the economy? Explain your answer.

Rubric

2 – This response gives a valid effect with an accurate and relevant explanation.

1 – This response gives a valid effect with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see **Student Self-Assessment and Reflection**

Strategy 4: Application Case Studies using Conclusion-Support Notes

Student pairs from the previous strategy should pair with another group, thus creating a larger group of four. Using the circular flow diagram and knowledge of the money flows/real flows, how markets operate, and the three sectors of the economy, students will read current event articles and determine how one event might affect the economy as a whole. Students should read all four articles and then determine which student will facilitate or lead the discussion for each article. As students are reading, they should

underline sections that are unclear. As each article is reviewed by the group, each student should share and discuss their underlined sections.

After discussion is complete, the group should complete their conclusion-support notes. In column #1, the headline should be written. Then in column #2, the group should provide a concise explanation of how this event could impact at least two sectors of the economy. In column #3, the group provides evidence presented in the article to support their conclusion.

While determining conclusions for each article keep in mind aspects such as:

- How will this impact households? Will they be influenced positively or negatively?
- What markets will be influenced? Will they be influenced positively or negatively?
- How will this event increase or decrease taxes?

Headline	Conclusion	Support
#1.		
#2.		
#3.		
#4.		

#1. **Avon to cut 2,400 jobs, spend, save more on restructuring**

http://www.usatoday.com/money/industries/2008-01-08-avon-restructuring_n.htm

(Change in business spending)

#2. **Groups: Gas costs families \$1,000 more a year than in '01**

http://www.usatoday.com/money/industries/energy/2007-05-16-gas-prices-hearing_n.htm

(Change in household spending)

#3. **Growth in federal spending unchecked**

http://www.usatoday.com/news/washington/2006-04-02-federal-spending_x.htm (Change in government spending)

#4. Other relevant articles might include:

Bush signs war spending bill

http://www.usatoday.com/news/washington/2007-05-25-warspending_n.htm

How federal spending has climbed since 2001

http://www.usatoday.com/news/washington/2006-04-02-federal-spending-inside_x.htm

We really love — and spend on — our pets

http://www.usatoday.com/life/lifestyle/2007-12-10-pet-survey_n.htm

Price of seniors' care to soar as boomers age

http://www.usatoday.com/news/nation/2008-02-14-senior-charticle_n.htm

Bush seeks tax relief package to stimulate economy

http://www.usatoday.com/news/washington/2008-01-18-bush-economy_n.htm

Slow economic times mean pay cuts for many workers

http://www.usatoday.com/money/economy/2008-06-01-commission-tips-pay-income_N.htm

Check for Understanding

Why is our economy interdependent? Explain your answer.

Rubric

2 – This response gives a valid reason with an accurate and relevant explanation.

1 – This response gives a valid reason with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see [Student Self-Assessment and Reflection](#)

Alternative Strategy 4: Application Summarizing

Using the Circular Flow Analysis Tool below students will select four of the articles above. After reading each article, students will use the tool to make statements summarizing how the event impacts the economy as a whole.

CIRCULAR FLOW ANALYSIS TOOL

(Standard Two: How Economies Function as a Whole)

The following model illustrates how an event or events in one part of an economy affects other major sectors of the economy. Use this tool to analyze the impact on the circular flow of economic activity.

- A. On which part of the circular flow does this event first occur or on what part of the flow did the decision happen?
- B. Trace the effects on the other parts of the flow.

EVENT: General Motors is going to close the Boxwood Assembly plant at Price's Corner. (1981)

- A. The decision was made by the business. (General Motors)
- B. GM was to lay off approximately 3500 employees. (Labor)
- C. This reduces the wages going into the households of the workers in Delaware. (Average annual wages was 3,500 X \$40,000/year)
- D. Households have less income to spend on private goods and services so they buy less. Economic activity in Delaware will be reduced by approximately \$140,000,000.
- E. Sales of businesses where the households used to spend their income decline. These would include restaurants, movies, supermarkets, clothing stores, cars, recreation, furniture, etc.
- F. Those businesses need fewer productive resources and they may have to lay more workers off.
- G. Since incomes are reduced, less tax money goes to the government.
- H. Government has less to spend to provide public goods and services like new schools and roads. Businesses that sell their goods and services to the government have lower sales and they then lay off workers.
- I. Households have little or no income to save and may have to withdraw savings

from banks so banks have less to lend. This may raise interest rates making it more expensive to borrow.

Strategy Source: Barbara Emery, Project Coordinator, Center for Economic Education and Entrepreneurship, University of Delaware

Check for Understanding

Why is our economy interdependent? Explain your answer.

Rubric

2 – This response gives a valid reason with an accurate and relevant explanation.

1 – This response gives a valid reason with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see [Student Self-Assessment and Reflection](#)

Lesson Two

Essential Question

- How can we determine the health of the economy?

Background: Initial Excerpts from Clarification Document

Lesson Focus – Measurement

Within a business cycle, the economy will show symptoms of instability, fluctuating between periods of unemployment and inflation. For the most part, the unemployment rate rises during a recession and declines during an expansion. In the 1970s, the United States experienced almost a decade of a condition known as “stagflation” during which both unemployment and inflation occurred at the same time. Since then, the cycles have reflected normal patterns.

What causes unemployment to rise above the 5% rate that is considered full employment? What does it mean to be unemployed? How are unemployment figures calculated? To be unemployed, a person has to be willing to work, able to work, and looking for work, but not able to find it. The Bureau of Labor Statistics calls 64,000 households a month and asks a series of questions to determine the unemployment rate. It is not related to the number of people collecting unemployment. Consequently, many economists believe that the rate is too low due to the methods used to collect information and the fact that there are discouraged workers who have given up looking for a job.

Unemployment is categorized by observing five different causes:

- Cyclical unemployment is a result of overall decreased demand for goods and services, causing a downturn/recession in the economy that is reflected in the business cycle.
- Structural unemployment refers to people that do not have the skills to match the job openings that are available. Demand for the skills they have decline. Businesses trying to reduce costs eliminate jobs. Time is required for many workers to retrain and find new jobs.
- Frictional unemployment refers to workers who are between jobs. Examples of this range from those who have just graduated from high school or college to someone whose spouse has been transferred and has not yet found a new job to someone who is unhappy in their previous job and quit before having another one lined up.
- Seasonal unemployment is a result of demand for workers declining because of the type of job they have. For example, landscapers have to find alternatives during the winter months, or summer resorts close down in September and other jobs are not available there. Construction workers and farm labor have to contend with the weather as a

factor in whether or not they are employed. Knowing that the weather will change and that the season comes around yearly cause workers in these fields to find other intermittent employment or to live off savings during the off-season.

- Technological unemployment refers to technological change and innovation creating new goods and services that can make skills obsolete. Some workers have difficulty responding to the changes their companies implement. For many, retraining is necessary to find jobs that will allow them to maintain their standard of living.

Unemployment reduces household income, which creates less demand for goods and services. More people may be laid off and there is another round of decreasing income to households. Less income creates less tax revenue, which may result in a lower level of public goods and services and the jobs related to their delivery.

Within a business cycle, the economy will show symptoms of instability, fluctuating between periods of unemployment and inflation. For the most part, the unemployment rate rises during a recession and declines during an expansion. In the 1970s, the United States experienced almost a decade of a condition known as “stagflation” during which both unemployment and inflation occurred at the same time. Since then, the cycles have reflected normal patterns.

During an expansionary phase of the business cycle, characterized by economic growth, the possibility of inflation exists. Defined as an increase in the overall level of prices, inflation affects consumers, producers, and government differently. When the inflation rate rises above 3%, real purchasing power in the economy declines for many people. Two root causes of inflation are demand-pull and cost-push. In the first scenario, the economy is considered to be overheated and that “too much money is chasing too few goods.” What does this mean? Productive resources in an economy are being used to their fullest capacity and choices are made by markets as to how to use them, so there is upward pressure on prices to determine who will get the goods and services. Incomes are higher than the amount of goods and services available so prices rise. In the cost-push scenario, the costs of productive resources rise, pushing up the cost of production. Producers cut back on the amount they can supply, so prices for the final goods and services rise. A good example of this was the inflation of the 1970s caused by the rapid increase in oil prices. Not only did gasoline prices increase for consumers, but the cost of transporting goods rose quickly. Since oil is also the base for many other products like plastics, fibers, pharmaceuticals, etc., their cost increased. Consumers whose incomes did not keep pace with the price increases found their real purchasing power declining.

There are gainers and losers during an inflationary spiral. If one is a saver, the value of savings declines if the interest rate received does not stay ahead of the inflation rate. A person with a fixed income, such as a retiree or welfare recipient, loses purchasing power. A creditor loses because he is being paid back in dollars that will buy less than when he lent the money. On the other hand, a borrower gains because they have received the goods or services at the lower price, and they pay back in dollars worth less. People whose incomes rise faster than the inflation rate gain, as do those whose assets increase in value faster than the inflation rate.

Strategy 1: Gathering Information Brainstorming

This activity is built on the question posed during the Think/Pair/Share that took place within Lesson One Strategy 1—“How do you know how well the economy is doing?” Remind students of that question and explain that now students will be expected to dig deeper and identify actual economic statistics. Highlight the essential question focus for this lesson, “How can we determine the health of the economy?” Explain that throughout the lesson

students will be working toward developing the skills to answer that question at any point in their lifetime using economic analysis. The starting point for that analysis is the use of economic statistics. As a result, students will brainstorm and identify some of those statistics.

Many formats exist for brainstorming, some more in depth and formal than others. For the purpose of this strategy, a more informal method would be most appropriate such as webbing or graffiti writing.

The focus question for the brainstorming is:

- What types of statistics are used to calculate the health of the economy? Record your brainstorming list. (Answers might include: unemployment, inflation, stock market ups and downs, Gross Domestic Product, productivity (output per worker), housing starts, retail sales, etc.)

The whole class will then report out on their discussions. During the reporting, the students will record their list of brainstormed statistics on the board or other class-wide recordkeeping source.

Check for Understanding:

Why is it important for households and businesses to understand how well the economy is doing? Explain your answer.

Rubric

2 – This response gives a valid reason with an accurate and relevant explanation.

1 – This response gives a valid reason with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see [Student Self-Assessment and Reflection](#)

Strategy 2: Extending and Refining

Note-Taking – Creating a Cross Classification Chart

Using the list that students created in Strategy Two, circle or highlight the six economic indicators found below. Announce to students that, out of all that were included, these are the six that economic analysts most closely watch. As a result, further research is needed for students to understand the purpose and use these economic indicators.

MEASURING THE ECONOMY'S HEALTH

Q: How Can We Determine How Well Our Economy is Doing?

A: Analyzing Economic Statistics

	Gross Domestic Product (GDP)	Gross Domestic Product (GDP) Per capita	Inflation Rate (%)	Unemployment (%)	Retail Sales	Housing Starts
Definition/Description	The market value of all final goods and services produced in a country in a calendar year. (All the circular flows add up to this amount.)	The total market value of all final goods and services produced in an economy in a given year divided by the population.	A rise in the general or average price level of all the goods and services produced in an economy.	Unemployment exists when people who want to work in jobs they are qualified to do at current wage rates are not able to find jobs, or are waiting to begin a new job, or are actively looking for work but do not have the skills required to fill the jobs that are currently available.	An estimate of the total sales of goods by all retail establishments in the U.S.	An estimate of the number of housing units on which construction was started. Starting construction is defined as excavation for the footings or foundation, or the first shovel of dirt to break ground.
What is an "ideal" rate?	Positive growth	Positive growth	<5%	<5%	Positive growth	Positive growth
What is the current rate?	1 st quarter 2008 11,701.9 Billion \$	Est. 2007 \$46,000	April 2008 3.94%	April 2008 5.0%	April 2008 -0.2%	April 2008 +8.2 %
How is it calculated?	Add together the market value of all final goods and services. Does not include U.S. companies outside the U.S., second-hand sales, etc.	GDP divided by the U.S. population	Calculated by changes in the Consumer Price Index.	Using a phone survey of the number of people currently looking for a job. It is not based upon the number of people collecting unemployment checks.	Census Bureau conducts a survey and adjusts numbers for seasonal and holiday changes.	Housing starts are calculated based upon the number of building permits used by municipalities throughout the country.
What is the current trend over the last 2 years?	Positive but limited growth		Under 5%	Under 5%	Declining	Significant decline
How does this statistic help us understand the health of the economy?	It helps us understand the rate of overall growth.	It helps us understand the standard of living per household.	It helps us understand the stability of the monetary system.	It helps us understand the rate of people with/without jobs.	It helps us understand the flow of money into the business sector.	It helps us understand the flow of money into the business sector and the number of households building or improving their homes.
How am I	Everything we do	The average	High rates	During periods of	Stores are	Construction

	Gross Domestic Product (GDP)	Gross Domestic Product (GDP) Per capita	Inflation Rate (%)	Unemployment (%)	Retail Sales	Housing Starts
affected by this aspect of the economy?	is influenced by national wealth—i.e., taxes and spending.	amount of money per household influences the standard of living.	of inflation limits our purchasing power—i.e., the same amount of \$ buys less “stuff.”	high unemployment, it is more difficult to get a job.	likely to lower prices or sponsor “sales” if retail sales are down. Also, profit margins on stocks go down.	jobs and construction workers’ household income is significantly influenced by housing starts.
How do I affect this aspect of the economy?	The amount of money you put into the economy (land, labor, capital, and entrepreneurship) increases GDP.	The amount of money you put into the economy (land, labor, capital, and entrepreneurship) increases GDP.	Am I borrowing money? Am I spending money?	What skills and education do I have? The better my education, the more likely I am to get a better paying job.	Where do I spend my money? What do I spend it on?	Do I make improvements to my house? Do I build a new house?

Sources of Teacher Notes (in red):

Definitions

- <http://capstone.ncee.net/resources/glossary.php?#G>
- <http://www.newyorkfed.org/education/bythe.html#housing>
- Virtual Economics C.D. – National Council on Economic Education

Statistics

- Inflation (1914 to present in monthly %) http://inflationdata.com/inflation/Inflation_Rate/HistoricalInflation.aspx?dsInflation_currentPage=7
- Unemployment <http://www.econlib.org/library/Enc/Unemployment.html>
- Housing Starts and Retail Sales <http://www.census.gov/cgi-bin/briefroom/BriefRm>

Helpful student links include:

- U.S. Department of Labor – Bureau of Labor Statistics <http://www.bls.gov/eag/eag.us.htm>
- The Library of Economics and Liberty: U.S. Census Bureau – Economic Indicators: <http://www.census.gov/cgi-bin/briefroom/BriefRm>
- Federal Reserve Bank of New York: <http://www.ny.frb.org/education/bythe.html>
- National Economic Trends Page sponsored by the Federal Reserve of St. Louis: <http://research.stlouisfed.org/publications/net/>
- Unemployment <http://www.econlib.org/library/Enc/Unemployment.html>
- Inflation (1914 to present in monthly %) http://inflationdata.com/inflation/Inflation_Rate/HistoricalInflation.aspx?dsInflation_currentPage=7

A class-wide debriefing should take place after the students have finished their note-taking chart. One method to lead the class-wide discussion is for students to get into eight groups. Each group should be assigned one of the questions with the expectation that they compare and contrast their answers, research the correct answer, and then present their findings to the class. While discussion takes place, the role of the teacher is to walk around to each group looking for misperceptions vs. understanding and guide the groups appropriately. As

each group presents, the teacher can add to the discussion or ask clarifying questions. One question the teacher might ask each group is, "What are some of the weaknesses of using this economic statistic?" Members of other groups should also be given the opportunity to ask clarifying questions as well.

Check for Understanding

Why are there limits to using these economic indicators in accurately describing the health of the economy? Support your answer with an example.

Rubric

2- This response gives a valid reason with an accurate and relevant example.

1 – This response gives a valid reason with an inaccurate, irrelevant, or no example.

For administration of formative assessment see **Student Self-Assessment and Reflection**

Note to the Teacher: To transition between Strategy 2 and Strategy 3, you will want to explain to the students that they will be digging deeper into unemployment and inflation because it is important to understand why these statistics might change. Then they will look at economic statistics within the context of the 1930s, 1970s, and 1990s.

Strategy 3: Gathering Information **Paper Pass**

Ask students to take out their charts from the previous strategy because they will be referring back to the economic statistic of unemployment. Explain that they will be building deeper understanding. The strategy they will be using is participating in a paper pass.

Before class, the teacher will need to write each question on a separate sheet of oversized poster paper to prevent wasted class time. Once the session begins, students are divided into five groups, and one poster sheet is distributed to each group. Announce that they will eventually be answering all five questions. Explain that they will be given approximately five minutes to record their answers to each. Since each group is given a different color marker, it will be easy to identify which group recorded specific information. When they receive the sheet, their first task is to read the question and then the information that is recorded before adding their own thoughts. If something is already recorded they should not write it a second time; however, if something is recorded that they do not find to be valid, they can ask a clarifying question. If there is something they have thought about that is not recorded, they should add it to the list. At least one new response should be added by each group.

Once the group receives their original question they are responsible for finding evidence to support or disprove what was written during the brainstorming sessions by all groups. On that same sheet, the group should record page numbers or make notations about where they found the evidence. Of course, a second sheet can be used if needed.

Teacher Tip: Even though the goal is to provide five minutes between each paper pass, with each transition more time should be allotted because the groups will need to first read through the recorded information of the other groups before contributing their original ideas.

The questions for this paper pass will include:

- How is unemployment calculated?

There is a monthly survey conducted by the Bureau of the Census. It includes only those who are aged 16 years and over who are actively looking for a job, not those who have become so discouraged they have stopped looking.

- What reasons cause people to be unemployed?
Cyclical Unemployment: result of overall decreased demand for goods and services caused by a downturn in the economy—i.e., a recession causes layoffs in factories if people are not buying the products.
Structural Unemployment: caused people who lack the skills to match the jobs that are available—i.e., corporate downsizing or outsourcing.
Frictional Unemployment: workers who are between jobs—people who quit jobs they did not like or people who just graduated from college.
Seasonal Unemployment: caused by low demand for the job because of weather or seasonal changes—i.e., few lifeguards needed for outdoor pools in Delaware during the winter/few ski instructors needed in Pennsylvania during the summer, etc.
Technological Unemployment: workers' skills are outdated due to changes in technology—i.e., people who are replaced by robots or computers
- Why are some types of unemployment more serious than others?
Some types of unemployment are considered a natural part of a market economy. For instance, seasonal unemployment cannot be avoided in certain regions of the country. Employees need to make provisions to account for the lack of employment during the off-season. For instance, some landscaping companies offer snow removal and leaf removal services throughout the fall and winter to make up for not mowing lawns. Frictional unemployment is healthy because people are more productive if they have jobs they enjoy and are skilled in, rather than staying in a job that they do not like or does not utilize the skills learned during college. For instance, rather than someone staying a waitress after graduating with a teaching degree, it makes more sense to find a job teaching. Cyclical unemployment is caused by the business cycle, specifically a recession and trough. For instance, fewer people will be likely to purchase a new car during a recession so the automakers will lay off employees until sales pick up. Structural employment is caused by changes in the organizational structure of the company. Downsizing, off shoring, and outsourcing can all cause structural unemployment. Technological unemployment is caused by a technological advancement like robots, computers, etc., that replace a person's position. For example, many assembly line jobs are now completed by robots.
- What is an acceptable rate of unemployment?
An ideal rate is around 5% or less.
- What are the effects of a high unemployment rate on households, businesses, and the government?
If people are unemployed, they have less money to spend on products made by businesses. For instance, someone may be more likely to wear the clothes they have rather than buying new ones if they are not making any money. The more people who are unemployed, the fewer people buying new clothes, causing less people needed to work in clothing stores. Then the people who are unemployed from the clothing stores will be less able to spend money causing even fewer stores to need workers and ripple effects keep taking place. Since the households and businesses are not making money, neither can pay the government the amount of taxes they used to, so the government is also making less money that they would normally spend on things like education, roads, etc.

Potential resources include:

Chart created in Lesson Two Strategy 2

- Bureau of Labor Statistics: Employment Situation Frequently Asked Questions
<http://www.bls.gov/news.release/empsit.faq.htm>

- Macroeconomic Unemployment Explained
<http://www.econguru.com/macroeconomic-unemployment-explained/>
- Lesson One/Strategy 3 article: Avon to cut 2,400 jobs, spend, save more on restructuring http://www.usatoday.com/money/industries/2008-01-08-avon-restructuring_n.htm

Clarifications Document Excerpt:

What causes unemployment to rise above the 5% rate that is considered full employment? What does it mean to be unemployed? How are unemployment figures calculated? To be unemployed, a person has to be willing to work, able to work, and looking for work but not able to find it. The Bureau of Labor Statistics calls 64,000 households a month and asks a series of questions to determine the unemployment rate. It is not related to the number of people collecting unemployment. Consequently, many economists believe that the rate is too low due to the methods used to collect information and the fact that there are discouraged workers who have given up looking for a job.

Unemployment is categorized by observing five different causes:

- Cyclical unemployment is a result of overall decreased demand for goods and services, causing a downturn/recession in the economy that is reflected in the business cycle.
- Structural unemployment refers to people that do not have the skills to match the job openings that are available. Demand for the skills they have decline. Businesses trying to reduce costs eliminate jobs. Time is required for many workers to retrain and find new jobs.
- Frictional unemployment refers to workers who are between jobs. Examples of this range from those who have just graduated from high school or college to someone whose spouse has been transferred and has not yet found a new job to someone who is unhappy in their previous job and quit before having another one lined up.
- Seasonal unemployment is a result of demand for workers declining because of the type of job they have. For example, landscapers have to find alternatives during the winter months, or summer resorts close down in September and other jobs are not available there. Construction workers and farm labor have to contend with the weather as a factor in whether or not they are employed. Knowing that the weather will change and that the season comes around yearly causes workers in these fields to find other intermittent employment or to live off savings during the off-season.
- Technological unemployment refers to technological change and innovation creating new goods and services that can make skills obsolete. Some workers have difficulty responding to the changes their companies implement. For many, retraining is necessary to find jobs that will allow them to maintain their standard of living.

Unemployment reduces household income, which creates less demand for goods and services. More people may be laid off, and there is another round of decreasing income to households. Less income creates less tax revenue, which may result in a lower level of public goods and services and the jobs related to their delivery. Within a business cycle, the economy will show symptoms of instability, fluctuating between periods of unemployment and inflation. For the most part, the unemployment rate rises during a recession and declines during an expansion.

After the groups are finished, they should each post their papers and present their findings to the class.

Check for Understanding:

What is a common misconception about unemployment that I now know is untrue? Explain your answer.

Rubric

2 – This response gives a valid misconception with an accurate and relevant explanation.

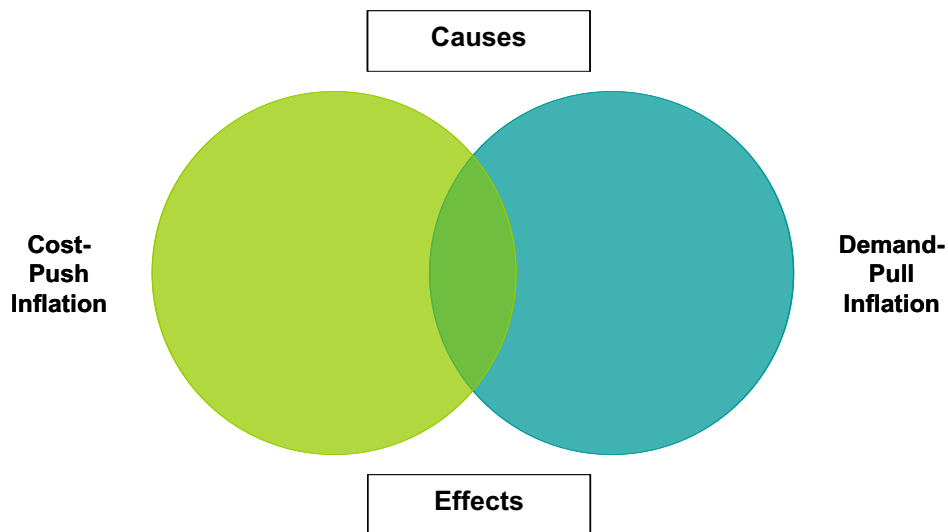
1 – This response gives a valid misconception with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see [Student Self-Assessment and Reflection](#)

Note to Teacher: Before beginning Strategy 4, ask students to refer back to their Circular Flow Diagram and the Chart from Lesson Two/Strategy 2. Briefly review the overall concept of inflation. Then explain that there are two causes of inflation just like there are multiple types of unemployment.

Strategy 4: Extending and Refining Comparing and Contrasting

Two causes of inflation exist: demand-pull and cost-push. Students will research the two causes and then compare and contrast using a Venn-Diagram. A line should be drawn horizontally across the middle of the diagram. At the top, students should compare the causes of each type, and at the bottom, students should compare the effects of each type. Differences will be inserted to the left (cost-push) and to the right (demand-pull). Similarities should be inserted where the two circles overlap.



Resources that may be helpful to students include:

- Economic Ed Link – What causes inflation?
<http://www.econedlink.org/lessons/index.cfm?lesson=EM615&page=teacher>
- Economic Ed Link – Causes of inflation
http://www.econedlink.org/lessons/EM615/em615_ppt_popup.html

Teacher notes include:

During **demand-pull inflation**, the economy is considered to be overheated and “too much money is chasing too few goods.” What does this mean? Productive resources in an economy are being used to their fullest capacity and choices are made by markets as to how to use them, so there is upward pressure on prices to determine who will get the goods and services. Incomes are higher than the amount of goods and services available so prices rise.

During **cost-push inflation**, the costs of productive resources rise, pushing up the cost of production. Providers cut back on the amount they can supply so prices for the final goods and services rise. A good example of this was the inflation of the 1970s caused by the rapid increase in oil prices. Not only did gasoline prices increase for consumers, but the cost of transporting goods rose quickly. Since oil is also the base for many other products like plastics, fibers, pharmaceuticals, etc., their cost increased. Consumers whose incomes did not keep pace with the price increases found their real purchasing power declining.

Check for Understanding

If countries throughout the world transitioned their energy source away from oil, would cost-push inflation be eliminated? Why or why not?

Rubric

2 – This response gives a valid decision with an accurate and relevant explanation.

1 – This response gives a valid decision with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see **Student Self-Assessment and Reflection**

Strategy 5: Extending and Refining Jigsaw Case Studies

The Jigsaw method of cooperative learning allows each student to be responsible for one aspect of a larger concept. During this activity, students will be working in groups of three. Accountability is essential to this process because the other students in their group cannot learn all of the information without their input. Thus, effective classroom management is important to the success of this strategy. Following are the steps to a successful jigsaw learning experience:

1. Place students in groups of three.
2. Appoint one student as the group leader.
3. Ask each student to choose one of the three economic periods that will be evaluated:
 - The 1930s
 - The 1970s
 - The 1990s
4. Each student will become the expert regarding that particular economic period.
5. Students will break away from the initial group and convene with the other “experts” from the era that they are responsible for researching.

6. Provide research time. Economic Statistics are available at:

- Unemployment
 - ♦ Average Unemployment Rates for 1970s and 1990s
<http://research.stlouisfed.org/fred2/>
- 1930s Unemployment Rate
 - ♦ The Library of Economics and Liberty: Great Depression
<http://www.econlib.org/library/Enc/GreatDepression.html>
- Inflation
 - ♦ 1913 to 2006 <http://minneapolisfed.org/research/data/us/calc/hist1913.cfm>
 - ♦ 1914 to present in monthly %
http://inflationdata.com/inflation/Inflation_Rate/HistoricalInflation.aspx?dsInflation_currentPage=7
- 1990s
 - ♦ Inside the Vault – Is Inflation Too Low? an economics education newsletter from the Federal Reserve Bank of St. Louis Fall 1999-Volume 4, Issue 2
<http://www.stls.frb.org/publications/itv/1999/c/index.html>
 - ♦ Business Week: April 24, 2000; Yes, the 90s Were Unusual, But Not Because of Economic Growth
<http://www.businessweek.com/careers/content/jan1990/b3678091.htm?chan=search>
 - ♦ Time Magazine; September 25, 2000; The Good Bad News
<http://www.time.com/time/printout/0,8816,998051,00.html#>
- 1970s
 - ♦ Another Oil Price Stunner; Time Magazine, December 24, 1979
<http://www.time.com/time/magazine/article/0,9171,947128-1,00.html>
- GDP Rates for 1920s, 1930s, and 1990s
 - ♦ [http://research.stlouisfed.org/fred2/fredgraph?chart_type=line&s\[1\]\[id\]=GDPCA&s\[1\]\[transformation\]=pch](http://research.stlouisfed.org/fred2/fredgraph?chart_type=line&s[1][id]=GDPCA&s[1][transformation]=pch)
 - ♦ <http://research.stlouisfed.org/fred2/series/GDPCA?cid=106>
- 1990s GDP
 - ♦ <http://www.newyorkfed.org/education/bythe.html>

Research should focus on the following:

Analyzing Economic Indicators	1930s	1970s	1990s
GNP (Gross National Product) Or GDP (Gross Domestic Product) Growth Rate	<p>1929-1933: -30%</p> <p>Did not reach 1929 levels until 1939</p> <p>(Concise Encyclopedia of Economics)</p>	<p>Three years reflected negative growth, meaning there were recessions: (1974: - 0.5%; 1975: -0.2%; 1980: - 0.2%)</p>	<p>2 quarters of negative growth (1990 & 1991) & 1 quarter in 2000</p> <p>Avg. growth: approximately 3%</p>

Analyzing Economic Indicators	1930s	1970s	1990s
<p>Consumer Price Index</p> <p>A negative rate reflects deflation</p> <p>A positive rate reflects inflation</p>	<p>Deflation was more of an issue during this decade than inflation:</p> <p>1931: -9.0%</p> <p>1932: -9.9%</p> <p>1933: -5.1%</p> <p>1934- 1937: slight inflation averaging 2.6 %</p> <p>1938: -2.1%</p> <p>1939: -1.4%</p> <p>1940: +0.7%</p> <p>Farm prices dropped 51% between 1929 & 1933 - 23% of employment in 1929 was in farming (Concise Encyclopedia of Economics)</p>	<p>High rates of inflation were an issue during this decade.</p> <p>Low: 3.3% in 1972</p> <p>Average: 7.66% (1970-1980)</p> <p>High: 13.5% in 1980</p>	<p>Low rates of inflation were calculated between 1990 and 2000.</p> <p>Low: 1.6% in 1998</p> <p>Average: 3.04%</p> <p>High: 5.4% in 1990</p>
Civilian Unemployment Rate	<p>Averaged 18.2% between 1930 and 1939 (Concise Encyclopedia of Economics)</p>	<p>Low: 4% in 1970</p> <p>Average: approx. 6%</p> <p>High: 9% in 1975</p>	<p>Low: 4% in 2000</p> <p>Average: approx. 5.5%</p> <p>High: 7.5% in 1993</p>
Interest Rates			
Other Economic Indicators	<p>Stock market significantly declined</p> <p>Sept 3, 1929 – 381 pts.</p> <p>Nov 13th – 198 pts.</p> <p>December – 248 points</p> <p>(Concise Encyclopedia of Economics)</p>		<p>Housing starts increased</p> <p>Retails sales avg. 0.5% increase through the decade – only 5 quarters with negative growth</p>

1. "Experts" will present their findings to each other and revise their findings as needed while others present to them.
2. The "experts" will return to their original group and share their findings.
3. The group will then compare and contrast the three economic periods.
 - How "healthy" is the economy? Why?
 - Are there any unique circumstances? Explain your answer.
 - Making predictions: what do you think caused the economic conditions?

Overall Assessment of the Economy based upon your Research - Explain your answer.	Worldwide Depression	Stagflation – high inflation accompanied by rising unemployment	Decade of significant economic growth
Find a graphic that reflects how these economic statistics impacted the lives of these people.	See below	See below	See below

Potential Visuals:

- 1930s
 - Great Photo Gallery of the 1930's Depression available at the Federal Reserve of St. Louis: <http://www.stls.frb.org/greatdepression/gallery.html>
 - The Library of Congress – Great Depression & World War II 1929-1945; Photographing the People of the Depression: <http://memory.loc.gov/learn/features/timeline/depwwii/art/people.html>
- 1970s
 - Library of Congress – 1970s gas lines http://lcweb2.loc.gov/cgi-bin/query/I?fsaall,app,brum,detr,swann,look,gottscho,pan,horyd,genthe,var,cai,cd,hh,yan,bbcards,lomax,ils,prok,brhc,nclc,matpc,iucpub,tgmi,lamb,:1:./temp/~pp_4CUN::displayType=1:m856sd=ppmsca:m856sf=03432:@@mdb=fsaall,app,brum,detr,swann,look,gottscho,pan,horyd,genthe,var,cai,cd,hh,yan,bbcards,lomax,ils,prok,brhc,nclc,matpc,iucpub,tgmi,lamb,

Check for Understanding:

What do these economic indicators reflect about the economy over time? Explain your answer.

Rubric

- 2** - This response gives a valid reflection with an accurate and relevant explanation.
1 - This response gives a valid reflection with an inaccurate, irrelevant, nor no explanation.

What photo would you include from today to reflect how the economy is affecting people's lives? Explain why you would include these pictures.

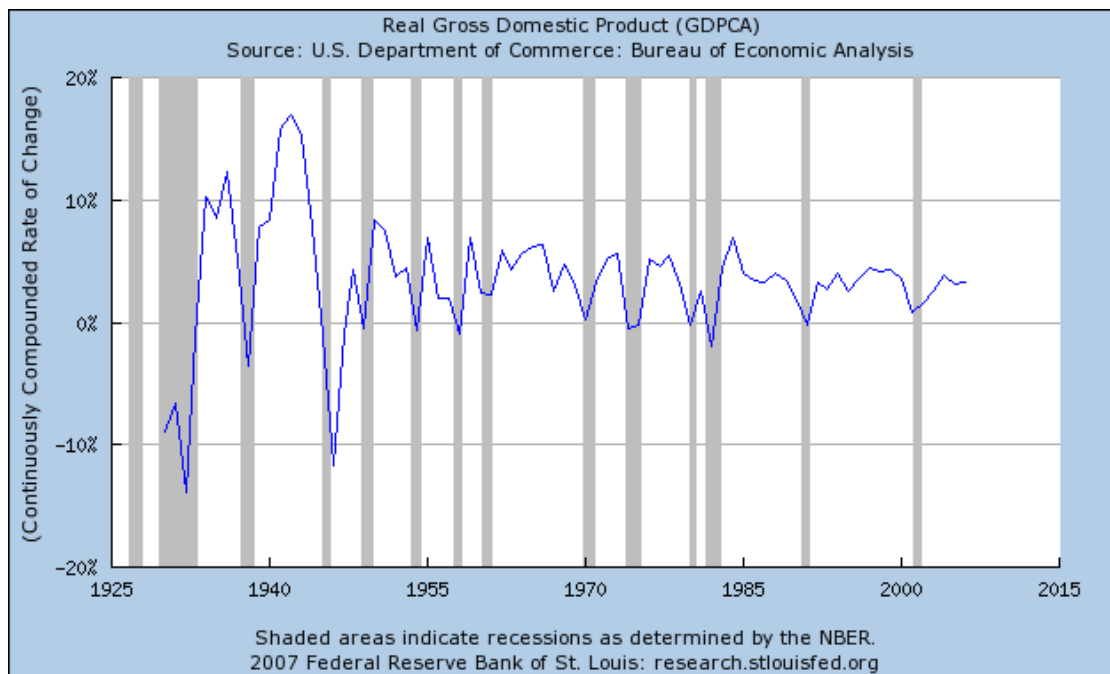
Rubric

2- This response gives a valid photo with an accurate and relevant explanation.

1- This response gives a valid photo with an inaccurate, irrelevant, nor no explanation.

For administration of formative assessment see **Student Self-Assessment and Reflection**

Strategy 6: Extending and Refining
Think/Pair/Share



Source:

[http://research.stlouisfed.org/fred2/fredgraph?cid=0&fgid=0&fgcid=0&chart_type=lin&height=378&=630&recession_bars=On&s\[1\]\[id\]=GDPCA&s\[1\]\[transformation\]=&s\[1\]\[range\]=Custom&s\[1\]\[cosd\]=1929-01-01&s\[1\]\[coed\]=&](http://research.stlouisfed.org/fred2/fredgraph?cid=0&fgid=0&fgcid=0&chart_type=lin&height=378&=630&recession_bars=On&s[1][id]=GDPCA&s[1][transformation]=&s[1][range]=Custom&s[1][cosd]=1929-01-01&s[1][coed]=&)

- Peak – the highest point GDP achieves. Recession – the period during which GDP declines. There must be at least six consecutive months of decline in the GDP to be called a recession.
- Trough – the lowest point GDP hits before economic growth begins for the next phase.
- Expansion – an increase in GDP for a specific time period. Growth may increase slowly as in the 1930s or rapidly as in the 1990s.
- Contraction – a decrease in GDP for a specific time period. Contractions may be slow or rapid.

(The peak and the trough can only be determined in retrospect after the recession or expansion has begun.)

(To zero in on specific date ranges so that individual quarters will be accessible link to <http://research.stlouisfed.org/fred2/series/GDP?cid=106.>)

Use the chart above to discuss the following:

1. What is the average length of an economic expansion? What does that tell us about the business cycle?
2. What is the average length of an economic contraction? What does that tell us about the business cycle?
3. What does the comparison between the average length of an economic expansion and contraction tell us about the business cycle?
4. Is there a pattern to the business cycle? Why or why not?
5. How might a change in the economic business cycle affect households? Businesses? Government?

A classroom debriefing should conclude the discussion with individual groups sharing their thoughts.

Check for Understanding

What is a common misconception about a recession that I now know is untrue? Explain your answer.

Rubric

2 - This response gives a valid misconception with an accurate and relevant explanation.

1 - This response gives a valid misconception with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see [Student Self-Assessment and Reflection](#)

Strategy 7: Extending and Refining Jigsaw Case Studies

The Jigsaw method of cooperative learning allows each student to be responsible for one aspect of a larger concept. During this activity, students will be working in groups of three. Accountability is essential to this process because the other students in their group cannot learn all of the information without their input. Thus, effective classroom management is important to the success of this strategy. Following are the steps to a successful jigsaw learning experience:

1. Place students in groups of three.
2. Appoint one student as the group leader.
3. Ask each student to choose one of the three economic periods that will be evaluated. Since initial research for these three decades was completed in Lesson One, Strategy 5, the students would probably want to continue with the same decade.
 - The 1930s
 - The 1970s
 - The 1990s
4. Each student will become the expert regarding that particular economic period.
5. Students will break away from the initial group and convene with the other "experts" from the era that they are responsible for researching.
6. Notes from Lesson One, Strategy 5 should be accessed and reviewed by the group. Then research time should be provided.

Research should focus on the following:

	1930s	1970s	1990s
Which phase of the business cycle was most prevalent during this decade?	Recession/ Depression	Recession	Expansion
What evidence supports that conclusion?	GDP declined between the years	GDP declined between the years	GDP
Was a change in the business cycle predicted? Why or why not?			
What caused or contributed to changes in the business cycle during this decade?			
How were the lives of people influenced by economic conditions of this decade?			

7. "Experts" will present their findings to each other and revise their findings as needed while others present to them.
8. The "experts" will return to their original group and share their findings.
9. The group will then compare and contrast the three economic periods using a Venn diagram.
10. The role of the teacher is to float between the groups, answering questions, asking questions, redirecting when needed, etc.

Potential Research Sources include:

For all years:

- St. Louis Federal Reserve Economic Research <http://research.stlouisfed.org/fred2/>

<p style="text-align: center;">1930s</p> <p>The Library of Economics and Liberty: Great Depression http://www.econlib.org/library/Enc/GreatDepression.html What was the Great Depression? http://www.fdrlibrary.marist.edu/greatd2.html Franklin D. Roosevelt - Thursday, April 14, 1938, (about 10:30 p.m.) http://newdeal.feri.org/chat/chat12.htm Timeline of the Great Depression http://www.pbs.org/wgbh/amex/rails/timeline/index.html</p>

1970s

Inflation's Stubborn Resistance: Time; December 14, 1970

<http://www.time.com/time/printout/0,8816,944232,00.html>

Stagflation in the 1970s

<http://economics.about.com/od/useconomichistory/a/stagflation.htm?p=1>

Whipping Stagflation

http://www.digitalhistory.uh.edu/database/article_display_printable.cfm?HHID=399

1990s

Business Week: April 24, 2000; Yes, the 90's Were Unusual, But Not Because of Economic Growth

<http://www.businessweek.com/careers/content/jan1990/b3678091.htm?chan=search>

Time Magazine; September 25, 2000; The Good Bad News

<http://www.time.com/time/printout/0,8816,998051,00.html#>

Check for Understanding

Why does the pattern of a business cycle reflect a wave over time? Explain your answer.

Rubric

2 - This response gives a valid reason with an accurate and relevant explanation.

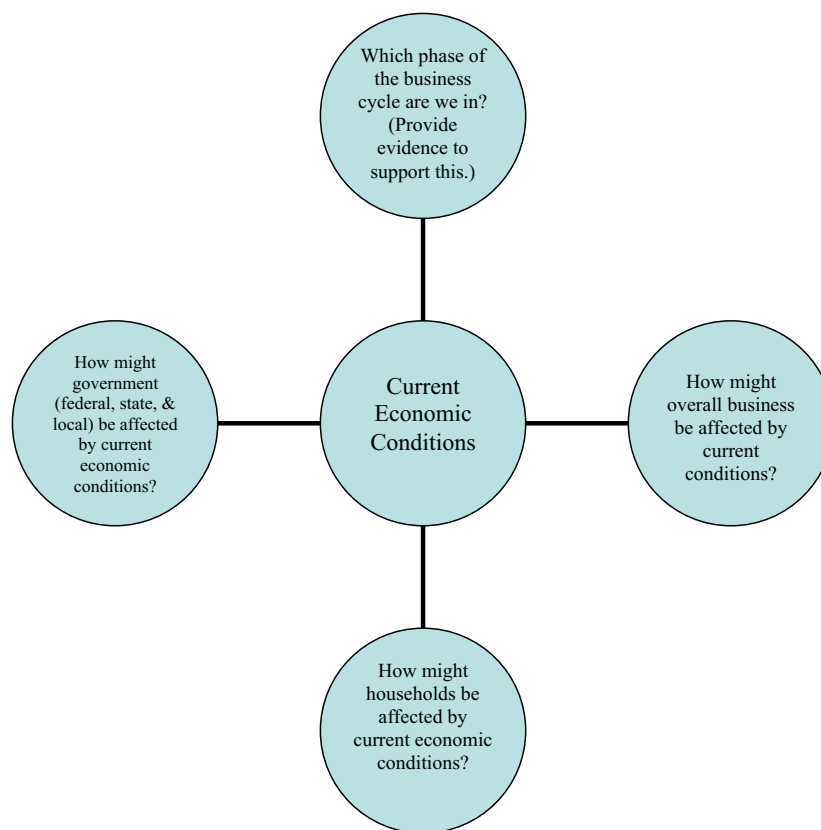
1 - This response gives a valid reason with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see **Student Self-Assessment and Reflection**

Strategy 8: Application

Discussion Web

Students will use the knowledge acquired throughout the last two strategies to participate in the discussion web regarding the current economic conditions. The focus questions for this discussion include:



Potential Research Sources include:

- U.S. Census Bureau – Economic Indicators: <http://www.census.gov/cgi-bin/briefroom/BriefRm>
- Federal Reserve Bank of New York: <http://www.ny.frb.org/education/bythe.html>
- National Economic Trends Page sponsored by the Federal Reserve of St. Louis: <http://research.stlouisfed.org/publications/net/>
- St. Louis Federal Reserve Economic Research: <http://research.stlouisfed.org/fred2/>
- U.S. Department of Labor – Bureau of Labor Statistics <http://www.bls.gov/eag/eag.us.htm>

To conclude the lesson each group will share their answers during a classroom debriefing.

Check for Understanding

How might a change in the phase of the business cycle influence the daily lives of households or government? Explain your answer.

Rubric

- 2** - This response gives a valid change with an accurate and relevant explanation.
1 - This response gives a valid change with an inaccurate, irrelevant, or no explanation.

Expansion to contraction –

Negative impacts on households include higher rates of unemployment.

Negative impacts on businesses include lower tax base and higher expenditures to unemployment compensation and other social programs (food stamps, etc.).

Contraction to expansion –

Positive impacts on households include lower unemployment rates.

Positive impacts on businesses include higher tax base and lower expenditures to unemployment compensation and other social programs (food stamps, etc.).

For administration of formative assessment see **Student Self-Assessment and Reflection**

Lesson Three

Essential Questions

- How do Federal Reserve decisions affect the stability of the economy?
- Why are market economies dependent on the creation and use of money and a monetary system to facilitate exchange?

Background: Initial Excerpts from Clarification Document **Lesson Focus – Monetary Policy**

To combat the instability of inflation and recession, the Federal Reserve System (also known as “the Fed”) uses the tools of monetary policy. The goals of the Federal Reserve System are to promote economic growth, full employment, and to achieve price stability. Since inflation is caused by having too much money in circulation, the Fed uses monetary policy to control and stabilize the money supply. Acting as “the banker’s bank,” the Fed increases or decreases the money supply by providing incentives for banks to make (or not make) loans to businesses and households.

The tools which the Fed uses to accomplish these goals include being able to set reserve requirements, the discount rate, and the federal funds rate target, and to conduct open market operations. The reserve requirement is the percentage of deposits a bank must keep as cash in their vault or on deposit at the Fed. Rarely is the reserve requirement altered because the impact of changing the money multiplier would be too great. To encourage or discourage banks from lending, the Fed sets the discount rate, the interest rate banks must pay to the Fed for short-term borrowing at the discount window. The Fed also sets the target interest rate for federal funds, the interest that banks charge each other for short-term borrowing. The most often used tool of monetary policy is open market operations, the buying and selling of government securities to increase or decrease the money supply.

If the economy is in recession, the Fed will take steps to increase the money supply by buying government securities, lowering the discount and/or federal funds rate, and possibly lowering the reserve requirements. Increasing the money supply provides the banks with more lending capability so that they can make more loans, increasing demand for goods and services. During inflationary times, there could be too much money in circulation, so the Fed decreases the amount of money by selling government securities, by increasing the discount and federal funds rate, or by increasing the reserve requirement.

Strategy 1: Gathering Information – Graphic Organizer

Using what you learned while reading the article *Monetary and Fiscal Policy* from the last lesson, complete the following graphic organizer.

K What do I already know?	W What do I want to know?	L What did I learn? (complete at the end of the lesson)	H How do we learn more?

Check for Understanding

What are common misconceptions about the Federal Reserve? Why do you think this occurs?

Rubric

2 – This response gives a valid misconception with an accurate and relevant reason.

1 – This response gives a valid misconception with an inaccurate, irrelevant, or no reason.

For administration of formative assessment see [Student Self-Assessment and Reflection](#)

Strategy 2: Extending and Refining – The Federal Reserve Cooperative Team Research

To extend their understanding of the Federal Reserve System, students will work in groups to research this extensive entity. The focus of the investigation includes:

- When was the Federal Reserve created?
- Why was the Federal Reserve created?
- Compare and contrast the Board of Governors, the regional Reserve Banks, and the Federal Open Market Committee.
- Why does the Federal Reserve conduct monetary policy?
- How does the Federal Reserve conduct monetary policy?
- Making predictions - how would the U.S. economy run differently if the Federal Reserve was never established?

Available resources to assist student research includes:

- In Plain English – Making Sense of the Federal Reserve
<http://www.stls.frb.org/publications/pleng/>
- A Day in the Life of the FOMC
<http://www.philadelphiafed.org/education/teachers/resources/day-in-life-of-fomc/>
- Monetary and Fiscal Policy -U.S. Department of State
<http://usinfo.state.gov/products/pubs/oecon/chap7.htm>
- U.S. Monetary Policy: An Introduction
<http://www.frbsf.org/publications/federalreserve/monetary/index.html>

Available videos include:

- Open and Operating - The Federal Reserve Responds to Sept. 11th
<http://www.frbsf.org/education/teachers/open/index.html>

The Federal Reserve Team Research Task outline provides students an overview of expectations, team assignments, and a rubric.

The Federal Reserve Team Research Task

Expectations

In teams of four you will create a presentation using student-created graphic organizers, summaries, graphics, etc., to represent how the Federal Reserve works to stabilize our national economy. Evidence of their understanding should be displayed on a three-panel display board or other visual format such as a PowerPoint.

All presentations should answer the following using thorough explanations and visuals:

- When was the Federal Reserve created?
- Why was the Federal Reserve created?
- Compare and contrast the Board of Governors, the regional Reserve Banks, and the Federal Open Market Committee.
- Why does the Federal Reserve conduct monetary policy?
- How does the Federal Reserve conduct monetary policy?
- Making Predictions - how would the U.S. economy run differently if the Federal Reserve was never established?

Team Assignments

To ensure participation from each group member, the group must decide who will be responsible for each of the following roles:

- Production Manager (helps coordinate the group's progress, ensures deadlines are met, acts as the group's leader who speaks to the teacher on behalf of the group, etc.)
- Information Manager (quality control person who checks the accuracy of submitted work, makes sure directions are followed, etc.)
- Resource Manager (oversees the materials needed to complete the project and is responsible for taking care of the project)
- Creative Manager (oversees all artistic elements such as title, graphics, etc.)

Check for Understanding

Students should complete the column in the KWLH chart: *What did I learn?* and then answer the question:

How do Federal Reserve decisions affect the stability of the economy? Explain your answer.

Rubric


2 - This response gives a valid effect with an accurate and relevant explanation.

1 - This response gives a valid effect with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see [Student Self-Assessment and Reflection](#)

Strategy 3: Application – FOMC Scored Discussion


Prior to the scored discussion, students should complete an entrance ticket with the teacher inserting an actual inflation rate, unemployment rate, and GDP growth rate.

Entrance Ticket								
								
<p>1. Analyze the following statistics and then summarize appropriate monetary policy actions that should be taken.</p> <ul style="list-style-type: none">▪ Inflation Rate:▪ Unemployment Rate:▪ Gross Domestic Product:								
<table border="1"><thead><tr><th>Appropriate Action</th><th>Explanation (i.e., raise or lower the rate, etc., and why)</th></tr></thead><tbody><tr><td>1. Discount Rate</td><td rowspan="4"></td></tr><tr><td>2. Reserve Requirement</td></tr><tr><td>3. Open Market Operations</td></tr><tr><td>4. Which of these would you pick?</td></tr></tbody></table>	Appropriate Action	Explanation (i.e., raise or lower the rate, etc., and why)	1. Discount Rate		2. Reserve Requirement	3. Open Market Operations	4. Which of these would you pick?	<p>Why?</p>
Appropriate Action	Explanation (i.e., raise or lower the rate, etc., and why)							
1. Discount Rate								
2. Reserve Requirement								
3. Open Market Operations								
4. Which of these would you pick?								
<p>2. "How does monetary policy affect the stability of the economy?"</p>								

The entrance ticket can either be assigned the day before the scored discussion and completed in class or assigned as homework. If the student does not have the entrance ticket completed, then during the discussion he/she must sit on the outside of the circle.

To "kick-off" the discussion, the moderator asks an essential question. In this situation the question would be, "How does monetary policy affect the stability of the economy?" Once the discussion begins, the teacher acts as the moderator but should not call on specific students who do not wish to speak. The discussion itself is not scored, only the entrance and exit tickets. This allows shy or quiet students to participate by actively listening and

reflecting without fear that they will put on the spot. If those students who are more vocal tend to go off topic, it is the moderator's responsibility to reintroduce the essential question.

Exit Ticket

What is monetary policy?
How does monetary policy affect the stability of the economy?
What was the appropriate monetary policy in the proposed situation? Why?

Check for Understanding

The exit ticket acts as a check for understanding.

Lesson Four

Essential Question

- How does fiscal policy affect the stability of the economy?

Background: Initial Excerpts from Clarification Document

Lesson Focus – Fiscal Policy

While the Federal Reserve is responsible for monetary policy, the executive and legislative branches of the federal government utilize fiscal policy to combat the ups and downs of the business cycle. The two tools that the President and Congress can use are taxing and spending policies. When faced with a recession, the fiscal policy suggested by this condition is to reduce taxes, increasing household and business income which in turn increases households' ability to purchase goods and services. If done when the problem exists, this policy can encourage economic growth. If consumer and producer demand is still sluggish, the government can increase government spending by purchasing goods and services from businesses, which then need to hire additional productive resources including labor. When an inflationary spiral is affecting the economy, fiscal policy actions indicate that taxes should be increased, and cuts should be made in government spending. The consequence of this policy is to decrease overall demand so that prices will stabilize.

Public Policy Analysis: What does the way money is spent tell you about national priorities? —federal, state, and local—differences among the three levels (how they raise money and how they spend it?).

Strategy 1: Gathering Information **Summarizing**

Before extending their knowledge about fiscal policy, students must first build a foundation. Students should read materials such as the “Monetary and Fiscal Policy” article available from the U.S. Department of State at <http://usinfo.state.gov/products/pubs/oecon/chap7.htm> and then summarize what they have learned.

Summarizing is a step beyond reading, note taking, or outlining because it requires the student to process the text and then write in their own words the main and supporting ideas. Many suggestions for this process are available. Following is one model:

- Determine if there is a topic sentence that represents the main idea
- Invent a topic sentence if one is not present
- Delete what is trivial
- Delete what is redundant

Source: CSSAP

Check for Understanding

How can an understanding of fiscal policy help us to understand the economy as a whole? Explain your answer.

Rubric

2 - This response gives a valid reason with an accurate and relevant explanation.

1 - This response gives a valid reason with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see **Student Self-Assessment and Reflection**

Strategy 2: Gathering Information **Seed Discussion**

In groups of three or four, students will be presented with the following questions:

- Why does the U.S. not require a balanced budget like the State of Delaware does?
- Should it be required to do so?
- To what degree does carrying a national debt influence the nation?

These questions are the seeds from which a conversation regarding the national deficit and debt will blossom. Texts to support this discussion include:

- Delaware’s Budget Development <http://budget.delaware.gov/fy2009/budget2009.shtml>
- Brief History of the IRS <http://www.irs.gov/irs/article/0,,id=149200,00.html>
- History of the U.S. Tax System: <http://www.ustreas.gov/education/fact-sheets/taxes/ustax.shtml>
- History of the National Debt <http://www.ustreas.gov/education/faq/markets/national-debt.shtml>
- FAQs - Accounting and Budget <http://www.ustreas.gov/education/faq/budget/us-budget.shtml>
- Additional information can be found at: Office of Management and Budget <http://www.whitehouse.gov/omb/>

After students have accessed the resources and recorded personal notes, the discussion should begin. The teacher will be responsible for mingling with the groups to dispel misperceptions and probe student understanding. After all groups have completed their discussion, each will report out to the whole class their conclusions. The class-wide debriefing may include the questions:

- Why is balancing a national budget more difficult than a state budget? (i.e., the need to provide for national defense and entitlement programs)
- How can our nation work toward balancing the budget and decreasing the national debt? (Answers will vary but might include: reducing entitlement programs, increasing taxes, subsidizing local nonprofits rather than duplicating social programs at the national level, etc.)

Check for Understanding

Why should Americans be informed about the national budget? Explain your answer.

Rubric

2 - This response gives a valid reason with an accurate and relevant explanation.

1 - This response gives a valid reason with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see [Student Self-Assessment and Reflection](#)

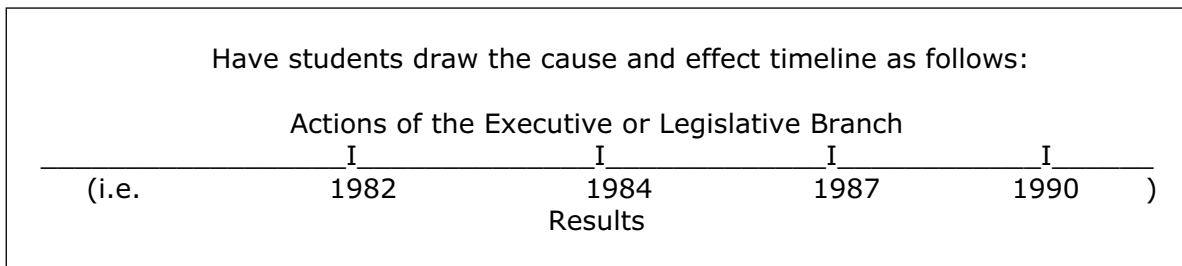
Strategy 3: Extending and Refining – Case Studies: The 1930s vs. the 1970s Comparing and Contrasting

In partners, students will research the economic climate of the 1930s and the 1970s. One student will research the first decade and the other student will focus on the second decade. The two students will then reunite to compare and contrast their findings.

	1930s	1970s
Appropriate Resources:	<ul style="list-style-type: none"> • Time Magazine: March 17, 1930 – How Many Jobless? • Fourteen Points for Congress • Internet • Textbook • Library Books 	<ul style="list-style-type: none"> • Time Magazine: June 1, 1970– The Economy: Crisis of Confidence • Internet • Textbook • Library Books

Each pair should create a visual display or PowerPoint which includes:

- Title
- List of the students' names
- An appropriate graphic capturing the spirit of each era (i.e., sketch, political cartoon, etc.)
- A Venn diagram comparing the similarities and differences of each economic crisis, including any relevant economic indicators
- A timeline of government actions and their effect



- An overview of how each economic crisis affected American citizens
- An annotated bibliography

Check for Understanding

What are the challenges associated with implementing effective fiscal policy? Explain your answer.

Rubric

2 - This response gives a valid challenge with an accurate and relevant explanation.

1 - This response gives a valid challenge with an inaccurate, irrelevant, or no explanation.

For administration of formative assessment see [Student Self-Assessment and Reflection](#)

Strategy 4: Application – Scored Discussion

Prior to the scored discussion, students should complete an entrance ticket with the teacher inserting an actual inflation rate, unemployment rate, and GDP growth rate.

Entrance Ticket	
<p>1. Analyze the following statistics and then summarize appropriate fiscal policy actions that should be taken.</p> <ul style="list-style-type: none"> ▪ Inflation Rate: ▪ Unemployment Rate: ▪ Gross Domestic Product: 	
Appropriate Action	Explanation
<p>2. How does fiscal policy affect the stability of the economy?</p>	

3. What is the appropriate fiscal policy for the proposed situation? Why
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The entrance ticket can either be assigned the day before the scored discussion and completed in class or assigned as homework. If the student does not have the entrance ticket completed, then during the discussion he/she must sit on the outside of the circle.

To “kick-off” the discussion, the moderator asks an essential question. In this situation the question would be, “How does fiscal policy affect the stability of the economy?” Once the discussion begins, the teacher acts as the moderator but should not call on specific students who do not wish to speak. The discussion itself is not scored, only the entrance and exit tickets. This allows shy or quiet students to participate by actively listening and reflecting without fear that they will put on the spot. If those students who are more vocal tend go off topic, it is the moderator’s responsibility to reintroduce the essential question.

Exit Ticket
1. What is fiscal policy?
2. How does fiscal policy affect the stability of the economy?
3. What is the appropriate fiscal policy in the proposed situation? Why?
4. What tools were selected? Why were they selected?

Check for Understanding

The exit ticket acts as a check for understanding

Resources and Teaching Tips

- A variety of resources are included (texts, print, media, web links)
- Help in identifying and correcting student misunderstandings and weaknesses

Resources, such as useful websites and teaching tips are embedded within the lessons.

Differentiation

- Stage 2 and 3 allow students to demonstrate understanding with choices, options, and/or variety in the products and performances without compromising the expectations of the Content Standards.
- Instruction is varied to address differences in readiness, interest, and/or learning profiles.
- Accommodations and differentiation strategies are incorporated in the design of Stage 2 and 3.

Differentiation is embedded within the instructional strategies. For instance, ongoing cooperative learning and paired discussion takes place throughout the unit.

Design Principles for Unit Development

At least one of the design principles below is embedded within unit design

- **International Education** - the ability to appreciate the richness of our own cultural heritage and that of other cultures in order to provide cross-cultural communicative competence.
- **Universal Design for Learning** - the ability to provide multiple means of representation, expression, and engagement to give learners various ways to acquire and demonstrate knowledge.
- **21st Century Learning** – the ability to use skills, resources, and tools to meet the demands of the global community and tomorrow’s workplace. (1) Inquire, think critically, and gain knowledge, (2) Draw conclusions, make informed decisions, apply knowledge to new situations, and create new knowledge, (3) Share knowledge and participate ethically and productively as members of our democratic society, (4) Pursue personal and aesthetic growth.(AASL,2007)

21st century skills include:

- Exercise sound reasoning in understanding and making complex choices
- Frame, analyze, and solve problems
- Develop, implement, and communicate new ideas to others
- Act responsibly with the interests of the larger community in mind

21st century skills are required throughout the unit since the students are addressing real-life economic issues and making an attempt to solve them.

Technology Integration

The ability to responsibly use appropriate technology to communicate, solve problems, and access, manage, integrate, evaluate, and create information

- **8th Grade Technology Literacy** - the ability to responsibly use appropriate technology to communicate, solve problems, and access, manage, integrate, evaluate, and create information to improve learning in all subject areas and to acquire lifelong knowledge and skills in the 21st Century (SETDA, 2003).

Multiple opportunities to integrate technology are included in this unit. For instance, readings are hyperlinked and can be accessed electronically if student computers are available. Students also have the opportunity to integrate technology into the second transfer task by producing a PowerPoint or video.

Information Literacy is also emphasized within this unit. Students are expected to research the time periods of the 1930s, 1970s, and 1990s throughout the unit. Some resources are provided, but other original research is required such as finding the visuals for Lesson Two/Strategy 6.

Content Connections

Content Standards integrated within instructional strategies

History Standard Two 9-12a: Students will develop and implement effective research strategies for investigating a given historical topic.