

# Lesson Title: Signs of the Economic Times

## Objectives:

- *Review economic trends from 1980 to present.*
- *Explore how the drive for economic success has affected families and our daily lives.*
- *Define and compare Gross Domestic Product (GDP) and GDP per capita with Gross National Product (GNP) and GNP per capita.*
- *Compare the merits of GDP and GNP as indicators of economic progress with other social indicators.*

## Concepts and Key Terms:

- *Gross Domestic Product (GDP), GDP per capita*
- *Gross National Product (GNP), GNP per capita*
- *pro-family economic agenda*
- *inflation*
- *cooperative*
- *economic trends 1980 to present*
- *unemployment*
- *economic indicators*

## Instructional Time:

- 55 minutes

## Preparation:

### For the Bellringer Activity 3.1:

- *15 large black markers*
- *2 large sticky notes per student*
- *Charts 3a, Nation at a Crossroads and 3b, The Trends Since 1980.*

### For Activity 3.2:

- *One handout per student of either of the two following articles, "Underemployment" or "Shrinking Benefits." Half the class will work with each article.*
- *Charts 3c, Increase in Number of Total Employees and Temporary Help Employees and 3d, Employer-Provided Insurance and Pension Coverage.*

### For Activity 3.3:

- *Optional: Obtain data from the latest copy of State of the World's Children published annually by UNICEF and available through the United Nations. This document compares GNP with other factors in industrialized and developing countries. (See the Additional Resources section for more information on how to obtain a copy.)*

### For Extra Activity 3.5: On Inflation

- *3 candy bars and plenty of play money*

# Conducting the Lesson

## Bellringer Activity 3.1: Signs of the Economic Times

1. Ask students to identify and discuss in pairs, signs they see around them that indicate how the economy is doing.
2. An alternative to asking students to name some indicators of our economy's economic health is to provide opposing categories listing some "traditional" economic indicators and some "alternative" economic indicators and asking students to compare the lists.

### Traditional Indicators include:


- The Stock Market
- GDP and GNP per capita (see below)
- Unemployment rate
- Inflation rate

### Alternative Economic Indicators include:

- Adult literacy rate
- Children living in poverty
- Number of homeless
- Amount of leisure time


3. Hand out large markers and sticky notes. After a few minutes of paired discussion, ask each student to write two of their "signs of the economic times" on a separate post-it for each sign.
4. Ask students to voluntarily come to the front of the room and post their "signs" on the board. Ask them to group similar answers together so themes can be determined.

5. Discuss the themes and make a list of them on the board. Then confirm that studies show that the nation is at a crossroads and show the "Signs" chart. The chart includes information that may not have been touched on yet, such as fear of crime, increase in gated communities, or anger at welfare recipients and immigrants. Discuss these at length if students are interested. Display Chart 3a, Nation at a Crossroads.
6. Review the points on Chart 3b, The Trends Since 1980.



**Note to Teacher**

Check to discover if your students are aware of how the media is portraying the economy. Do they consider it prosperous or slowing? What does the stock market look like lately? Up or down?



**Note to Teacher**

Activity 3.3 takes a similar approach as this alternative. If you choose to do this activity, you may need to alter the lesson according to students' ability and begin directly with the "Nation at a Crossroads" chart.

**The Nation at A Crossroads**  
**What is the Current Situation?**

|   |   |
|---|---|
| <b>Growing Insecurity</b><br>Job Instability<br>Stagnant Wages<br>Weaker Pensions<br>Roller-Coaster Market  | <b>Greater Burdens</b><br>Health Care Costs<br>Child Care Costs<br>Education Costs<br>Longer Work Hours |
| <b>Stress, Isolation &amp; Scapegoating</b><br>Families hunkering down<br>Fear of crime and terrorism<br>Gated communities<br>Anger at immigrants |   |

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### Talking Points:

These trends are alarming, especially in light of how quickly (less than 20 years) they have occurred.

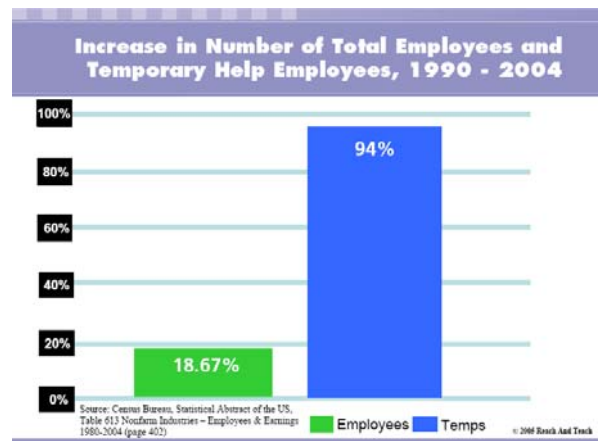
In most cases, periods of economic growth resulted in greater equality, as in the 1940's through the 1970's. Over the past 20 years however, the benefits of the growing economy have been concentrated on a narrow elite at the top. We haven't seen this happen since 1929.

Economist Wallace Peterson points out that three out of four U.S. workers have experienced a decline in their standard of living: either a drop in purchasing power, a loss of benefits, or a change in job security. More and more people have the experience of being "temped," "outsourced," "adjuncted," or "downsized" (define these terms, in necessary).



### Activity 3.2: Underemployment and Shrinking Benefits

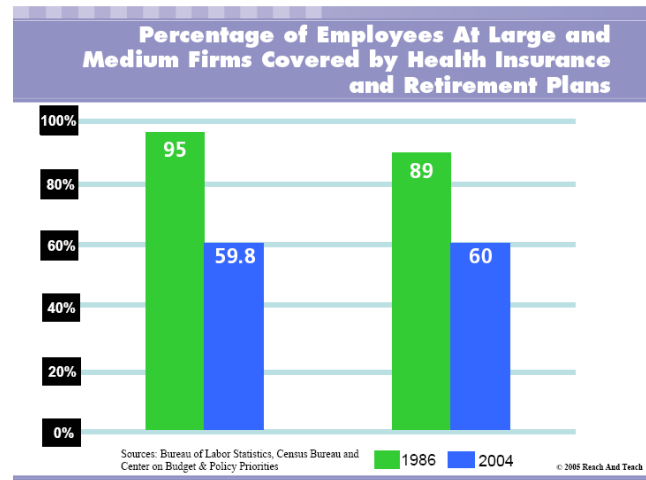
1. Break students into two groups. Give each member of each group a one of the two articles included with this lesson plan: "Underemployment," or "Shrinking Benefits." Ask the students to silently read their article and then discuss it with the group. Explain that their task will be to share the information in the article with the other group. Ask one person to serve as "scribe" to summarize the article and record the main points.
2. When sufficient time has passed, ask the group who read "Underemployment" to come to the front of the class and explain what they read.
3. Show the students Chart 3c, Increase in Number of Total Employees and Temporary Help Employees and discuss the growth in temporary work. Ask students if they have known anyone or have family members who have accepted temporary work, but would prefer full-time work. Explain how temporary and part-time work distorts unemployment statistics. Explain how unemployment statistics leave out many people, including people in prison and those people who have become discouraged and are no longer seeking employment.



4. Ask the group who read “Shrinking Benefits” to come to the front of the class and explain the article. Then show students Chart 3d, Employer-Provided Health Insurance and Pension Coverage.

5. Discuss whether or not students know people without health insurance. You may need to define health insurance and explain its importance. Provide examples of the high costs for people without insurance. (A trip to the emergency room for stitches costs several hundred dollars. An operation to remove a burst appendix will probably cost several thousand dollars.)

6. Summarize: In the 1950s, '60s, and '70s, the jobs people could get with just a high school education paid enough to support a family, buy a house, pay for college education for their children, and retire with a pension (retirement income) plan. Now, many jobs people obtain with a high school degree don't even pay enough to cover the costs of rent and food. Ask students “Why do you think it is important to pay people a living wage regardless of their educational level? Why not?”



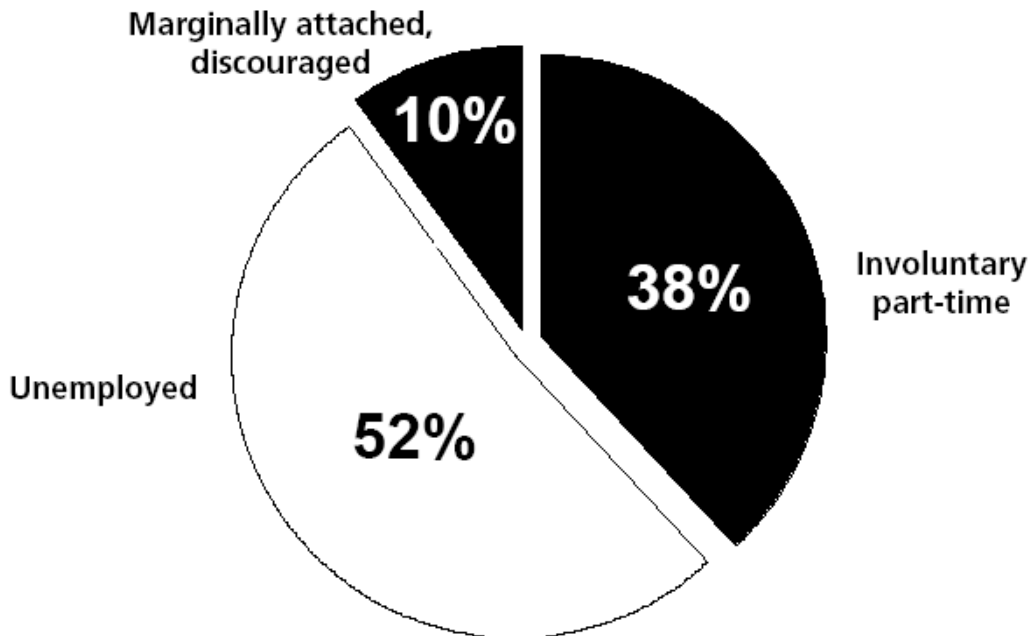
## Underemployment

The unemployment rate is more complicated than the percentage of people who are out of work. For example, workers who have part-time or temporary jobs are counted as fully “employed” even though many of them would prefer full-time, permanent work.

In (January) 2005, the unemployment rate was 5.7%. But this doesn’t include jobless people who want a job but who have stopped looking for work. These folks are called “discouraged workers.” Adding part-timers who want a full time job and discouraged workers to the unemployment rate results in an underemployment rate of 9.3% for January 2005.

Pay and benefits are lower for temporary workers, with only a small percentage of employees receiving any medical benefits (less than 10%).

### Underemployed Workers, by Employment Situation



Source: Bureau of Labor Statistics Employment Situation August 2005  
Range of alternative measures of labor underutilization

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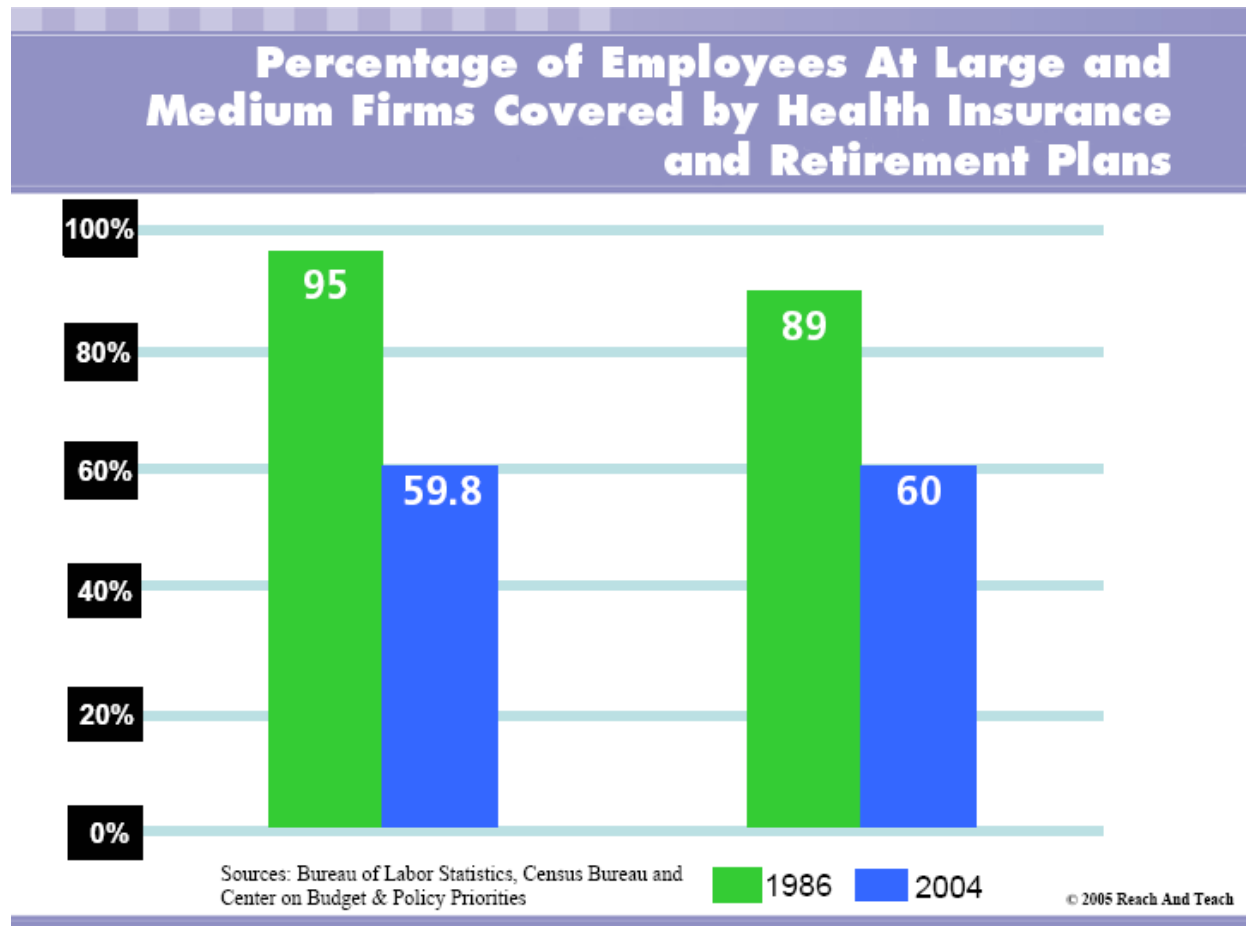
Source: Bureau of Labor Statistics, Employment Situation, August 2005, Employment Situation.  
Range of alternative measures of labor underutilization.

## Shrinking Benefits

Employees often get more than a paycheck from their employers. For many workers, health and retirement benefits are just as important as wages or salary. But since the 1980s, fewer employees are covered by these benefits.

The percentage of employees at medium-sized and large firms that had health insurance dropped from 95% in 1986 to 59.8% in 2005. This means that more employees have to pay for health insurance out of their own pockets, or else they have to do without health insurance. The number of Americans without health insurance rose steadily throughout the 1990s. People lacking health insurance are less likely to get preventative health care.

Another type of employee benefit is a retirement plan, which sets up payments to the employee for his or her retirement years. The percentage of employees at medium-sized and large firms covered by retirement benefits dropped from 89% in 1986 to 60% in 2005 (36% with defined benefits - employer contribution, the rest are employee contribution plans like 401k).



Source: Bureau of Labor Statistics (May 26, 2004) and the Center on Budget and Policy Priorities (August 2005)

### Activity 3.3: Family Values and the Gross Domestic Product

1. This “spectrum” activity takes a further step using the “signs of the economic times” to determine how family values have been affected. Explain to students that they will serve as a human social barometer in responding to several statements. After each statement, those who agree stand on one side of the room, those who disagree stand on the other, and those who are in between stand in the middle. Once students have taken their places, ask someone from each group to say why they are there. Ask students questions to clarify their positions and ask them to provide examples. Once the positions have been clarified and some of the arguments made, ask any students who have changed their minds to shift to the part of the room that reflects their new opinion.

#### Spectrum Statements

“You know a community, or a particular place is healthy and/or successful because...

- a. it has a low crime rate
  - b. it has a high level of academic achievement
  - c. the houses are big and the cars are new
  - d. the adults have a lot of leisure time
  - e. many of the mothers do not work and spend the day with their children
  - f. there are many stores for shopping
2. After the spectrum activity, ask students to come up with other indicators of a healthy community. Ask if they know the standard indicator used in determining the economic progress of a community and/or country?
  3. Ask students to guess what country has the highest GNP per capita in the world. Provide students with the GNP per capita for the United States, which was \$29,240 in 2003. Compare the U.S. GNP per capita to that of other countries. Show a range of countries with varying GNP per capita.

|            |          |
|------------|----------|
| Luxembourg | \$36,978 |
| Israel     | \$16,375 |
| China      | \$1,035  |
| Mexico     | \$6,059  |
| Sweden     | \$26,517 |
| Singapore  | \$20,677 |

#### Definitions:

**Gross Domestic Product (GDP):** The total market value of all final goods and services produced during a year by resources located within a certain country, regardless of who owns the resources.

**GDP per capita:** GDP divided by the number of people in a country.

**Gross National Product (GNP):** The total market value of all final goods and services produced during a year by resources owned within a certain country, regardless of where the resources are located.

( $GNP = GDP + \text{net foreign factor income}$ .) Note the difference between GNP and GDP for a given country is whether or not the resources are **located** within the country (GDP) or **owned** within the country (GNP).

4. Optional: Add information from UNICEF’s State of the World’s Children (2005) here. This report can be downloaded from [www.unicef.org](http://www.unicef.org). Contrast GNP per capita with other indicators of progress such as economic literacy, infant mortality rates, etc. Students are often surprised to find that countries

with lower GNP per capita than the US rank better in categories such as these than the US. This document exposes the GNP and GNP per capita as weak indicators of the true progress of a nation.

5. Remind students that some countries provide greater health insurance and more maternity leave for their citizens than the US does. How is it possible that these countries could spend less on health care per capita than the United States and still provide more services?

6. Bring the focus of discussion back to what our economic success looks like for the average family.

### **Talking Points:**

The average vacation time in the United States is two weeks per year, and there is no minimum vacation time mandated by the government. In many European countries, on the other hand, the minimum vacation times are written into law. In Germany it is six weeks plus holidays. Workers in Sweden, Spain, Denmark and Austria all take at least six weeks vacation per year. The average in Japan is five weeks.

We spend six hours a week shopping, and 40 minutes a week playing with our children.

The average American is working 36 hours more per year in 2005 than in 1990. The average American also spends over 100 hours a year commuting to and from work.

### **Activity 3.4: Create a Pro-Family Economic Agenda**

1. Count students off into small groups of four or five. Give them approximately five minutes to come up with a list (containing at least five items) of what they would do to create a “pro-family economic agenda.” Explain that they do not have to go into detail explaining how the agenda will be implemented. They need only to list their ideas. Ask one student in each group to “scribe” the group’s answers.

2. When time is up, ask the scribe to go to the board and write down the ideas the group listed. Use their ideas to come up with an agenda from the entire class. Some of the ideas will likely overlap. (Some suggestions: raise the minimum wage, provide adequate income for families to save money, provide equal access to education and training, provide paid maternity leave, provide equal access to health care.)

3. Take one (or two if time permits) of the students’ suggestions and discuss how this change would be implemented. Ideas may range from writing Congress to choosing to boycott products made by companies that don’t pay a living wage.



### **Note to Teacher**

**If time does not permit this activity, assign it for individual homework and begin by reviewing students’ answers the following day. This is an important part of the lesson. It is vital that the students be given a chance to discuss how to implement a POSITIVE change and reverse some of the trends they just discussed.**



### **Extra Activity 3.5: Inflation**

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1. Bring in three candy bars and some “play” money. Hand out a random amount of play money to each student. Start taking bids for the candy bars. Students quickly count their money and complain how some have more than others. Interject that some must have been born into wealthier families than others.
2. Take a few bids and give the candy bar to the highest bidder, taking their money away, and recording the amount paid for the candy bar on the board.
3. Give out even more money this time so there is much more money in circulation. Begin bids for the candy bar again and exchange the candy bar for the money of the highest bidder. Record the amount paid.
4. Repeat the exercise handing out loads of money for the last round. The bids will go much higher this time. Record the amount paid and discuss how the candy bar was the same product but because there was more money in circulation people were willing to pay more for it. They had more money but each individual “dollar” was worth less. Relate this to the definition of inflation
5. Other subjects that may arise for discussion include whether or not students formed co-operatives or corporations in order to purchase the candy bar together and share it.

**Definition:**

*Inflation is a rise in the price level (or average level of prices) of all goods and services over a period of time. Equivalently, it is a decline in the purchasing power of a unit of money (such as the dollar) over a period of time.*

### **Additional Resources**

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The State of the World’s Children report, published annually by the United Nations Children Fund (UNICEF). Contact UNICEF at U.S. Committee for UNICEF 333-East 38th St. -GC-6, New York, NY 10016. The document is available online at [www.unicef.org](http://www.unicef.org).

Genuine Progress Indicator. Each year, Redefining Progress releases the Genuine Progress Indicator, an alternative to the Gross Domestic Product. The gross domestic product simply adds up all the money we spend, and calls the results economic growth. In 1995, Redefining Progress created a more accurate measure of progress, called the Genuine Progress Indicator (GPI). It starts with the same accounting framework as the GDP, but then makes some crucial distinctions: It adds in the economic contributions of household and volunteer work, but subtracts factors such as crime, pollution, and family breakdown. Redefining Progress, One Kearny Street, 4th Floor, San Francisco, CA 94108 Phone: 415-781-1191, Fax: 415-781-1198, Email: [info@rprogress.org](mailto:info@rprogress.org), Website: [www.rpogress.org](http://www.rpogress.org).

Who’s Counting, Marilyn Waring on Sex, Lies and Global Economics. A video available from Bullfrog Films, P.O. Box 149, Oley, PA 19547. Phone: 800-543-3764. Email: [bullfrog@igc.apc.org](mailto:bullfrog@igc.apc.org). This film produced by The National Film Board of Canada, NY, takes a closer look at Gross Domestic Product figures and how they form the basis of macroeconomic policy throughout the world and yet they recognize no value but money and are unrelated to the well-being of people and communities.

Life-Centered Economic Indicators is a study packet of alternative ways of measuring our quality of life at national and local levels, to supplement or replace the GDP. Purchase from the Who’s Counting? Project c/o Lebensold, 7575 Sunkist Drive, Oakland, CA 94605. E-mail: [loisjoines@igc.apc.org](mailto:loisjoines@igc.apc.org).

# **The Nation at A Crossroads**

## **What is the Current Situation?**

### **Growing Insecurity**

**Job Instability**  
**Stagnant Wages**  
**Weaker Pensions**  
**Roller-Coaster Market**

### **Greater Burdens**

**Health Care Costs**  
**Child Care Costs**  
**Education Costs**  
**Longer Work Hours**

### **Stress, Isolation & Scapegoating**

**Families hunkering down**  
**Fear of crime and terrorism**  
**Gated communities**  
**Anger at immigrants**

# Trends Since 1980

## **Good News!**

**Inflation Down  
Unemployment Down**

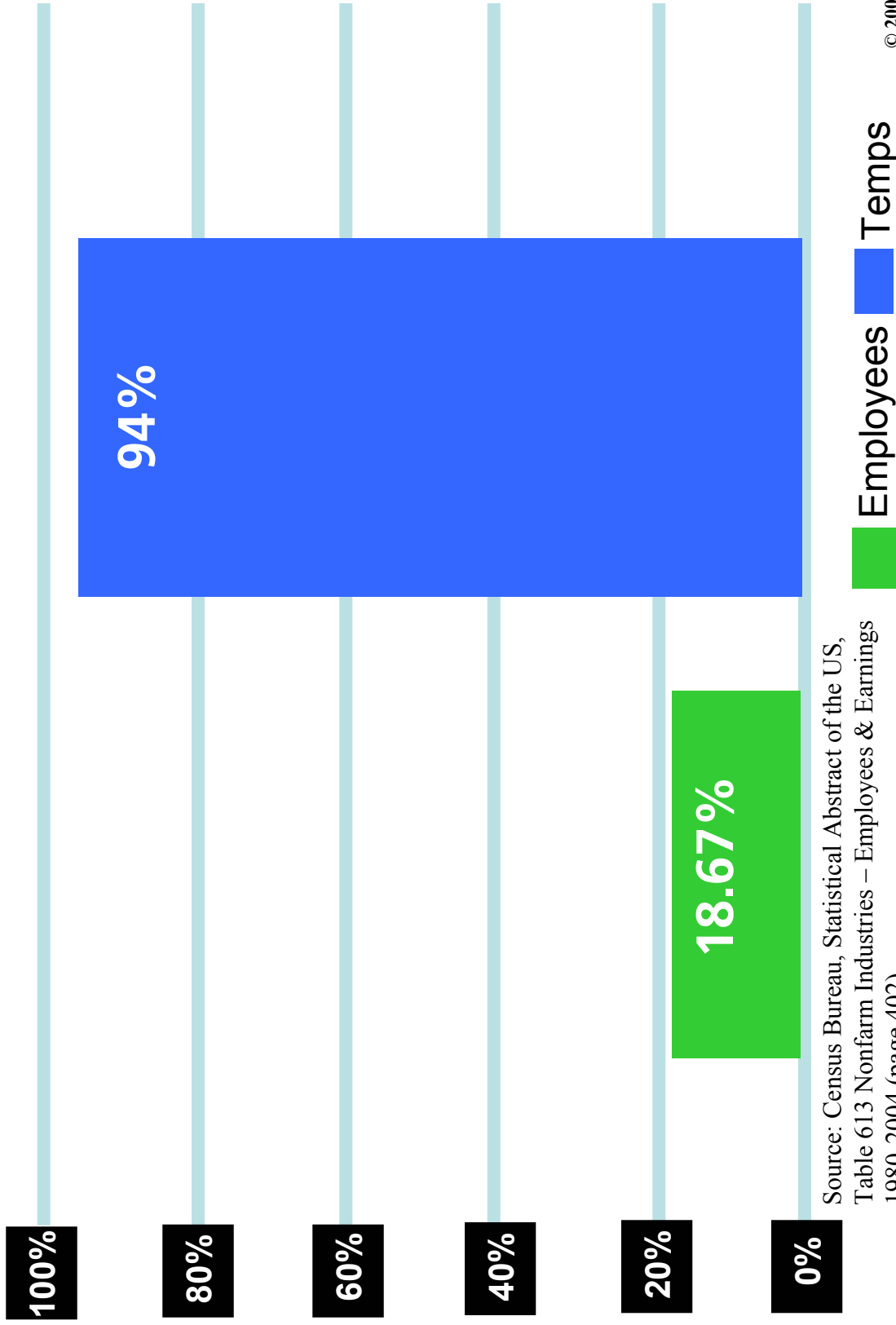
By some measures, the U.S. economy  
has done well.....

## **Bad News**

**Most income growth has gone to top 1%  
Wealth is even more concentrated at the top  
Wages have not recovered to early-1970s level  
Gap between highest and lowest paid workers soared**

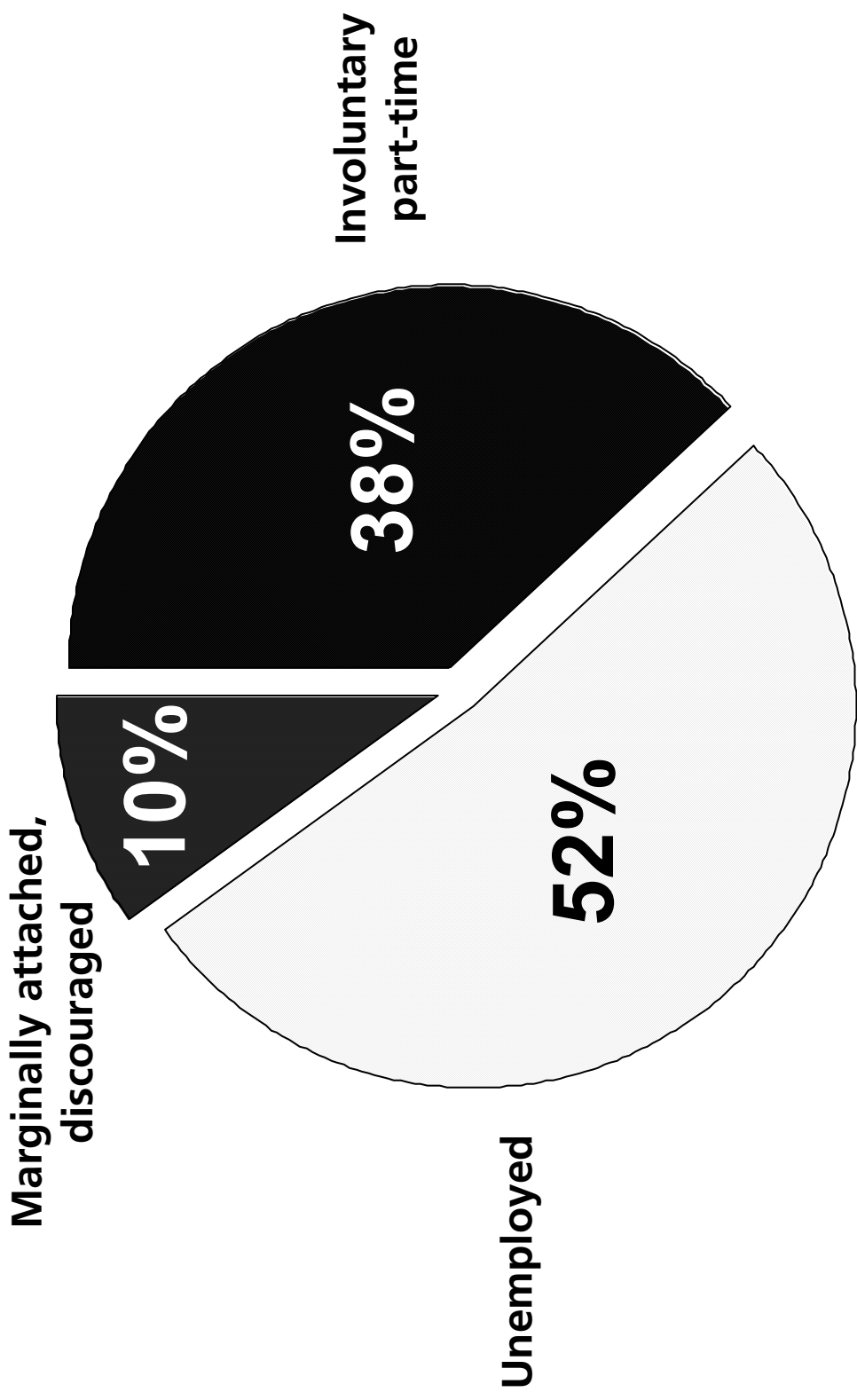
**But the rising tide has only lifted a few boats (yachts)**

# Increase in Number of Total Employees and Temporary Help Employees, 1990 - 2004



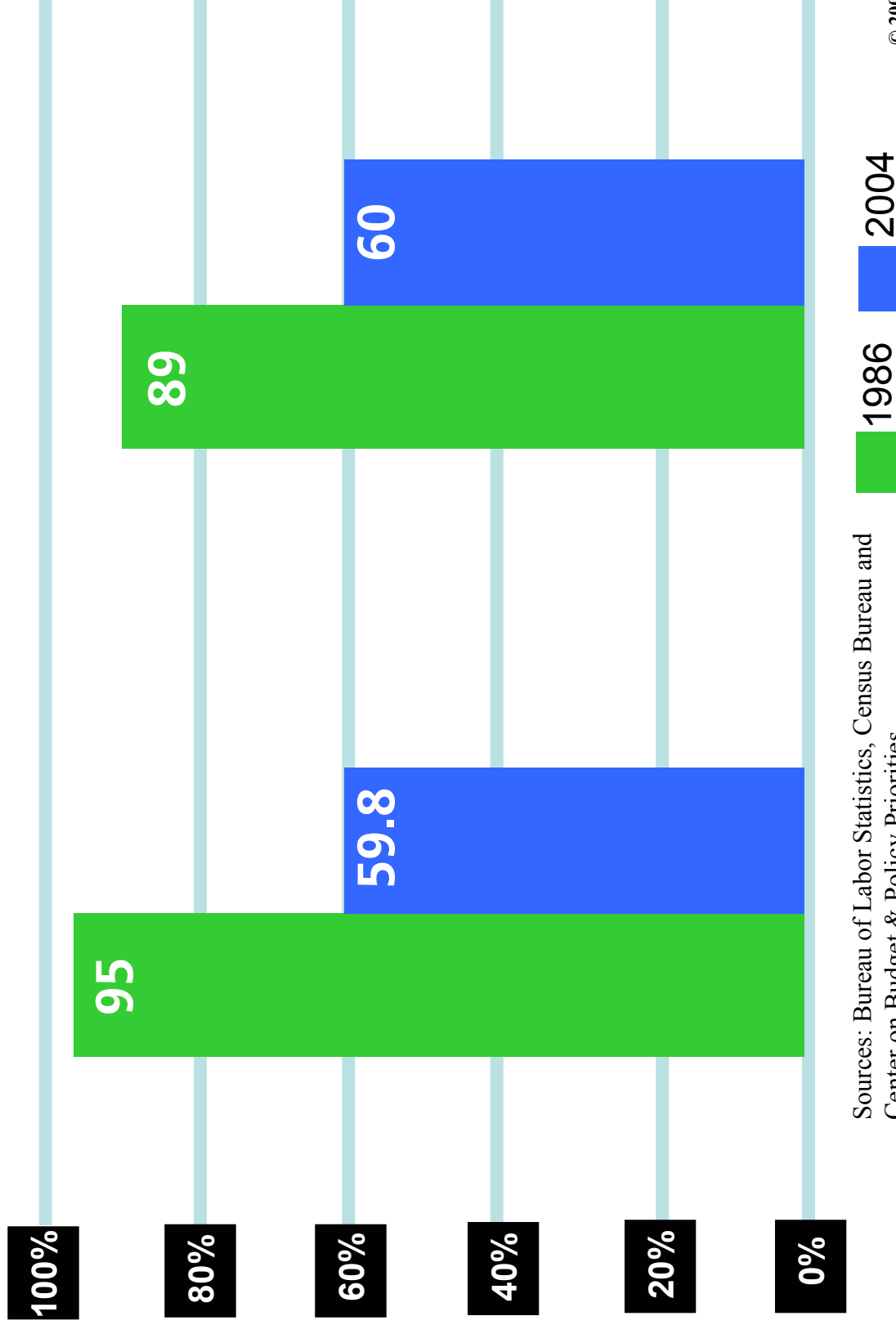
Source: Census Bureau, Statistical Abstract of the US, Table 613 Nonfarm Industries - Employees & Earnings 1980-2004 (page 402)

# Underemployed Workers, by Employment Situation



Source: Bureau of Labor Statistics Employment Situation August 2005  
Range of alternative measures of labor underutilization

# Percentage of Employees At Large and Medium Firms Covered by Health Insurance and Retirement Plans



Sources: Bureau of Labor Statistics, Census Bureau and Center on Budget & Policy Priorities

1986 2004