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ABSTRACT

This economics package course, designed for school districts wishing to give further in-service training to teachers of grades one through eight, offers seven original and three recent additional lessons. Supplementing teachers' guides, the objective of the handbook is to give teachers confidence in teaching economics and, further, enthusiasm about the subject which they will relay to their students. The non-credit course is organized into general sessions handled by an economics instructor for approximately two-thirds of the available classroom time, with the remainder of the time handled by experienced classroom teachers holding grade-level meetings for smaller groups of teachers. Seven sessions of two to three hours each deal with a variety of instructional techniques of interest to teachers, primarily lecturing, transparencies, films, problems, and quizzes. The handbook material suggests procedures for each of the grade level meetings, emphasizing discussion, and for general session meetings, offers short descriptions of topics, a list related instructional materials, and a brief description of how each session should be organized. The ten unit topics are on economics in general, producers, consumer economics, business and governments, specialization and trade, money and banking, economic growth and stability, jobs, income and unions, Oregon's public services and goods, and a review. (SJM)

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***instructor's
handbook
to the
package
economics
course***

BY HUGH LOVELL

**Center for Economic Education
Portland State University
Oregon Council on Economic Education**

1969

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INTRODUCTION

A series of Teachers Guides to Economics for grades one through eight were published by the Oregon Board of Education in 1968. These guides resulted from the Oregon Developmental Economic Education Program, an activity of the Oregon Council on Economic Education, and were designed to help classroom teachers insert appropriate economic ideas into the existing social studies curriculum. Subsequently, a "Package Economics Course for Teachers" was developed for the Council by Hugh Lovell and Leonard Robertson of Portland State University and was taught by them in the Oregon City, Lynch, and David Douglas School Districts near Portland. The package course was designed for use by school districts which wished to give their teachers additional in-service training in economics and/or to get them interested in putting the suggestions made in the Teachers Guides to actual classroom use. This Handbook was designed for others who may be called upon to teach the Package Course but who are less familiar than we with schools and teachers or with the Teachers Guides themselves.

About Schools and Teachers

Our friends in Education tell us that "curriculum is what happens when the teacher shuts the door behind him," by which they mean that teachers have a good deal of say about what actually is going to happen in the classroom and hence find it very easy to ignore suggestions that they introduce material of a new or different kind such as economics. Because of this the Teachers Guides were consciously designed to present economics as a subject which (a) was easy enough for children and teachers to understand; (b) would "enrich" things that teachers were already doing -- i.e., make it possible for them to do a more interesting and better job with the material they were already teaching; (c) would not require them to give less time to other important subjects like reading, arithmetic, or history; and (d) would help them present economics from an objective point of view. The Guides are built around the subject matter generally taught at a particular grade level (for example, the Grade Four Guide deals with economic aspects of Oregon history; the Grade Eight Guide, with economic aspects of American history). They are organized around economic concepts or "big ideas" which are both relevant to the subject matter that the teacher will be covering and significant from an economist's point of view. They suggest practical devices a teacher can use to explain the "big ideas" to his children and to discover whether they are in fact understanding them.

Why the Package Course

The Package Course was designed to supplement the Guides on the theory that the Guides would not teach themselves and that the ideas and suggestions in them would be more apt to be put to use (a) in a school district which was willing to organize a district-wide training program and by so doing tell its teachers that it views economics as a significant part of the curriculum, and (b) where classroom teachers have had a chance to talk out some of their own doubts and misgiving about trying to handle the new material and, with luck, to become genuinely enthusiastic about putting it to use in their classrooms.

Thus, while we were concerned with giving teachers a better understanding of economic principles, the objectives of the package course are considerably broader than that. After all, much of the economics that a fifth grade teacher can teach is already written down for him in the Fifth Grade Guide. The prime objective of the package course is not to give him this material in a lecture form. The prime objective is to convince him and the other teachers in his building that economics is fun for teachers and children, that it can be taught, and that he himself can teach it without having to abandon other cherished parts of his curriculum. Once we have accomplished this objective, once we have teachers who are actually handling economic ideas and liking it, then we can proceed to offer additional courses and programs that will further enrich the teachers' own understanding of the subject.

How the Course is Organized

First, this is not a one-instructor course. The instructor, an economist, will be generally responsible and will handle "General Sessions," but the Oregon Council will also recruit experienced classroom teachers to handle practical "Grade-Level Meetings" for smaller groups of teachers before or after the general presentation by the economist. Such teachers will be drawn from those who were involved in the project that produced the guides and/or attended the eight-week NDEA Economics Institute conducted in the summer of 1968 at Portland State University.

Second, the course calls for a variety of instructional devices. Some lecturing is probably indicated, and with this in mind we have prepared overhead transparencies which state the essential concepts

that we think the teachers should grasp. However, we have also prepared problems and quizzes for solution by individuals or small groups, we have prepared three short 16mm. films for use at appropriate places in the course, and we have identified other longer films which we recommend because we think they do an excellent job of presenting or summarizing certain parts of the material. Our thought in doing all this is a simple one: teachers are pretty tired people after a day in school; they are more likely to stay awake and interested in a classroom session that includes several types of instruction than in one that consists entirely of a lecture.

Third, the course is organized on a non-credit basis. We felt that seven two-to-three-hour sessions would be enough to cover the material needed by grade school teachers (a three-day conference could be organized to deal with the same material). We felt that a non-credit course would give us greater flexibility in approach and method than would a for-credit Outlines of Economics course, and also, that it might be less threatening for the teachers. Most districts have ways of giving their own internal credit to teachers who complete such courses.

Grade Level Meetings

Our experience with preliminary versions of the course indicates that at least one-third of the available classroom time should be used for "Grade-Level Meetings" led by classroom teachers who have previously taught economics to their children. (Funds for such teachers will be provided by the Oregon Council as part of the "package" course.) This permits a 40/80 minute split in a two-hour session or a 60/120 minute split in a three-hour session. However, we also gather that the grade-level meetings in the preliminary versions of the course were not as productive as they should have been. The difficulty seemed to be that we used teachers who were employed by the districts that were arranging the course. These teachers had some difficulty in securing and maintaining an "expert" status vis-a-vis their colleagues.

Our current view is that the teachers who handle the "Grade-Level Meetings" should try very hard to maintain such an "expert" status. The instructor should meet with them at least once before the course starts and agree with them on assignments, procedures, departures from the recommendations made in this "Handbook" and on such other matters as is appropriate. He should make it clear

that they are expected to function as teachers of the teachers in their grade-level meetings, and should urge them to actually demonstrate some of the things that they do with their own children: e.g., have the teacher-students behave as if they were children for the purposes of the demonstration. We have found that it is useful to meet with the expert-teachers during the third week of the course to hear from them how things are going and to talk about adjustments that may be necessary.

Suggested procedures for each Grade-Level Meeting appear in the body of the Handbook. Generally, we urge the "expert" (1) to actually demonstrate how he would teach the current topic to his children, (2) to urge his teachers to actually teach it to their children, (3) to discuss the results of this experimentation at the grade-level meeting for the following week, and (4) in preparation for the following week's topic, ask his teachers to think and talk about ways in which they may have already attempted to teach material related to that topic.

General Sessions

The General Sessions are the responsibility of the economist who teaches the course.

The Handbook material on these General Sessions does three things. (1) It provides a short description of the topics we think should be covered in each of the seven general sessions. (2) It lists related films, filmstrips, handout materials, and overhead transparencies. (3) It gives a general description of how we would organize each session, how we would use the films and the handout materials, and what we had in mind when we prepared the various transparencies. Some of the films are available from the Council and some from other sources. The handout materials can be reproduced by the Council or in the field as is required. The Council is prepared to produce additional sets of the transparencies if a need for them arises.

We do not anticipate that anyone will actually have time to use all of the materials we suggest, or that they will wish to follow all of our suggestions to the letter. (We will probably ignore a good many of them the next time we teach the course.) Our intent was to suggest a method of instruction and a level of instruction that seemed to be effective with this rather special

audience of experienced grade school teachers. Our method is one that minimizes lectures in favor of buzz-groups, films, and discussions in which teachers explain "this is what I tried to do," so that the instructor can comment on it. Our level is one that is closely geared to the economic material that teachers will actually be teaching to children in the primary, intermediate, and upper grades.

Textbook and Assignments

We have, to date, asked the teachers or their districts to purchase copies of Robinson, Morton and Calderwood, An Introduction to Economic Reasoning, 3rd ed. (Garden City, N.Y.: Doubleday Anchor, 1962) \$1.75. This is a useful little book and fits our outline well enough, but we haven't actually used it very much in class.

We have encouraged the classroom teachers on the course team to make "assignments" to their groups; these usually consist of samples of economics work their children have done. However, such "assignments" may have to be handled on a voluntary basis to avoid difficulty with the teachers, and attendance has been the only real criteria for teacher success or failure in the courses to date. A "just for fun" quiz is part of our suggested program for the final session.

Administrative and Financial Arrangements

The Oregon Council on Economic Education expects to pay about one-half of the cost of each Package Course. The other half will be paid by the sponsoring school district.

The basic administrative arrangements will be handled by the school district and the Division of Continuing Education and will involve a contract in which the district undertakes to pay DCE at the going rate for a non-credit course consisting of seven two-hour sessions. The district may send any number of teachers it wishes to the course for the basic price and is encouraged to send as many as it can on the theory that the course will have more impact if all or most of those who teach in any particular school building are enrolled. The DCE then engages the instructor and pays him at its usual rate and under its usual procedures.

The Oregon Council's contribution consists of the special material for the course (including this Handbook), an additional honorarium for the instructor, and honoraria for the classroom teachers who will lead the Grade-Level Meetings. The Council also plans to make a basic library of economic education materials available to districts which offer the course. These materials have not yet been selected; however.

OUTLINE—PACKAGE COURSE IN ECONOMICS

1. **WHAT ECONOMICS IS ALL ABOUT:** How the Teachers Guides to Economics were developed and what they are like. Economics is an analytical subject and is concerned with the allocation of scarce resources. We are all consumers. Someone must produce the goods and services we need. Our resources are scarce. We can produce more with our resources if we use tools and machinery (capital) and if we specialize.
2. **PRODUCERS AND CONSUMERS IN OUR ECONOMIC SYSTEM:** Ours is a modified market economy. Producers buy resources from those who own them. They sell the goods and services they produce to those who want them and have the money to buy them. The circular-flow diagram shows these relationships between producers and consumers. Individual and economy-wide decisions about what to produce and what to buy are influenced by price changes and help to cause them. RMC,¹ Chapters 1 and 2
3. **BUSINESSES AND GOVERNMENTS:** Some of our goods and services are produced by governments and paid for by taxes, but most of our goods and services are produced by businesses. Businesses are willing to risk money and resources in hope of earning a profit on what they sell. The operations of our economy are influenced by the fact that some of our businesses are very, very large.
4. **REGIONAL (AND INTERNATIONAL) SPECIALIZATION AND TRADE:** Oregon has "primary industries" which produce goods and services for sale to people in other places, and "secondary industries" which produce goods and services for sale to Oregonians. Each region and country has such primary and secondary industries. If primary industries grow or shrink, the secondary industries tend to follow.

¹"RMC" refers to Marshall A. Robinson, Herbert C. Morton, and James D. Calderwood, An Introduction to Economic Reasoning, 3rd ed., Doubleday Anchor, Garden City, N. Y., 1962

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Specialization and exchange between individuals, regions, or countries is of value even to those who are very efficient or who have abundant resources. However, while we are interested in encouraging specialization, we have also passed tariffs and other laws which affect the degree to which we specialize. Trade between nations is complicated by the fact that each country uses its own kind of money. RMC, Chapter 9; Teachers Guide to Economics, Grade Eight, pp. 52-59

5. MONEY AND BANKING: Money makes it easier for us to exchange our goods and services for those produced by other people. Most of the money we use in the United States consists of bank deposits. Our banks accept deposits and make loans and have a lot to do with the amount of money in circulation. We attempt to control the amount of money in circulation so as to avoid unemployment and inflation. RMC, Chapter 5

6. ECONOMIC GROWTH AND STABILITY: Why our economy grows and changes. How we use Gross National Product, price indexes, and other statistical tools to measure economic growth and change. Why we are interested in economic stability -- a pattern of growth that avoids depression and inflation. Some of the ways in which we try to achieve economic stability. RMC, Chapters 6, 7, and 8

7. REVIEW. DISPLAY. "JUST FOR FUN" QUIZ

x

1. WHAT ECONOMICS IS ALL ABOUT

DESCRIPTION

How the Teachers Guides to Economics were developed and what they are like. Economics is an analytical subject and is concerned with the allocation of scarce resources. We are all consumers. Someone must produce the goods and services we need. Our resources are scarce. We can produce more with our resources if we use tools and machinery (capital), and if we specialize.

MATERIALS AVAILABLE

HANDOUTS: Course Outline. Page ix of this Handbook.

The Oregon Council on Economic Education. A one-page summary of the activities and organization of the Council. Page 6 of this Handbook.

Going to Seattle. A two-page problem that deals with the costs of operating a family car and specifically calls for a decision about which of various automobile costs should be charged against the Seattle trip. Designed for buzz-group use. Pages 7 and 8 of this Handbook.

MATERIALS: Assembly-Line Demonstration. (A team of six teachers working as individuals competes with a team of six teachers working on an assembly-line basis to produce a paper automobile with glued-on doors, windows, wheels. A victory by the assembly-line team illustrates the advantages of specialization. Described more fully on page 9 of this Handbook.)

16mm FILM: Dr. Dale Parnell, five minutes. (Dr. Parnell, the Oregon Superintendent of Public Instruction, talks about the need for economic education and welcomes teachers to the training program. Source: OCEE)

Assembly Line, about ten minutes. (Individual third graders in Mr. Louis Cava's class are outproduced in the manufacture of paper automobiles by a competing group who works as an assembly line. Moral: specialization pays off in output. Source: OCEE)

TRANSPARENCIES: 1-1 through 1-13

GRADE-LEVEL MEETINGS

(a) Answer questions and reassure the teachers about economic education and the Guides. (b) Demonstrate and discuss an assembly line or other classroom activities related to specialization. (c) For next time encourage teachers to think about and report on (1) their own successes or failures related to the assembly line and specialization; (2) ways in which they have taught or think they might be able to handle concepts dealing with the relationships between consumers and producers in our own economic system.

GENERAL SESSION

1) We strongly urge that this session open with a discussion of the extent to which the teachers now handle economic concepts. (How many of you now handle materials or activities dealing with economics? Show of hands. You had your hand up, what did you do? Did it work? What about some of the rest of you?) We think that this procedure is worthwhile, even in a very large class, because it tends to open up questions and problems that the teachers actually face and gives the instructor an opportunity to comment on and/or build some of his material around situations in which some of the teachers have a direct and immediate interest.

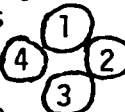
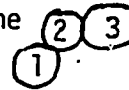
Some of the questions and answers that came up in our opening sessions ran like this:

(a) "Why did the committee that designed these Guides think that this material could ever be taught at the ___ grade level?" We entered the DEEP project without preconceived ideas about what could be taught at any grade level. The ___ grade teachers in the project found that significant economic ideas could be taught in the ___ grade, that the children were interested in them, and that they didn't detract from other important things. These ideas are the ones that appear in the Guides.

(b) "Isn't it a mistake to get children all concerned about this materialistic dollars-and-cents view of life?" Dollars and cents are not the only thing worth worrying about. However, what we are trying to do is to help the children learn how to make intelligent decisions about personal matters and

about public economic issues as well. Dollars and cents aren't the only thing to be considered in making such decisions, but they do play a very real part in all of our lives, from grade one clear up through retirement.

(c) "Isn't this whole program some kind of capitalist (communist) plot?" Bias is a very real problem when you deal with significant economic issues. Take the simple question of thrift. Should children be taught to put their extra money in the bank, in a savings and loan association, in stocks and bonds, in a new car, in life insurance? The Oregon Council on Economic Education and its counterparts in other states are committed to handle such choices in an objective and non-partisan way. They accomplish this in part by trying to include representatives of all major economic interests on their governing boards. The Oregon Council's board thus includes teachers, educators, representatives from the state's major industries and labor organizations, and elected politicians from both the Democratic and Republican parties.

2) We then suggest use of the handout, Going to Seattle. It serves as a useful icebreaker because everyone is concerned about the cost of running his automobile, but it also makes the point that we are dealing with an analytic subject rather unlike the more descriptive social sciences with which most teachers are familiar. Our procedure has been to divide the teachers into buzz-groups of four (by walking through the class and saying, "You, you, you, and you will be in this group," and "You, you, you, and you in that one."), and by asking each group to work out its own answer to the problem. The arrangement of chairs seems very important to the success of these group discussions: we try to insist on a close grouping of four people like this  because person four in a more scattered arrangement  like this one is unlikely to be drawn into the discussion and probably will not participate.

When the groups are finished we generally ask for a show of hands to see how many groups felt that the trip could cost, say, more than 15¢ per mile, 10¢ through 14¢, 5¢ through 9¢, or less than 5¢, and encourage those who came up with some of these conclusions to explain why they decided the way they did. Transparency 1-4 mentions fixed, variable, and alternative costs and may assist in a discussion of this. Differences between our answer -- 4.9¢ a mile -- and other answers sometimes

come about because our model differs from that used by some of the teachers. Such differences can be used to bring about a discussion of models and how economists use them.

3) The 16mm Film, Dr. Dale Parnell, and the Handout, Oregon Council on Economic Education, permit a more formal introduction to the course and are designed to lend official sanction to it. They do not need much comment here. We have used the Parnell film at the very beginning of the course (before the Seattle handout) but now think that the other approach is better for ice-breaking reasons.

4) SCARCITY AND SPECIALIZATION. Transparencies 1-5 through 1-13 cover only the very simplest concepts in regard to scarcity and specialization. In using them we try to get the teachers to think and talk about ways in which they have taught or might be able to teach such concepts to their children. Transparency 1-9 appears in the deck because primary teachers (grades 1, 2, 3) spend a good deal of time trying to convince their children that there is a distinction between needs (things that children do not like but grownups think they should have, like cod-liver oil) and wants (things that children want but grownups think they shouldn't have, like a diet of potato chips and Coca-Cola). The transparency suggests that if Mr. A and Mr. B have different tastes, they should buy different things and that it is not for the economist to worry about individual differences in tastes or goals.

Transparency 1-13 is more important than it looks. Grade school teachers often spend quite a lot of time on methods of transportation and communication -- the Pony Express, Alexander Graham Bell, the Apollo program -- without realizing that transportation is significant because it permits a higher degree of economic specialization and hence more productivity. They often also fail to realize that money plays an important role in permitting specialization. (More on money in Session Five)

5) THE ASSEMBLY LINE. We stress the Assembly Line film and/or demonstration for two reasons: (a) the idea of specialization is a powerful one and one that can easily be handled in all grade levels, (b) at this stage the teachers in the course need an activity that they can try out in their classrooms and report back at the second session of the course. The Assembly Line Demonstration is described at page 9. Our experience has been

that classroom assembly lines do not always pay off in greater output, but this can lead to fruitful discussion of the relationship between specialization, interdependence, and so on. The 16mm film, Assembly Line, shows an actual classroom situation in which the assembly line does win. It may be a better bet than the demonstration in a large class.

OREGON COUNCIL ON ECONOMIC EDUCATION

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The Oregon Council was founded in 1957 and is organized as a non-profit corporation. It is one of almost 50 similar Councils affiliated with the Joint Council on Economic Education (1212 Avenue of the Americas, New York, New York 10036) and like the others is governed by a Board of Directors that represents a wide range of community interests, among them agriculture, business, labor, and education. The Chairman of the Board in 1969 was Dr. Willard Bear of the State Department of Education, the President was Ronald W. Kelleher of Pacific Northwest Bell.

The Council's Constitution empowers it to undertake a wide range of activities on behalf of economic education in Oregon. It has subsidized summer economic education workshops for teachers at Portland State University, the University of Oregon, and Oregon State University. It sponsors an annual Clergy Economic Education Workshop at the University of Oregon. It was the moving force behind the State Department of Education's new Teachers Guides to Economics, Grades One through Eight. It worked with KGW-TV on an hour-long television quiz show, "You and the Economy." It makes grants available to schools and colleges for specific economic education activities, including a "hot-line" telephone answering service for teacher questions to be provided by Lewis and Clark College in the fall of 1969.

The Council's operating budget is based on contributions by over 80 Oregon business firms and labor unions. Its offices are located at Portland State University and its education director, Dr. Hugh Lovell, is Professor of Economics at PSU.

GOING TO SEATTLE

What Is the Cheapest Way for the Jones Family
to Go to Seattle and Back?

If they go by train: 2 adult and 2 children's tickets, \$21.60,
divided by 350 miles, 6.2 cents per mile

If they go by car: 350 miles round trip at _____ cents per mile,
\$ _____

Your problem: From the information given on the next page (it is based on a recent study by the Bureau of Public Roads), (a) decide which of the Jones' automobile costs should be applied to the Seattle trip, (b) add them up on a per-mile basis, and (c) multiply by 350 miles to get the costs of driving to Seattle. Do: (a) accept the accuracy of our calculations. They may not fit your own experience, but they are good enough for this purpose; (b) use the back of this page for calculations. Don't worry about the relative comfort, fun, educational value, or convenience of the train versus the car, or about local travel in Seattle -- just work out the cost of driving there and back.

The Joneses are an average family, they have an average car with average quirks, and they drive it the average distance, 10,000 miles a year. The car cost them \$2,800 when they bought it 13 months ago. Our calculations show the costs that they can expect during this, the second year in the life of such a car. The per-mile costs are underlined in the per-mile column, and the per-year costs are underlined in the per-year column. However, we multiplied the per-mile costs by 10,000 miles and divided the per-year costs by 10,000 miles, so as to give you both the per-mile and the per-year costs in case you needed them.

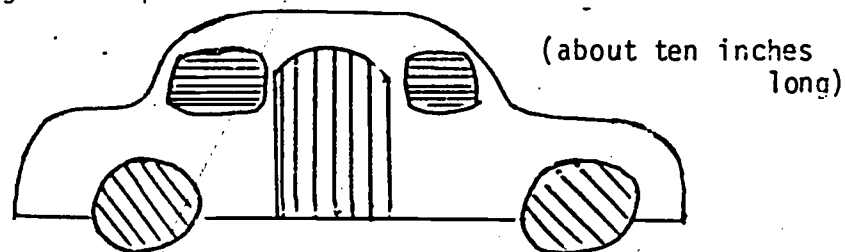
	<u>Per Mile</u>	<u>Per Year</u>
Depreciation: (The value of the one-year-old car, \$1,958 less its value when it is two years old, \$1,369 = \$589)	5.8	<u>\$589</u>
Finance charges: (Original price, \$2,800 less \$800 trade-in and down payment = \$2,000 paid off in 24 installments of \$103.33 with interest at 2% a month, total finance charge, \$480 for two years equals \$240 for this, the second year)	2.4	<u>240</u>
Lost interest income: (If they sold the car after one year for \$1,958 and put the money in the bank at 5% they would have earned about \$200 in interest during the second year.)	2.0	<u>200</u>
Insurance	1.4	<u>140</u>
Parking and registration fees	0.7	<u>70</u>
Maintenance, parts, and tires	<u>2.1</u>	210
Gasoline and oil	<u>2.8</u>	280
TOTALS	17.2¢	<u>\$1,729</u>

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PROCEDURE FOR AN ASSEMBLY-LINE DEMONSTRATION, PAPER AUTOMOBILES

This demonstration involves a race between six non-specialized teachers, each of whom produces a complete paper automobile by gluing pre-cut paper parts to a pre-cut paper body, and six specialized teachers who produce a similar vehicle on an assembly-line basis. (Four-man teams may also be used.) The objective is to demonstrate the advantages of specialization in terms of output. An alternative objective, in case the assembly-line group does not win, is to open a discussion on problems of interdependence, coordination, etc., in a specialized society. The demonstration takes about ten minutes and is fun. The automobile is the same one used in the Oregon Council's 16mm film, *The Assembly Line*. Other possible assembly line projects include the packing of Red Cross packages, sorting crayons by color, and so on.

Materials Required: Two work tables, ten chairs, a blackboard or wall on which to display the finished cars, two or more dispensers with cellophane tape, nine small bottles of Elmer's Glue, pre-cut paper parts for 50 automobiles: i.e., 50 bodies, 50 doors, 100 windows, 100 wheels. These should be prepared from poster paper in contrasting colors and according to the illustration below. It helps to ditto or mimeograph X marks on the bodies to assist in locating the glued-on parts.



Procedure: Select volunteers, show them how the finished car will look, divide the parts between the two teams. The non-specialists will each finish a complete car and will fasten it to the board. The tasks performed by the specialists will probably be as follows: (1) door gluer, (2) front wheel gluer, (3) rear wheel gluer, (4) front window gluer, (5) rear window gluer, (6) assembler. Allow enough time -- it takes awhile for the first car to reach the end of the line and this gives the non-specialists an advantage in a short race.

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2. PRODUCERS AND CONSUMERS IN OUR ECONOMIC SYSTEM

DESCRIPTION

Ours is a modified market economy. Producers buy resources from those who own them. They sell the goods and services they produce to those who want them and have the money to buy them. The circular-flow diagram shows these relationships between producers and consumers. Individual and economy-wide decisions about what to produce and what to buy are influenced by price changes and help to cause them. (Robinson, Morton, Calderwood, Chapters 1 and 2)

MATERIALS AVAILABLE

FILMSTRIP AND 33 RPM RECORD: Work Outside the Home. This strip shows what first-graders can do as they work through the Senesh SRA economics materials, Our Working World.² We suggest use of a short portion of the strip, a portion showing children working as producers of houses, food, and clothing. They earn money and take it home to their wives who spend it on houses, food, and clothing. One day the wives don't buy houses, they buy clothing instead. The home builders are ruined until the clothing manufacturers decide they need another factory. The best place to start the tape and the record is where the picture and the voice say, "Someone who is unemployed: Dick is our neighbor. He used to work at a trailer factory but it closed down. Now he doesn't have a job." Source: OCEE

16mm FILM: Allocating Our Resources, 30 min., bw. This is one of the preview films for the American Economy Tele-course. Dr. John Coleman contrasts a completely

¹Marshall A. Robinson, Herbert C. Morton, James D. Calderwood, An Introduction to Economic Reasoning, 3rd ed., Doubleday Anchor, Garden City, N. Y., 1962

²Our Working World, SRA Resource Unit, Grade 1, Science Research Associates, Inc., Chicago, 1964 (state-adopted)

planned economy on the Russian model with a completely free enterprise economy and then places our own mixed economic system between the two extremes. Source: Division of Continuing Education Film Library, University Campus, Corvallis, Ore., \$5

HANDOUT: Georgia Peach Freeze. (At page 14 of this Handbook)

TRANSPARENCIES: 2-1 through 2-19

GRADE-LEVEL MEETINGS

(a) Talk about the assembly line and/or specialization projects and why they worked or didn't work for the teachers. (b) Demonstrate and discuss a circular-flow project for the teachers to try out with their children. (c) For next time encourage the teachers to think about and report on (1) their own success or failure with the circular-flow concept and (2) ways in which they have taught or think they might be able to handle concepts relating to governments and businesses in our economic system.

GENERAL SESSION

1) As before, we urge that the session begin with a discussion of (a) the extent to which the teachers experimented with an assembly line (How many of you tried to use an assembly line? You had your hand up, did it work as well as you hoped it would?) and (b) the extent to which they have taught or think they could teach concepts dealing with the relationships between consumers and producers in our economic system. If participation lags, as it may do at this stage, we recommend that you ask for a show of hands from those teachers who are willing to promise that they will think about something dealing with governments and businesses and be prepared to talk about it next time. Make the point that the course is designed to work with their problems, and get as many of them as possible to "show their hands and promise" because the actual show of hands seems to have a lot to do with the amount of actual participation that will result in the third and subsequent sessions.

2) THE CIRCULAR-FLOW DIAGRAM. The filmstrip, Work Outside the Home, is probably best used as soon as the opening discussion is finished. We would be inclined to show it twice because, although it doesn't introduce the idea of circular-flow as such,

it clearly -- and in first grade language -- demonstrates a circular flow between consumers and business firms. This circular-flow idea is probably the most important idea to get over in this session.

Transparencies 2-1 through 2-3 relate to circular flow. Transparency 2-3 is a simplified version of a circular-flow diagram that is built up step by step in our Grade Three Guide (pp. 32-36). It shows "families" and "firms" but does not include a separate box for government. Some teachers report that they get better results if they simply put "businesses and governments" in a single box when they first construct the diagram. Transparency 2-3A is a barter circular-flow diagram based on the Grade Four Guide's discussion of a pioneer Oregon economy (pp. 20-22).

3) PRICES AND ALLOCATION OF RESOURCES. We think that it is important to make sure that the interrelationships shown by the circular-flow diagram and the Senesh strip are clearly understood before placing a lot of emphasis on the sometimes confusing role that prices play in affecting the flows between firms and households. These relationships are summarized in transparencies 2-4 through 2-19. Transparency 2-11 "The Succotash Theorem" tries to present the relatively sophisticated idea that prices affect not only a choice between high and low priced versions of a single product, but also affect the mix of the family's purchases. Transparencies 2-13 and 2-14 deal with the economic decisions made by businesses. Transparencies 2-16 through 2-19 attempt to explain how the overall economy decides what, how, and for whom to produce and how "good" its decisions are.

4) SUMMARY AND REVIEW. The 16mm. film, Allocating Our Resources, serves as an excellent review of both the circular flow and the price ideas. It presents these ideas at a somewhat higher level than we handle them in the transparencies and from a somewhat different point of view, but this is all to the good. We find that there are real advantages in having a film review of material that we have presented -- for one thing, the film seems to carry a great weight of authority. (We would be sure to use this film even if there is a time problem.)

The Handout, Georgia Peach Freeze, was also designed as a review exercise and can be used with good results. We present it as a surprise "TEST!" designed to see if the teachers have

really grasped the basic workings of our economic system and use it as a buzz-group exercise in the same fashion as the Seattle Trip problem of the first session (the same buzz-groups can be reconvened). The discussion that follows the buzz-groups will probably lead into such matters as (a) elasticity -- the peach farmers may wind up richer instead of poorer, (b) substitutes and complements -- not all consumers will switch from peaches to strawberries, (c) prices as signals to producers and consumers, (d) the impact of product prices on factor prices, (e) the idea that an economy is a system in which everything affects everything else.

GEORGIA PEACH FREEZE

The state of Georgia has suffered a spell of freezing weather. Most of the peach crop has been destroyed. What impact is this likely to have on the following....

- a) The price of peaches?
- b) The demand for strawberries?
- c) The incomes of peach farmers in Georgia?
- d) The price of strawberry land in Oregon?
- e) The earnings of a locomotive engineer in Wyoming?

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3. BUSINESS AND GOVERNMENTS

DESCRIPTION

Some of our goods and services are produced by governments and paid for by taxes, but most of our goods and services are produced by businesses. Businesses are willing to risk money and resources in hope of earning a profit on what they sell. Some of our businesses are very, very large. (Robinson, Morton, Calderwood, Chapters 3 and 10)

MATERIALS AVAILABLE

HANDOUT: The Fabulous Cost-Free Product (page 18 of this Handbook)

16mm FILM: You and the Economy, Part I, 15 min. bw. (A film version of the first part of a one-hour quiz program dealing with the Oregon and the national economies. Deals with taxation and government spending.) Source: OCEE

HANDOUT: Questions* from Part I of You and the Economy. Gives the questions asked on the quiz program just described. (page 119 of this Handbook) Revised questions and answers from You and the Economy were published separately by the Oregon Council under the title, "You and the Economy."

TRANSPARENCIES: 3-1 through 3-23

GRADE-LEVEL MEETINGS

- (a) Talk about circular flow and price system projects and why they worked or didn't work for the teachers.
- (b) Demonstrate and discuss projects dealing with businesses or governments. Encourage the teachers to try them out with their own children.
- (c) For next time encourage the teachers to think about and report on (1) their own success or failure with material on businesses and government and (2) ways in which they have taught or think they might be able to handle economic ideas relating to Oregon, to the various regions of the United States, or to foreign countries.

GENERAL SESSION

1) As before we suggest beginning with a discussion of the extent to which the teachers actually used the circular flow and price system concepts presented at the second session. It helps if some of the teachers bring actual diagrams made by the children and explain them to the class. The circular flow and price allocation ideas are difficult for teachers to grasp and will probably need some review at this point. A frequent question has to do with the proper handling of government in the circular-flow chart: "My children don't understand about the post office because it gets its money by selling stamps to people."

2) BUSINESS AND THE ECONOMY. Teachers often establish classroom enterprises which sell cookies, snowcones, or similar products in an effort to earn money for a picnic or field trip. We like to encourage them to tell the class about ventures along these lines (a) because it is sometimes possible for us to enrich the venture by asking about concepts that the teacher may have missed -- i.e., "Should this teacher have asked the children to pay her interest on the \$3.65 she lent them for cookie mix for the cookie sale?" and (b) because it might give us a chance to comment on activities of dubious educational or economic significance.

Transparencies 3-1 through 3-5 talk about businesses as such. The "Business as an Adventure" idea in 3-2 reflects our attempt to compare modern business ventures with the early voyages of discovery and the early trading companies. (See the opening pages of the Grade Five Guide.) Transparencies 3-6 through 3-10 relate to the industrial revolution in England and particularly to the impact of the new textile factories on the hand-loom weavers. This historical approach to the technological change/free entry/equilibrium price concept was developed for use in the Seventh Grade Guide but seems easy for the teachers to understand and paves the way for material on monopolistic competition and big business. Fifth and eighth grade teachers may want to use it in terms of Eli Whitney and his mass produced musket.

The Fabulous Cost-Free Product was designed as a buzz-group exercise but is not quite as successful as the others. It attempts to deal with the idea of elasticity and, particularly, with the thought that a monopolist is able to set his own best price by controlling the quantity which he places on

the market. It is probably best used just before Transparencies 3-11 and 3-12 on monopolistic competition and concentration of ownership.

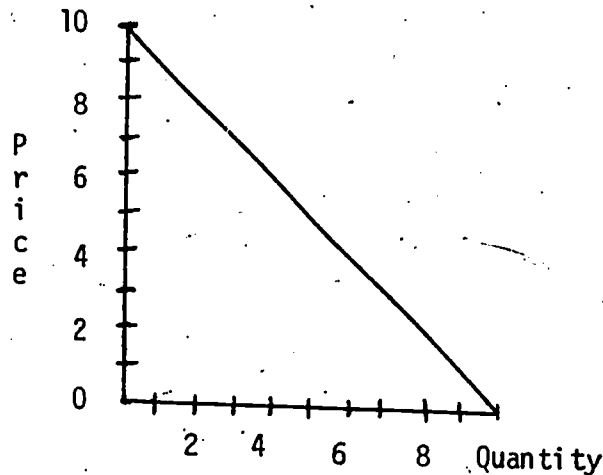
3) GOVERNMENT AND THE ECONOMY. As with business, we like to begin the discussion of government by soliciting questions from the teachers and/or by asking them to describe government projects that they have done or are interested in. The primary guides suggest things like the "tax walk" -- a walk through the neighborhood so that the children can look for things that were paid for with tax money. Grade Three Guide, pages 26-31. The private-enterprise fire fighting business mentioned at page 27 of the Grade Four Guide is based on an actual news item and might be worth mentioning; the wolf meeting debate from page 24 of the same guide is also useful; more advanced material appears in the Grade Eight Guide, pages 94-97.

The 16mm film, Part I of You and the Economy, or the Handout material based on it could be used at this point to reveal how little the teachers actually know about state and local taxes and to lead into the progressive/regressive concept. Answers to the questions appear at page 21 of this Handbook. Transparencies 3-13 through 3-23 relate closely to the quiz material. Transparencies 3-14 and 3-15 attempt to analyze the income-transfer functions of government by suggesting that under some circumstances we might increase total satisfaction by transferring \$5,000 from Family-B (with \$25,000 income) to Family A (with \$5,000 income). Transparency 3-18 explains pie charts and is included because this is the first time we have used them. Transparencies 3-19, 3-20, and 3-21 relate to "opinion questions" 7, 8, 9, and 10 in You and the Economy. These questions strike directly at the concepts of progress in and regression in taxation. Most teachers, and most of those who take the quiz, seem to favor a proportional tax system. Transparency 3-21 is an attempt to show why property tax payments do not seem to increase in proportion to income.

THE FABULOUS COST-FREE PRODUCT

You have invented a fabulous product which you can make and distribute for absolutely nothing (there are no costs of any kind that you will have to pay). You are the sole producer, and you can charge whatever price you like. However, if you charge 10¢ each no one will buy your product; if you charge 9¢ each you will sell one item; if you charge 8¢ each you will sell two; and so on as is shown in the table and on the chart below.

Price	Number sold
10	0
9	1
8	2
7	3
6	4
5	5
4	6
3	7
2	8
1	9
0	10



You want to make as much money as possible.

WHAT PRICE SHOULD YOU CHARGE? _____

HOW MANY WILL YOU SELL AT THIS PRICE? _____

HOW MUCH MONEY WILL YOU TAKE IN? _____

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QUESTIONS FROM PART ONE OF THE TELEVISION ECONOMICS QUIZ

1. Our state and local taxes are higher than those of any other western state. True or False
2. Oregonians pay more state and local taxes per dollar earned than those who live in Washington and California. True or False
3. Generally speaking, the Oregon income tax goes to the state of Oregon, while Oregon property taxes go to local governments. True or False
4. About one-tenth of your total tax dollar -- federal, state, and local -- goes to people who are on public welfare. True or False
5. Imagine a Portland family with two children, one nine and one fourteen. Their annual property tax bill is \$500. About \$220 of this goes to the Portland Public Schools. This \$220 is enough to keep their children in school for...
(a) one-quarter year (b) one-half year (c) one year
6. The property tax is unfair because home owners have to pay it while people who rent go tax free. True or False
7. This is an opinion question. There is no correct answer. If Mr. Jones earns five times more than Mr. Smith,
(a) Jones and Smith should pay the same taxes--they are both citizens.
(b) Jones should pay five times as much as Smith--he earns five times as much.
(c) Jones should pay more than five times as much as Smith--he can afford it better.

8. If Mr. Jones earns five times more than Mr. Smith, his federal income tax bill will be
- (a) about the same as Smith's
 - (b) about three times as much as Smith's
 - (c) more than five times as much as Smith's
9. If Mr. Jones earns five times more than Mr. Smith, his property tax bill will be
- (a) about the same as Smith's
 - (b) three times as much as Smith's
 - (c) more than five times as much as Smith's
10. If Mr. Jones earns five times more than Mr. Smith, his sales tax bill will be
- (a) about the same as Smith's
 - (b) three times bigger than Smith's
 - (c) more than five times bigger than Smith's

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ANSWERS TO QUESTIONS FROM PART ONE OF
"YOU AND THE ECONOMY" A TELEVISED ECONOMICS QUIZ

(These answers are taken from the revised version of the quiz recently published by the Oregon Council on Economic Education and differ slightly from those in the 16mm film version.)

1. False. In 1967 Oregon state and local taxes amounted to \$314 per person. This is considerably lower than California (\$415 per person), Nevada (\$381 per person), Arizona (\$318 per person), and Washington (\$356 per person); but higher than Montana (\$300 per person), Utah (\$288 per person), and Idaho (\$294 per person).
2. False. Oregon state and local taxes run almost 11 cents for every dollar of personal income. This is lower than any other western state. People in Idaho, Arizona, and California all pay out more than 12 cents per dollar in state and local taxes. In Washington and Nevada the figure is around 11½ cents.
3. True. Oregon property taxes are paid to state and local governments; Oregon income taxes are paid to the state government. However, local governments in Oregon get about one-half of their revenue from property taxes, they get an additional one-quarter from the State of Oregon, and the rest from other sources. The State of Oregon gets about one-quarter of its revenue from the individual and corporate income tax, another one-quarter from the federal government, one-tenth from special sales taxes on gasoline, cigarettes, etc., and the rest from other sources.
4. False. Only about 4 cents of your total tax dollar--federal, state, and local combined--goes to public welfare.
5. A is the best answer. It costs about \$700 to send a Portland child to school for one year. About \$500 of this comes from the property tax, the rest comes from other sources. This works out to about \$1,000 in property tax money for two children for one year. Our family paid \$220 to the schools, a bit less than one-quarter of the total.

6. False. Renters may not write the check that pays the tax, but they do pay the property tax when they pay their rent. A part of what they pay the landlord -- about two months' rent in every twelve, in fact -- goes for property taxes, just as part of what they pay goes for wear and tear on the property, for fire insurance, for other bills the landlord has to pay, and for profit on his investment.
7. This is an opinion question. There is no correct answer. We asked it because we wanted you to start thinking about what kind of taxes you think would be most fair.
8. C is the best answer. With the federal income tax, the more you earn, the higher percentage of your income you have to pay. (A study of the federal income tax showed that the average \$20,000 family, with five times as much income as an average \$4,000 family, would pay 23 times as much in federal income taxes.)
9. B is the best answer. A study of property taxes showed that the average family with an adjusted gross income of \$22,500 paid approximately three times as much in property taxes as families with adjusted gross incomes of \$4,500.
10. B is the best answer. A study of sales taxes across the country showed that the average \$30,000 family, with five times as much income as the average \$6,000 family, paid about three times more in sales taxes.

4. REGIONAL (AND INTERNATIONAL) SPECIALIZATION AND TRADE

DESCRIPTION

Oregon has "primary industries" which produce goods and services for sale to people in other places and "secondary industries" which produce goods and services for sale to Oregonians. Each region and each country has such primary and secondary industries. If primary industries grow or shrink, the secondary industries tend to follow.

Specialization and exchange between individuals, regions, or countries is of value even to those who are very efficient or who have abundant resources. However, while we are interested in encouraging specialization, we have also passed tariffs and other laws which affect the degree to which we specialize. Trade between nations is complicated by the fact that each country uses its own kind of money. (Robinson, Morton, Calderwood, Chapter 9; Grade Eight Guide, pp. 52-59)

MATERIALS AVAILABLE

MAP: Land-Use Map of the Portland Metropolitan Area. This map covers the area from Gresham to Hillsboro and is colored to indicate residential, business, and industrial activity. Transparency 4-1 is a copy. Additional copies may be obtained from the Columbia Region Association of Governments, Portland. Similar maps may be available from planning commissions in other metropolitan areas.

HANDOUTS: Hatfields and McCoys. This is a comparative advantage exercise and was prepared for buzz-group use.

Questions from Part Two of the Television Economics Quiz. Gives the questions asked on the second part of "You and the Economy," (page 27 of this Handbook).

16mm FILMS: Part II, You and the Economy, about 10 min. This is another portion of the economics television quiz and deals with the Oregon economy. Good but not highly recommended.

Economics of Trading Among Nations, 30 min. This film is from the National Economics Telecourse. In it John Coleman points out that trade among nations is similar to trade between regions or between people and stems from differences in natural and other resources. He discusses comparative advantage, tariffs, and so on.
Source: OCEE

TRANSPARENCIES: 4-1 through 4-39

GRADE-LEVEL MEETINGS

(a) Talk about what the teachers did in regard to businesses and governments. (b) Demonstrate and discuss a project related to primary and secondary industries and/or to specialization and trade. (c) For next time encourage the teachers to think about and report on (1) their own successes or failures with activities related to primary and secondary industries and/or specialization and trade, and (2) ways in which they have taught or think they might be able to handle concepts dealing with money and banking.

GENERAL SESSION

1) As usual we recommend beginning with a discussion of things that the teachers actually did with the third session material on businesses and governments.

2) PRIMARY AND SECONDARY INDUSTRIES. Transparencies 4-1 through 4-11 follow a train of thought built around the land-use map. (See Grade Three Guide, pages 1-3). We suggest that third grade teachers obtain or make maps of their own metropolitan areas, put flags on them to show where parents and friends of the children work and shop and that they go on from here to talk about the kinds of goods and services that Oregonians make, where they are sold, and how changes in the demand for our primary products has an impact on incomes and employment in Oregon. This line of discussion leads naturally into a reinforcement and review of the circular-flow concept and of the idea, first introduced in the Senesh filmstrip, that a declining demand for a primary product may mean unemployment for those who make it and also for those who provide them with secondary goods and services. Somewhat the same line of thought is introduced

in the Grade Five Guide, pages 25-29, which deals with a "Regional Approach to the American Economy" and ties into the combined regional geography, regional history approach that is used in many grade five texts. Sixth and seventh grade teachers would be interested in applications to Latin American and European countries.

3) DOES SPECIALIZATION PAY OFF? The handout, Hatfields and McCoys, was designed for buzz-group use and is a simple problem in comparative advantage. Transparencies 4-12, 4-13, and 4-14 summarize the Hatfield and McCoy analysis. Transparencies 4-15 through 4-20 continue the discussion of specialization. An application to American history is involved in 4-18 which relates to the impact of the Erie Canal on shipping costs and, hence, to the possibility of increased specialization and trade between downstate New York and the Great Lakes region. Activities related to this appear in the Grade Five Guides at pages 16 and 17.

4) INTERNATIONAL TRADE. Some instructors may find time to handle all of the following material, but we were never able to do so. The 16mm. film, Economics of Trading Among Nations, is from the National Economics Telecourse. In it John Coleman points out that trade among nations is similar to trade between regions or between people, discusses comparative advantage, and points out that imports compete with home-produced products. Transparencies 4-21 through 4-29 summarize some of the ideas presented in the film and review the Finmark/Denland comparative advantage illustration that appears there. Transparencies 4-30 and 4-31 are an attempt to expand a cotton tariff illustration from the Grade Five Guide (p. 64) into a discussion of balance of payments problems. The R.O.W.'s mentioned on some of these transparencies are an imaginary "Rest of the World" currency. Transparencies 4-32 through 4-39 deal with balance of payments and devaluation problems.

THE HATFIELDS AND THE MC COYS

The Hatfields and the McCoys don't talk to each other much. They would rather shoot than smile. The Hatfields are better off than the McCoys in every way. Why, it takes only 8 hours for one Hatfield to grow one bushel of corn (for bread or whiskey) and only 9 hours for one Hatfield to make one yard of cloth.

The McCoys aren't any more (or less) shiftless than the Hatfields, but their land is worse and their tools aren't so good. Anyway, it takes 12 hours for one McCoy to grow one bushel of corn and 10 hours for one McCoy to make one yard of cloth. The McCoys are worse off than the Hatfields because they have to work longer for everything they have.

Now old Ma Hatfield is a sly one, and she's been sitting and rocking and thinking for years and years. One day she says, "Paw! Paw, I've been cogitatin'. You know what I think? I think we'd be a whole lot better off if we stopped fighting the McCoys, spent more of our time raising corn, and traded with the McCoys when we needed cloth."

Paw spat.

"Dammit, woman," he said. "We are better farmers than those varmits, and better weavers, too! Besides, I don't want to be dependent on that poor white trash for my clothes."

Was Ma right?

Suppose it would pay the Hatfields to trade corn for cloth. Would it pay the McCoys to trade cloth for corn?

Was Paw right?

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QUESTIONS FROM PART TWO OF THE TELEVISION ECONOMICS QUIZ

1. The income of the average Oregonian is higher than that of the average American.

True or False?

2. How many Oregon household earn less than \$3,000 a year?

- A. One out of every four
- B. One out of every ten
- C. One out of every twenty

3. Which of these Oregon industries employs the most people?

- A. Lumber and wood products
- B. Agriculture and food processing
- C. Wholesale and retail trade

4. Since World War II Oregon employment has been growing about as fast as employment in the other western states.

True or False?

5. If we want Oregon to grow and prosper, we should

- A. produce everything we need right here in Oregon so we won't have to buy from outsiders.
- B. produce as much as we can for sale outside of Oregon so as to bring money into the state.
- C. buy outside products whenever they are cheaper than ours and sell our products outside whenever we can.

6. Too many Oregon firms are owned by out-of-staters who take their profits away from Oregon.

True or False?

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ANSWERS TO QUESTIONS FROM PART TWO OF
 "YOU AND THE ECONOMY," A TELEVISED ECONOMICS QUIZ.

(These answers are taken from the revised version of the quiz, recently published by the Oregon Council on Economic Education and differ slightly from those in the 16mm film version.)

1. False. In 1967 Oregon incomes averaged \$3,063 per year for every man, woman, and child. This is \$95 below the national average of \$3,158.
2. A is correct. One out of every four Oregon households earns less than \$3,000 a year -- the figure for Malheur and Yamhill Counties is one out of every three.
3. C is correct. Here are the figures:

<u>Industry</u>	<u>No. Employed</u>
Wholesale and retail trade	147,000
Service industries	96,900
Lumber and wood products	69,100
Government (federal, state, and local)	131,700
Agriculture	60,200
Transportation and utilities	47,800
Contract construction	30,300

4. False. Oregon employment is up only 55% compared to 94% for the 11 western states as a whole (excludes Alaska and Hawaii). Here are some figures:

Growth in Non-Agricultural Employment, 1947-1967

<u>State</u>	<u>No. of New Jobs</u>	<u>Percentage Increase</u>
Nevada	111,300	207.6%
Arizona	298,100	204.6%
California	3,283,400	106.6%
Utah	144,000	78.3%
<u>Oregon</u>	<u>231,500</u>	<u>55.2%</u>
Washington	360,700	52.6%
Idaho	62,600	50.1%
Montana	44,600	30.7%

5. C is the best answer. We would be poorer, not richer, if we tried to grow our own bananas or to make our own automobiles. We would be poorer still if we tried to sell Oregon bananas in Nicaragua or Oregon automobiles in Detroit. Our best bet is to specialize in things that Oregon is particularly good at -- lumber, plywood, peppermint oil, grass seed -- and to go to outsiders for things that they can make cheaper than we can.
6. False. Oregon won't grow unless it gets more machinery, more factories, more equipment, more tourist facilities. If we had to rely on Oregon money to buy these things, we wouldn't grow as fast. Businessmen -- both Oregonians and out-of-staters -- won't take their funds away from Oregon as long as Oregon is a good place to invest.

5. MONEY AND BANKING

DESCRIPTION

Money makes it easier for us to exchange our goods and services for those produced by other people. Most of the money we use in the United States consists of bank deposits. Our banks accept deposits and make loans and have a lot to do with the amount of money in circulation. We attempt to control the amount of money in circulation so as to avoid unemployment and inflation. (Robinson, Morton, Calderwood, Chapter 5)

MATERIALS AVAILABLE

16mm FILMS: What Money Is and Is Not. 10 min/30 min. We recommend use of the first ten minutes of this film, which is from the American Economic Telecourse. (Our print has been cut at a suitable stopping place.) Professor Coleman makes the point that money is anything that people will accept. There is an excellent display of exotic money and a skit in which a woman buys groceries with ice cubes. The last twenty minutes, which we do not recommend, deals with the history of money in the United States and with other matters. Source: OCEE

Money in the Bank and Out. 15 min. A perfectly beautiful color film that begins with a grade school boy who lends his friend a dollar toward a baseball mitt and continues with a building contractor who borrows money from a bank. Source: Division of Continuing Education Film Library, University Campus, Corvallis, Oregon, \$6.50

The Barter Game. 10 min. "Indians" -- children from Mrs. Sharon Huff's grade four class in McMinnville enact a drama in which Indians from one tribe attempt to obtain horses from another. Makes the point that barter is much more cumbersome than the use of money. Based on an example in the Grade Four Guide, p. 5. Source: OCEE

MATERIALS: Barter Game Skit. This is a role playing situation involving the same Indian trading situation used in the Barter Game Film. (Page 33 of this Handbook)

Banks and Bank Notes Skit. Another role playing situation. The Bank of Atlanta and the Bank of Boston print paper "bank notes" with a rubber stamp. These are issued to borrowers and are accepted as money until a run develops that destroys the Bank of Boston and then spreads to the Bank of Atlanta. Based on an activity from the Grade Eight Guide, pp. 52-57.

TRANSPARENCIES: 5-1 through 5-18

GRADE-LEVEL MEETINGS

- (a) Ask the teachers to talk about their specialization and regional trade projects and why they worked or didn't work.
- (b) Demonstrate and discuss money or banking projects for the teachers to try out with their children.
- (c) For next time encourage the teachers to use and report on (1) activities dealing with money and banking and (2) ways in which they have taught or think they could teach concepts relating to economic growth and stability.

GENERAL SESSION

- 1) As usual, we recommend beginning with a discussion of things that the teachers actually did with the fourth session material on primary and secondary industries and/or on specialization and trade, and with their thoughts on how they might deal with material on money and banking.
- 2) WHAT MONEY IS/WHY MONEY IS USEFUL. We would then use either The Barter Game film or the Barter Game Skit to make the point that barter is clumsy and slow while the use of money is relatively quick and efficient. The skit may be a more effective way of doing this than the film. On the other hand the film does illustrate an actual classroom project. We would then suggest Transparency 5-1, "Money is anything that people will accept" and the first ten minutes of the 16mm. film, What Money Is and Is Not. Transparencies 5-2 and 5-3 involve a historical application to the revolutionary period.
- 3) HOW BANKS OPERATE. The transition from money as a medium of exchange to banks as institutions is a little hard to manage, but we cannot presume that the teachers really understand enough about banks to take them directly into the

material on expansion of deposits. The 16mm. film, Money in the Bank and Out, is very strong and, because it is designed for use in the intermediate grades (4, 5, 6), is easy for the teachers to comprehend.

4) OUR MONEY SUPPLY IS FLEXIBLE. The Banks and Bank Notes Skit and transparencies 5-4 through 5-10 tie into the treatment of the banking system that appears in the Grade Eight Guide, pages 52-59. It deals with the banking system as it existed before the Civil War when banks issued their own bank notes which circulated as currency. In our view it is easier to show changes in the money supply by using bank notes which, when issued to borrowers, have the immediate and direct effect of increasing the money supply, rather than by using bank deposits which require a rather complicated explanation of the relation between one generation of banks and another. The transparencies and the skit also deal with bank runs and with laws designed to prevent them. A full description of the skit appears at page 35 of this Handbook.

Transparencies 5-11 and 5-12 handle the expansion of bank deposits in a more traditional way. We prefer to use them only after working through the bank note material, with or without the skit, and do not bother with them when time is short.

5) TIGHT MONEY AND LOOSE MONEY. Transparency 5-13 says that our money supply is flexible; 5-14 through 5-16 point out the economy-wide consequences of "loose money" and its impact on borrowers and lenders. Transparency 5-17 lists some of the famous historical controversies that have involved loose money and tight money and is included to show fifth and eighth grade history teachers that an understanding of this economic concept may make some of their historical material more meaningful to the children.

PROCEDURE FOR THE BARTER GAME SKIT

This skit is based on an example in the Grade Four Guide, page 5. It requires four actors. The first four teachers who enter the room are logical candidates, as they can study their lines while the others are arriving. The characters they play are as follows:

- 1) An Indian who has a salmon and wants six eagle feathers
- 2) An Indian who has six eagle feathers and wants a bow and arrow
- 3) An Indian who has a bow and arrow and wants a tomahawk
- 4) An Indian who has a tomahawk and wants a salmon

The Indians go on stage one by one and explain their roles. They have pictures (drawn on an ordinary file folder, with a wide felt pen) of each of the commodities and actually exchange the pictures with each other. In the "First Act" no exchange can take place until all of the Indians are on stage. In the "Second Act" the first Indian has a picture of wampum as well as his salmon and the transactions are much simpler. Caution: teachers and students who play this game often like to bargain over the price of the goods they are exchanging. This is fun but it detracts from the purposes of the game. We are careful to warn our teachers against it.

We wrote instructions on the back of each picture so that each Indian would know what his role was. Our pictures and instructions follow:

FIRST INDIAN



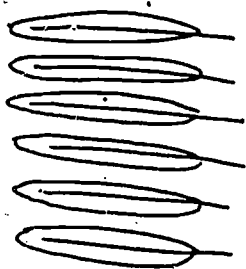
(salmon)

You are an Indian. You have a salmon. You want six eagle feathers.

Act One: Explain your role. Stay on stage until you have traded your salmon for the feathers. Do not trade your salmon for anything else.

Act Two: You have wampum. You are willing to spend the wampum for the feathers. You are willing to sell your salmon for wampum. You may leave the stage as soon as you have sold the salmon and have the feathers.

SECOND INDIAN



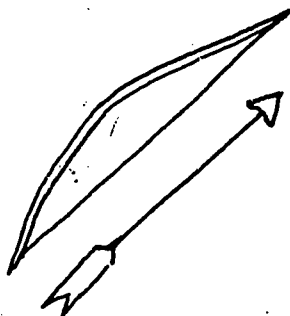
(6 eagle feathers)

You are an Indian. You have six eagle feathers. You want a bow and arrow.

Act One: Explain your role. Try to trade your feathers for the bow and arrow. Don't accept anything else. Stay on stage until you have made your trade.

Act Two: You are willing to sell your feathers for wampum. You are willing to spend the wampum on a bow and arrow. Stay on stage until you have your bow and arrow, then leave.

THIRD INDIAN



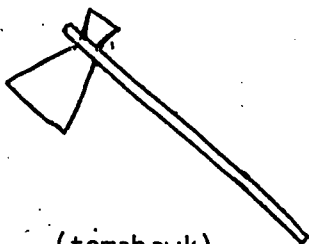
(bow and arrow)

You are an Indian. You have a bow and arrow. You want a tomahawk.

Act One: Explain your role. Try to trade your bow and arrow for the tomahawk. Don't accept anything else. Stay on stage until you have made your trade.

Act Two: You are willing to sell your bow and arrow for wampum. You are willing to spend the wampum on the tomahawk. Stay on stage until you have your tomahawk, then leave.

FOURTH INDIAN



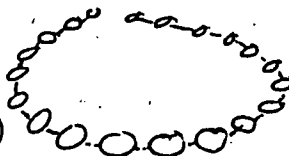
(tomahawk)

You are an Indian. You have a tomahawk. You want a salmon.

Act One: Explain your role. Try to trade your tomahawk for a salmon. Don't take anything else. Stay on stage until you have made your trade.

Act Two: You are willing to sell your tomahawk for wampum. You are willing to spend the wampum on a salmon. Stay on stage until you have your tomahawk, then leave.

(string of wampum)



PRODEDURE FOR THE BANKS AND BANK NOTES SKIT

Act One: The teachers on the left-hand side of the class are citizens of Boston. Those on the right-hand side are citizens of Atlanta. The instructor appoints two bankers and helps them organize the Bank of Atlanta and the Bank of Boston. He does this by giving each banker \$10 in gold (ten slips of yellow paper marked "One Dollar in Gold" will do) and a rubber stamp¹ for printing "bank notes" which reads; "The Bank of Atlanta (Boston) will pay the bearer one dollar in gold on demand." Each banker issues him \$5 in bank notes, which he is willing to accept because of the promise to pay in gold, and credits him with a \$5 share in the bank. The bank notes pass into general circulation in each "city." The instructor helps each banker establish a T account on a nearby blackboard.

The accounts should look like this:
(transparency 5-4)

Bank of Atlanta (Boston)			
Gold	\$10	Instructor	\$5
	\$10	Bank notes	5
			\$10

Act Two: Borrowers appear. Cyrus McCormick, Samuel Morse, and Oliver Ames in Atlanta. Eli Whitney, Robert Fulton, and Samuel Colt in Boston. They have big nametags so people will know who they are. The bankers accept IOU's from each of their respective borrowers and print up \$10 worth of bank notes for each of them. These are accepted and pass into general circulation in each city because of the promise to pay gold on demand.

The T accounts now look like this:
(transparency 5-5)

Bank of Atlanta (Boston)			
Gold	\$10	Instructor	\$ 5
IOU's	30	Bank notes	35
	\$40		\$40

Act Three: One of the Boston inventors tried to spend his Boston bank notes in Atlanta. People in Atlanta refuse to accept them because they do not believe the promise to pay in gold on demand. However, the Bank of Atlanta knows the Boston

¹ Both stamps available from the Oregon Council on Economic Education.

Bank and is willing to accept the Boston notes at par and to issue its own bank notes in return.* Later on it may be able to sell the Boston bank notes to a northbound traveler, or the Bank of Boston may acquire Atlanta bank notes. See the Grade Five Guide, pages 19-20, Ohio frontier scene for more elaboration.

The T account for Atlanta now looks like this (transparency 5-6):

Bank of Atlanta	
Gold	\$10
Boston bank notes	10
IOU's	30
	<u>\$50</u>
Instructor	\$ 5
Bank notes	45
	<u>\$50</u>

Act Four: Bostonians are horrified to hear that the Morse telegraph isn't going to work. They fear for the value of their bank notes and descend on the banker en masse to collect the gold that his bank notes promise them. He is, of course, unable to pay that much gold on demand and his bank goes bankrupt. News of this spreads to Atlanta, and with it the information that many of the Bank of Atlanta's assets are in the form of now-worthless Bank of Boston bank notes. Atlantans are horrified, fear for the value of their own bank notes and descend on their banker en masse. He goes bankrupt, too.

*We ignore fees imposed for this service as they would complicate the T accounts.

6. ECONOMIC GROWTH AND STABILITY

DESCRIPTION

Why our economy grows and changes. How we use Gross National Product, price indexes, and other statistical tools to measure economic growth and change. Why we are interested in economic stability -- a pattern of growth that avoids depression and inflation. Some of the ways in which we try to achieve economic stability. (Robinson, Morton, Calderwood, Chapters 6, 7, 8)

MATERIALS AVAILABLE

16mm FILM: American Business System: How It Evolved, 30 min., A NAM-National Educational Television program dealing with the evolution of American industry from early colonial times to the present. Shows reproductions of early machinery, modern factories, mentions big business and corporations. Source: Division of Continuing Education Film Library, University Campus, Corvallis, Oregon \$2.25

16mm FILM: Search for Stability. 30 min., CBS, Coleman-Schoenbrun. Economics fluctuations, monetary policy and fiscal policy explained for the informed layman. Best used as a summary-review but useful because the authority of the film lends support to the instructor's own explanation of these sometimes suspiciously-viewed topics. Source: Division of Continuing Education (see above address), \$5.00

HANDOUT: Quiz for Session Six. Five questions on economic growth and change.

TRANSPARENCIES: 6-1 through 6-29

GRADE-LEVEL MEETINGS

- (a) Talk about what the teachers did in regard to money and banking. (b) For next time encourage the teachers to bring in actual posters or other material for display at the final session of the course.

GENERAL SESSION

- 1) As usual, we recommend beginning with a discussion of things that the teachers actually did with the fifth session material on money and banking.
- 2) WHY ECONOMIC GROWTH? The Quiz for Session Six attempts to get at this by raising questions that are posed at various places in the Grade Four and the Grade Five Guides. It can be used on an individual or a buzz-group basis. Somewhat the same result can be obtained by asking buzz-groups to agree on "The SINGLE most important factor behind the growth of our economy." This question and a list of important factors appear on Transparency 6-1. The 16mm. film, American Business System: How It Evolved, could also be used at this point. It is a good film but is not essential.
- 3) HOW WE MEASURE ECONOMIC GROWTH AND CHANGE. Our working definition of Gross National Product is the one that appears in the Grade Five Guide, p. 34: "How much money would it take to buy all the goods and services our economy produced last year?" Transparency 6-2 is a pie chart showing the main elements of GNP for 1968, 6-3 is a similar pie-chart for Guatemala, 1965, and is included to permit a contrast in the proportion of GNP available for investment and government purposes.

Transparency 6-4 reproduces a "Cafeteria Price Index" illustration from the Grade Eight Guide, page 68. An overlay is used to show how an arbitrary factor is used to produce an index of 100 for the base year. Transparency 6-5 shows GNP at constant prices from 1870 to 1970. It indicates a doubling of real GNP between 1910 and 1935, another doubling between 1935 and 1960. Transparency 6-6 shows GNP per person over the same period -- it indicates that while it took 42 years to double the 1900 GNP per capita, it will

only take 28 years to double the 1942 level. Transparencies 6-8 and 6-9 are "Gee Whiz" charts with overlays attached to show how the same data would look if presented in a proper, conservative fashion. Some of the teachers may want to refer to Darrell Huff, How to Lie With Statistics (New York: W. W. Norton, 1954) for further information on this.

4) WHY WE ARE INTERESTED IN ECONOMIC STABILITY. Transparencies 6-10 through 6-14 introduce the basic ideas that output responds to changes in aggregate demand, and that we may be able to control depression and inflation by taking steps to influence the level of aggregate demand. Transparency 6-15 makes the point that these relatively new ideas were first systematically used -- at least at the fiscal policy level -- in the Tax Cuts of 1964-65 and the Surtax of 1968. Transparency 6-16 has to do with problems of predicting future economic activity and, hence, of deciding on policy. It lists a number of leading indicators including sunspot activity and skirt lengths.

Transparencies 6-17 through 6-19 point out problems of choice between alternate goals (stable prices vs full employment) and alternate methods (higher taxes vs tighter money) and comment on the national debt. They can be used at this point or saved until after the historical explanations have been made.

5) HISTORICAL EXAMPLES OF INFLATION AND DEPRESSION. Most school teachers have strong backgrounds in history and respond particularly well to material which presents economic concepts in a historical content. Transparencies 6-20 through 6-23 summarize the material on the Civil War inflation which appears in the Grade Eight Guide (pp. 66-73). The Union and Confederate armies needed products or resources which had previously gone to civilian buyers. The governments of the North and South printed paper money with which their armies could outbid the civilians. The result was inflationary because aggregate demand thus increased at a time when aggregate supply was limited. Transparency 6-22 hints at a multiplier effect but we don't usually stress this. Transparency 6-23 lists alternative economic policies that the North or South could have used to cut civilian demand and limit the inflationary pressure.

Transparencies 6-24 through 6-29 deal with the Great Depression in somewhat the same way. The depression was marked by a 45% decline in Gross National Product. It was caused by a tremendous 90% drop in business expenditures for new plant and equipment, a drop which caused a major 40% decline in consumption expenditures as well. (Government expenditures fell by 5%.) Transparency 6-27 suggests that our initial policies -- tight money and lower government spending -- were wrong and tended to make the depression worse.* Transparency 6-28 uses overlays to suggest that the proper policy was one of trying to replace about \$15 billion in lost investment demand but leaves the class to decide how to do this. Transparency 6-29 shows the actual policies in terms of deficit spending and interest rates for the 1930-1940 period.

The film, Search for Stability, reviews these various concepts from a different and somewhat more complicated perspective. However, it uses excellent visuals and is a very good film, one that should be shown even if other material has to be left out.

*See A. G. Hart, P. B. Kenen and A. D. Entine, Money, Debt, and Economic Activity (Englewood Cliffs, N. J. : Prentice Hall, Inc., 1969) pp. 409, 411

QUIZ FOR SESSION SIX OF THE PACKAGE COURSE

- 1) Did pioneer mothers have more fun than modern mothers?
- 2) List three occupations many people used to have -- occupations that we hardly see today.

1. _____
2. _____
3. _____

- 3) List three occupations many people have today -- occupations that no one had 100 years ago.

1. _____
2. _____
3. _____

- 3) Why might a modern farmer worry more about crop prices than a farmer of 50 or 100 years ago?

- 4) List three things that great-grandmother would have made for herself -- things that today's mother would buy at the store.

1. _____
2. _____
3. _____

- 5) How much money would it take to buy all the goods and services our economy produced last year?

Quiz (continued)

2

Where to find answers:

- 1) Fourth Grade Guide, page 22
- 2) Fifth Grade Guide, page 42
- 3) Fifth Grade Guide, page 34
- 4) Fourth Grade Guide, page 22
- 5) Fifth Grade Guide, page 34

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7. REVIEW, DISPLAY, "JUST FOR FUN" QUIZ

MATERIALS AVAILABLE

HANDOUTS: Evaluation Form, Package Course for Teachers

Suggested Readings in Economics

Suggested Books for Elementary School Instruction
in Economics

Quiz - Package Economics Course for Teachers

CERTIFICATES OF COMPLETION: from Division of Continuing
Education

GRADE-LEVEL GROUPS

- (a) Complete evaluation forms and return to the group leader.
- (b) Discuss questions, plans, activities, etc.
- (c) Discuss the questions on the evaluation form and the "goodness" or "badness" of the course.

GENERAL SESSION

- 1) This session should begin with the actual posting -- on walls and blackboards -- of display material brought in by the various teachers. Some of the teachers should be asked to explain how their material was produced and how well the children responded to it.
- 2) Instead of the usual general discussion of successes and failures in dealing with last week's material on economic growth and stability, it might be wise in a large class to organize biggish buzz-groups -- ten to fifteen people -- which could conduct their own discussions of successes and failures relating to the course.

3) Our most successful review activity is the "just for fun" quiz. It could be administered on an individual basis and actually scored in the usual way. However, we organized one class into the usual four- or five-person buzz-groups and asked the teachers in each group to try to agree on the best answer for each question. This brought forth lots of discussion and debate between the teachers, who would call the instructor over to their group if they couldn't agree on an answer among themselves. The instructor finally read the correct answers to the entire group and made comments on some of them.

4) A brief formal review of the basic concepts may be indicated. The major ones and related transparencies are generally as follows:

<u>Concept</u>	<u>Transparencies</u>
What economics is	1-2, 1-3
Scarcity, specialization, etc.	1-5, 1-6, 1-8, 1-11, 1-12, 1-13
Our modified market economy	2-2, 2-3, 2-5, 2-6, 2-7, 2-10, 2-12
Businesses and governments	
Business	3-1, 3-4, 3-11
Government	3-13, 3-16, 3-17, 3-22
Specialization, the Oregon economy	
Oregon	4-3, 4-6, 4-7, 4-9, 4-10, 4-8
Specialization	4-16, 4-17, 4-20
Money and Banking	5-1, 5-10, 5-13, 5-14, 5-15, 5-18
Growth and Stability	6-2, 6-10, 6-11, 6-12, 6-13, 6-14, 5-14, 6-16, 6-17

5) It might be appropriate to have someone from the school system -- e.g., the superintendent or a school board member -- distribute the certificates of completion.

EVALUATION FORM
Package Economics Course for Teachers

Please be frank. You need not sign your name.

- 1) What grade do you teach?
- 2) How do you feel about the course as a whole?

Strong Points:

Weak Points:

- 3) ~~Is~~ there anything more you would like to tell us about....

- a) The lectures
- b) The grade-level sessions

- 4) How should we divide our time next time....

	<u>Spend more time</u>	<u>Spend less time</u>	<u>About right</u>
--	----------------------------	----------------------------	------------------------

Lectures

Problems to be worked on during
lectures

Films

Grade-level sessions

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SUGGESTED READINGS IN ECONOMICS

Milton Friedman, Capitalism and Freedom (Chicago: University of Chicago Press, 1962) 202 pp. \$3.95. A very readable and provocative argument for a free enterprise economy by a noted and conservative economist from the University of Chicago. He would, among other things, abolish public schools and end the licensing of doctors.

John K. Galbraith, American Capitalism (Boston: Houghton Mifflin, 1952) 208 pp. Paper. Sentry Book, 1962, \$1.50. In this, his countervailing power book, Galbraith argues that the power of big manufacturing corporations is checked by big labor unions on one hand and big chain stores on the other -- at least as long as we don't get too close to full employment.

Walter Galenson, A Primer on Employment and Wages (New York: Vintage Books) \$1.95. Discusses employment, inflation, poverty, and government policy, etc.

Robert L. Heilbroner, The Worldly Philosophers: The Lives, Times, and Ideas of the Great Economic Thinkers (New York: Simon and Schuster, 1953, 1961) 342 pp. Paper. \$1.50 Readable, lively, a best seller.

Robert L. Heilbroner, The Great Ascent: The Struggle for Economic Development in Our Time (New York: Harper and Row, 1969) 160 pp. Paper, \$0.95. Economic problems with focus on the western world and the problems of underdeveloped countries.

J. Woodrow Sayre, Paperbound Books in Economics, An Annotated Bibliography (Albany, New York, 12203: New York State Council on Economic Education, Center for Economic Education, State University of New York at Albany, 1968)

Delbert Snider, Economic Myth and Reality (Englewood Cliffs, N. J.: Prentice Hall, Inc., 1965) \$1.95. Snider debunks some economic misconceptions widely held by the general public.

Barbara Ward, The Rich Nations and the Poor Nations (55 Fifth Avenue, New York: W. W. Norton & Co.) \$1.25. This book looks at the rich and poor nations from cultural, sociological, and economic viewpoints.

The Economic Report of the President together with the Annual Report of the Council of Economic Advisers (Washington: Government Printing Office, 1969) \$1.25. Published annually in January, provides an authoritative description of the nation's economic posture, charts, statistical information.

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2

SUGGESTED BOOKS FOR ELEMENTARY SCHOOL
INSTRUCTION IN ECONOMICS

Primary Level

Muriel Stanek, How People Earn and Use Money (Chicago: Benefic Press, 1968, 48 pp., \$2.00) How Series Supplementary Social Studies Program: Basic Understandings for grade level 3-5. Informative and factual descriptions of individual services and industries told simply. Selected vocabulary for clear, quick comprehension of subject matter.

Rossomando, Leventhall, Szymaszek, Earning Money (New York: Franklin Watts, Inc., 1967, 48 pp., \$2.65) (Working Together Series)

Rossomando, Leventhall, Szymaszek, Spending Money (New York: Franklin Watts, Inc., 1967, 48 pp., \$2.65) (Working Together Series)

John E. Maher and S. Stowell Symmes, Ideas About Others and You (New York: Franklin Watts, Inc., 1969, 48 pp., \$2.95 Lib. Bdg.) (Ideas About Series)

Intermediate Level

Sherwin S. Glassner and Edward N. Grossman, How the American Economic System Functions (Chicago: Benefic Press, 96 pp., \$2.60) Supplementary Social Studies Program, Basic Concepts Series for grade levels 5-9. Systematically arranged to develop understanding of today's world and its problems. Enriches and amplifies basic social studies concepts and skills.

Elmer R. Kane, How Money and Credit Help Us (Chicago: Benefic Press, 96 pp., \$2.60) Supplementary Social Studies Program, Basic Concepts Series for grade levels 4-7. Systematically arranged to develop understanding of today's world and its problems. Enriches and amplifies basic social studies concepts and skills.

John E. Maher and S. Stowell Symmes, Learning About People Working for You (New York: Franklin Watts, Inc., 1969, 70 pp., \$2.95 Lib. Bdg.) (Learning About series) A treatment of interdependence in our economy; shows how goods and services are produced by both private concerns and government; traces the modern trends in our economy and their effect upon our society.

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QUIZ - PACKAGE ECONOMICS COURSE FOR TEACHERS

1. In a free-market economy like ours, which of the following groups exerts the most influence over what goods are produced?
 - a. corporations
 - b. governments
 - c. consumers
 - d. labor unions

2. When we talk about economic scarcity, we mean that....
 - a. much of the world's population lives in poverty.
 - b. many natural resources are rare and hard to find.
 - c. there will never be enough goods to satisfy all human wants.
 - d. we do not use our natural resources to the fullest extent.

3. If the price of something goes up, those who produce it will
 - a. get richer
 - b. get poorer
 - c. can't tell

4. If the price of beef goes up, which of the following prices will go up too?
 - a. barbecue sauce
 - b. chicken
 - c. cowboys
 - d. automobiles

5. People who own stocks issued by a corporation
 - a. are owed money by the corporation.
 - b. can lose their personal assets if the corporation goes bankrupt.
 - c. can get their money back from the corporation after giving a suitable notice.
 - d. own the corporation.

6. The government of the United States spends most of its money on
 - a. education
 - b. interest on the national debt
 - c. national defense
 - d. foreign aid

7. The output of our economy will not increase unless we have
- technological progress
 - a growing demand for goods and services
 - a growing population
 - full employment
8. Which of the following would be the best money?
- ice cubes
 - olive oil
 - cigarettes
 - cows
9. We could prevent bank failures completely if we
- forbid banks to lend money
 - required them to carry deposit insurance
 - prevented banks from making risky loans
 - required them to keep 50 percent of their deposits in a government bank like the Federal Reserve Bank.
10. Which of the following declined most sharply in the depression of the 1930's?
- family spending on consumer goods and services
 - business spending on plants and equipment
 - government spending on goods and services
 - all declined equally
11. The authority that decides whether we should have "tight money" or "loose money" in the United States is
- the Congress
 - the Secretary of the Treasury
 - ~~the Federal Reserve System~~
12. We should increase taxes
- when depression threatens
 - when inflation threatens
 - never
13. Specialization and trade would not pay off
- if we had no money and had to rely on barter
 - if all goods had to be transported by mule train
 - if I can do everything better than you
 - none of these

14. Competition is important to our economic system because it

- a. eliminates wasteful advertising
- b. prevents large firms from driving small ones out of business
- c. forces prices and profits to a reasonable level
- d. insures high quality products

15. Draw a circular flow diagram.

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1-13 Two things that help us specialize:

- 1) Transportation and Communication
- 2) Money

SESSION TWO

2-1 A SIMPLIFIED MARKET ECONOMY

Everything is bought and sold
Families sell resources, buy goods and services
Firms buy resources, sell goods and services
No government

2-2 A MODIFIED MARKET ECONOMY

Almost everything is bought and sold
Governments regulate, produce and transfer

2-3 CIRCULAR FLOW CHART

2-3a CIRCULAR FLOW CHART - The Pioneer Barter System

2-4 How do prices help determine --

What to produce?
How to produce?
For whom to produce?

2-5 In most families the father works to earn money.

2-6 The price of labor (pay) helps the father decide what work to do.

2-7 How a market economy allocates its labor resources --

away from low-wage tasks
toward high-wage tasks

2-8 Families buy most of the goods and services they need.

2-9 Prices help the family decide what goods and services to buy.

2-10 Families won't pay a high price if they can get the same thing for a low price.

2-11 The Succotash Theorem: If the price of corn' goes up,
use more beans

2-12 Prices Help Families Decide:

How to earn money
How much they can spend (income)
What to buy

2-13 What to Produce? -- Make things that earn a high profit
-- Stop making things that earn a low profit.

(Prices influence profit. Profit = income minus cost.)

2-14 How to Produce? -- Buy from the cheapest source
-- Be efficient
-- Follow the succotash theorem

2-15 Prices help firms decide -- what to produce
-- what resources to buy
-- how to use them

2-16 What? Whatever you want -- if you can pay for the resources
needed

2-17 How? As efficiently as possible -- considering the prices
of the resources used

2-18 For whom? For families who want to buy and can afford to buy.

2-19 Problems of a market economy --

What? - Immorality, shortsightedness
How? - Waste of free resources
For whom? - Unfairness

SESSION THREE

3-1 Business Firms --

produce goods and services
sell for money
use money to buy resources

Left over money = Profit

3-2 The Adventure Get a good idea
 Borrow money
 Do your thing
 Wind up rich/broke

3-3 Businessmen (Explorers) run great risks, hope for great rewards.

3-4 How do we encourage business enterprise?
Banks
Civil Law
Corporations
Insurance Companies
Patents/Trademarks
Post Office
Stock Exchanges
Transportation Systems
Uniform Money

3-5 Three Types of Business -- Proprietor - me
 Partnership - him and me
 Corporation - stockholders
 limited liability
 elected directors

3-6 First -- Handwoven cloth

low total quantity
high price
"normal" profit for weavers

3-7 "Normal" Profit: Enough to keep the present firms alive
Not enough to bring new firms into the industry

3-8 Next -- First Textile Factory

higher total quantity
lower prices
high profit for factory
low profit for weavers

3-9 Third -- More Factories

still higher output
still lower prices
lower profit for factories
ruination for weavers

3-10 Eventually -- high and stable output
low price
"normal" profit for factories

3-11 Why it doesn't always work One giant firm may be enough.
A few giant firms may be enough.
We pass laws to limit competition.

3-12 Corporation Assets in 1966 (pie chart)

3-13 Governments regulate, produce, transfer

3-14 Intelligent Buying (chart)

3-15 Family A Family B (chart)

3-16 Oregon Spending '65-'66 (state, county, city, etc.)
(Pie Chart)

3-17 Federal Spending 1969-70 (Pie Chart)

3-18 Pie Charts

3-19 An Opinion Question: If Jones earns five times more than Smith...

- a) They should pay same taxes -- both citizens
- b) Jones should pay five times more -- he earns five times more
- c) Jones should pay more than five times as much -- he can afford it better.

3-20 If Jones earns \$30,000 and Smith earns \$6,000

Jones' sales tax is 3 times greater
Jones' property tax is 3 times greater
Jones' federal income tax is 14 times greater

3-21 Why -- an example

Smith house	Jones house
\$12,000	\$36,000
Tax = \$300	Tax = \$900

at 2.5% of value

3-22 Federal Government -- income, payroll taxes
State,* Local Governments -- sales, property taxes

*in Oregon -- income tax

3-23 Taxes and Prices (graph chart)

SESSION FOUR

4-1 Land-use map of Portland Area

4-2 Use the land-use map to show

- where we live
- where we shop
- where our friends and parents work
- what goods and services they produce
- who buys those goods and services

4-3 What 100 Oregonians would produce --

- 37 produce goods
- 63 produce services

4-4 37 produce goods: 9 farm goods
 10 lumber
 4 building roads
 14 other goods

4-5 63 produce services: 21 in stores
 19 in schools, governments,
 5 in transportation
 18 in other service industries

4-6 Goods and services we sell to each other:

- | | |
|------------------------|-------------|
| milk | auto repair |
| schools | roads |
| government | hospitals |
| (secondary industries) | |

4-7 Goods and services we sell to other places:

- | | | |
|-----------------|-----------------|----------------------|
| apples | vegetables | |
| fish | fruit | |
| wheat | lumber | (primary industries) |
| paper | swim suits | |
| heavy equipment | electronic gear | Source: V, p. 50 |

4-8 What Oregonians buy from other places

bananas	autos	
lettuce	oil	
shoes	movies	
books	television sets	Source: V, p. 52

4-9 When primary industries grow, secondary industries follow

4-10 Fifth Grade Questions

What are the primary industries?
Why are they here?
Is the demand for them growing?
Is the region growing, prospering?

4-11 What would happen if there was

A housing boom?
A big demand for wheat?
A way of making paper out of garbage?

4-12	<u>Before</u>	<u>Hatfields</u>	and	<u>McCoys</u>
		8 hours	1 bu.	12 hours
		<u>9 hours</u>	1 yd.	<u>10 hours</u>
		17 hours		22 hours

4-13	<u>Specializing</u>	<u>Hatfields</u>	and	<u>McCoys</u>
		16 hours	2 bu.	
			2 yd.	20 hours

4-14	<u>After Trading</u>	<u>Hatfields</u>	and	<u>McCoys</u>
		16 hours (was 17)	{ 1 bu. 1 yd. }	20 hours (was 22)

4-15 Specialization STRETCHES our resources.

4-16 Specialize where your comparative advantage is

If I can do everything better than you?
If I have to do my second-best thing?

4-17 How we encourage specialization --

Banking system
Post Office
Transportation subsidies
Uniform currency
Uniform weights and measures

4-18 Cost per Ton -- Albany to Buffalo -- before canal \$100
after canal \$ 20

4-19 Specialization

helps may hurt
us me

4-20 Laws that affect specialization --

You can't use foreign ships.
You can't export hats, woolens.
You must pay a tax (tariff) on imported machinery.
You must pay a tax (tariff) on wheat from another state.

4-21 Specialization and trade help:

neighbors
regions
countries

4-22 What we Export: Vehicles (½ of all our exports)
Electrical and other machinery
Farm products (17% of our farm output)

4-23 What we Import: coffee, tea, cocoa, spices, fish, bauxite,
tin, newsprint, typewriters

4-24 Foreign trade is a good thing.

(overlay:) Those *!#%* foreign products will ruin me!

4-25 No Specialization -- 50/50 division of resources

Finmark	Denland	Total
600 bu.	500 bu.	1,100 bu.
300 qts.	500 qts.	800 qts.

4-26 After Specialization -- All resources used for one product

Finmark	Denland	Total
1,200 bu.		1,200 bu.
	1,000 qt.	1,000 qt.

Gain - 100 bu., 200 qt.

4-27 If Denland was better at both products

(1st overlay): Originally -- 50/50 resource use

Finmark	Denland	Total
400 bu.	1,000 bu.	1,400 bu.
300 qt.	400 qt.	700 qt.

(2nd overlay): After specialization

Finmark	Denland	Total
600 qt.	2,000 bu.	2,000 bu.
		600 qt.

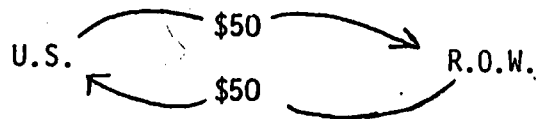
(3rd overlay): Modified for more wine --

Finmark	Denland	Total
600 ^a qt.	1,500 bu.	1,500 bu.
	200 qt.	800 qt.

4-28 Arguments Against Free Trade:

It will hurt me
Protect infant industry
National defense

4-29 We spend \$50 on machinery



R.O.W. spends \$50 on U.S. cotton
Everything cancels out

4-30 English machinery man sold his \$ for R.O.W.

R.O.W. cotton man bought \$ with R.O.W.'s

Price of \$ in R.O.W. changed with supply of and demand for \$.

4-31 U.S.A. We will buy/sell gold at \$35 an ounce.

R.O.W. We will buy/sell gold at \$700 an ounce.

Result: 1/35 oz. of gold = \$1 = \$20

4-32 Balanced "Trade" --

$$\frac{\text{Value of our exports}}{\text{Value of our imports}}$$

(Goods and services -- tourism, shipping, etc.)

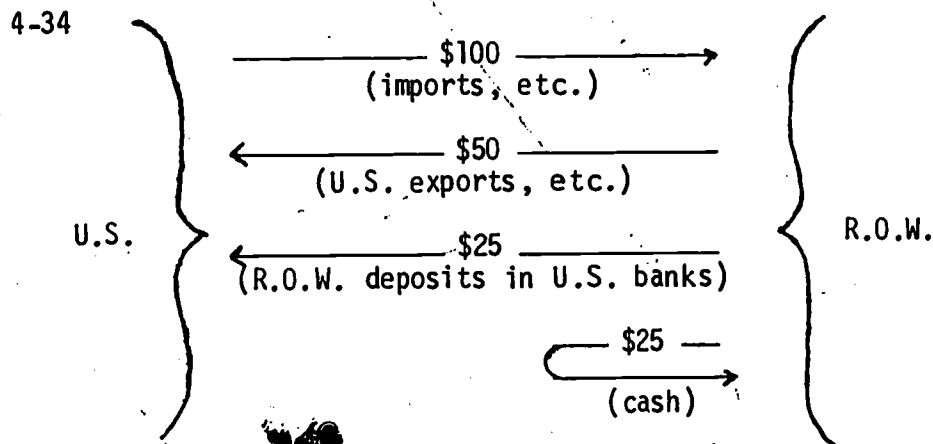
4-33 Balanced "Payments"

\$ received from overseas

- U.S. exports
- stocks sold to foreigners
- interest on U.S. loans to foreigners
- etc.

\$ sent overseas

- U.S. imports
- foreign aid
- stocks bought from foreigners
- interest paid to foreigners
- gifts to foreigners
- etc.



4-35

USA	ROW
.343 billion ounces of gold, at \$35 an ounce	\$12 billion deposits in U.S. bank
\$12 billion	12 billion U.S. cash
	\$24 billion

4-36 A run on the Dollar --

- (overlays):
- 1) The run: Let's buy gold while the price is still \$35 an ounce.
 - 2) The devaluation: We are running out of gold. We must raise the price to \$70 an ounce.

$$\left(\begin{array}{l} 1/35 \text{ oz.} = \$2 = \text{R20} \\ \therefore = \$1 = \$10 \end{array} \right)$$
 - 3) The Aftermath: Those who bought \$100 worth of gold at \$35 an ounce can now sell it back to us for \$200.

4-37 What Devaluation means in Theory

- (overlays):
- 1) We would import less -- imports cost more in dollars.
 - 2) We would export more -- our products cost less in ROW money.
 - 3) Our balance-of-payments problem might ~~thus~~ be solved.

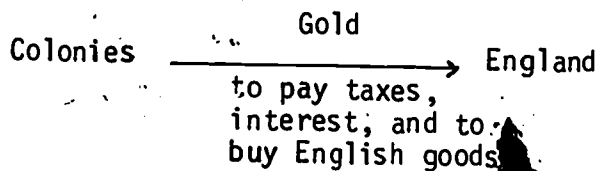
4-38 What Devaluation would mean in Practice

- (overlays):
- 1) Other countries would devalue, too -- no gain for us.
 - 2) Our enemies would get rich (including U.S. Africa, U.S.S.R.)
 - 3) Our friends -- who have been holding dollars -- would suffer greatly.
 - 4) World trade might be greatly reduced.

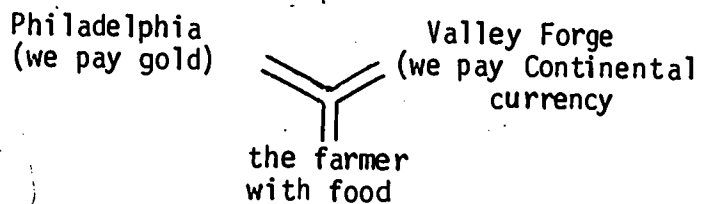
SESSION FIVE

5-1 Money is anything that people will accept.

5-2 The Colonial Balance of Payments Problem



5-3 Which Way?



5-4

Bank of Atlanta (Boston)											
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">Gold</td> <td style="width: 40%;">\$10</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black; text-align: right;">\$10</td> </tr> </table>	Gold	\$10	\$10		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">Instructor</td> <td style="width: 40%;">\$ 5</td> </tr> <tr> <td>Bank notes</td> <td style="border-top: 1px solid black;">5</td> </tr> <tr> <td colspan="2" style="text-align: right;">\$10</td> </tr> </table>	Instructor	\$ 5	Bank notes	5	\$10	
Gold	\$10										
\$10											
Instructor	\$ 5										
Bank notes	5										
\$10											

5-5

Bank of Atlanta (Boston)

Gold	\$10	Instructor	\$ 5
IOU's	30	Bank notes	35
	<u>\$40</u>		<u>\$40</u>

5-6

Bank of Atlanta

Gold	\$10	Instructor	\$ 5
Boston bank notes	10	Bank notes	45
IOU's	30		
	<u>\$50</u>		<u>\$50</u>

5-7

Money Orders

Boston

takes money
issues m.o.

Atlanta

takes m.o.
issues money

Later

takes m.o.
issues money

(no money need be shipped)

takes money
issues m.o.

5-8 Proposed Banking Laws

- 1) Forbid bank notes, only gold
- 2) Forbid money lending
- 3) Regulate lending (portfolio)
- 4) Take no "foreign" bank notes
- 5) Reserve requirements

5-9 A Gold-Only Bank Run:

First - a deposit of gold

gold	\$10	dep.	\$10
------	------	------	------

Second - the gold is lent

IOU	\$10	dep.	\$10
-----	------	------	------

Third - the run starts

Bankrupt
(no gold)

- 5-10 Modern Banking Laws -- No bank notes
 Portfolio restrictions
 Reserve requirements
 Deposit insurance
 Emergency help.

5-11 Deposit Expansion - Bank A

(An \$800 loan)		(After the borrower spends his deposit)		(Initial deposit \$1000)	
R	\$1000	R	\$200	R	\$1000
IOU	800	IOU	800	D	\$1000
	\$1800		\$1000		
D	\$1800	D	\$1000		
	\$1800		\$1000		

5-12 Deposit Expansion - Bank B

(\$800 is deposited)		(A \$640 loan)		(The borrower spends his deposit)	
R	\$800	R	\$800	R	\$160
D	\$800	IOU	640	IOU	640
			\$1440		\$800
		D	\$1440	D	\$800
			\$1440		\$800

SESSION SIX

6-1 The main cause of U.S. growth

transportation
 invention and innovation
 more, better labor
 more capital and natural resources
 people willing to buy something else

6-2 Our Gross National Product and who buys it.

(pie chart)

\$870,000,000,000 -- 1968

6-3 GNP in Guatemala - 1965 (pie chart)

6-4 Cafeteria price index

	Price then	Price now
½ pint milk	\$.10	\$.15
1 hot dog	.20	.30
1 bowl soup	.10	.15
1 dish ice cream	.10	.10
	<u>\$.50</u>	<u>\$.70</u>
(1st overlay) multiply by price index "then" base	= $\frac{2}{1.00}$	$\frac{2}{1.40}$
(2nd overlay) multiply by price index "now" base	= $\frac{1.43}{.71\frac{1}{2}}$	$\frac{1.43}{1.00}$

6-5 Gross National Product -- Constant Prices -- source: V, p. 56
 Chart 1870 - 1970

6-6 Gross National Product per Person -- Constant Prices
 Chart
 Source: V, p. 56.

6-7 Our Labor Force 1940 and 1975 Pie Charts

Source: VIII, p. 117

6-8 "Gee whiz" chart and Ordinary chart

6-9 "Gee whiz" chart and Ordinary chart

6-10 Potential GNP (chart showing inflation) and depression)

6-11 How to get economic growth without

- a) inflation
- b) depression

6-12 Output GNP responds to changes in demand --

Demand ↑ , GNP ↑

Demand ↓ , GNP ↓

6-13 To increase demand and output --

- 1) up government spending
- 2) use easy money -- so borrowers will spend more
- 3) cut taxes -- so taxpayers will spend more

6-14 To reduce demand (and inflation) --

- 1) cut government spending
- 2) use tight money -- so borrowers must spend less
- 3) up taxes -- so taxpayers must spend less

6-15 Newness -- Keynes - 1935
GNP Data - 1940
Council Econ. Advisers - 1946
Kennedy tax Cuts - 1964-65
The Surtax - 1968

6-16 Prediction -- sunspots
 profits
 orders for durable goods
 construction contracts
 working hours
 etc.

skirts
 stock market
 profits
 layoffs
 inventory change

6-17 Choice . . .

(1st overlay)

(2nd overlay)

Which method?

Which goal?

lower government spending or
 higher taxes or
 tighter money

stable prices or
 reduced unemployment

6-18 Fiscal policy and the national debt --

If we cut Federal taxes and increase Federal spending, our national debt will go up.

6-19 Is the national debt a problem?

- 1) small compared to GNP
- 2) transfers money from taxpayers to bondholders
- 3) depressions are worse

6-20 The Economic Battle of the Civil War

Civilians
 had
 been
 buying

{ food
 clothing
 tools
 labor
 transportation }

But
 now
 the
 Armies
 needed
 them!

6-21 Policy: Print money for the Army. Let it outbid the civilian buyers.

6-22 Result: Inflation!

Supply was limited
Military demand ↑
Civilian demand ↑

(Civilians who sold to the military had more money to spend.)

6-23 Alternative: Cut civilian demand, thus releasing supplies to the military.

higher taxes
tight money
patriotism
direct control

6-24 The Great Depression

our people had been buying { food clothing shelter tools etc. } but suddenly they stopped!

6-25 GNP Dropped 1929 - \$104.4 (pie chart) 1933 - \$56.0 (pie chart)

6-26 What happened to demand?

- 1) Business demand vanished - no one wanted to buy
no one wanted to lend
- 2) Consumption demand slumped - no job -- no money

6-27 Our initial policy was wrong.

- 1) Tight money -- to rebuild the banking system
- 2) Cut government spending -- because tax collections are down

6-28 What we should have done:

(1st overlay):

1) Diagnosis - 1929 and 1930

Investment dropped \$15 billion.
Caused consumption to fall by \$33 billion
Total drop in GNP, \$48 billion

(2nd overlay):

2) Plan...

Replace the mission \$15 billion
Then consumption will stay
the same and GNP won't fall

(3rd overlay):

3) Procedure...

- a) Get business to spend the \$15 billion (how?)
- b) Get consumers to spend \$15 billion more (how?)
- c) Let government spend \$15 billion more (but no tax increases)

6-29 What we did:

(1st overlay):

1) Government spending

Federal deficits --

1930-40	\$3.5 billion a year
1941	\$13.4 billion
1942	\$48.2 billion

(2nd overlay):

2) Loose money

Federal Reserve "Discount" Interest Rates

1929	-	5.16%
1930	-	3.04%
1933	-	2.56%
1935	-	1.50%
1938-47	-	1.00%

5

PACKAGE ECONOMIC COURSE

10 Lesson version

1. WHAT ECONOMICS IS ALL ABOUT
2. PRODUCERS AND CONSUMERS IN OUR ECONOMIC SYSTEM
- *3. CONSUMERS: CHOICES, CHOICES
- *4. JOBS AND INCOME
5. BUSINESS AND GOVERNMENTS
- * 6. OREGON'S PUBLIC SERVICES AND GOODS - AND TAXES
7. REGIONAL (AND INTERNATIONAL) SPECIALIZATION AND TRADE
8. MONEY AND BANKING
9. ECONOMIC GROWTH AND STABILITY
10. REVIEW, DISPLAY, AND "JUST FOR FUN" QUIZ.

* New lessons added.

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Spoc 4966

JOES, INCOME, AND UNIONS

by

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for the

Instructor's Handbook to the Package Economic Course

JOBS AND INCOME

DESCRIPTION

For most families, the size of their income (and how many goods and services they can buy) depends upon the father's job--selling his resource, labor. Different jobs earn different incomes. The income of the worker depends upon the amount of time he wants to work and the "price" (wage rate) the market puts on his skills. The wage rate is set by the demand for each type of labor interacting with the supply of workers looking for those jobs. In order to have the job which fits a person's abilities, interests and income aspirations, he needs to know about himself and the job opportunities. The types of jobs available are always changing and will be different in the future. To find and keep a job takes certain information and skills; knowing where the labor markets are, how to apply and be interviewed, and what attitudes and habits employers expect from employees. Unions provide a variety of services for workers. How fast all of our incomes together can go up depends mainly upon how fast our productivity as a country increases, but some group's incomes may go up faster than others.

MATERIALS AVAILABLE

16 mm FILM: Job Interview: Whom Would You Hire? Part A: Three Young Women or Part B: Three Young Men. Each 17 minutes, color. Actual job interviews filmed with a hidden camera. Film viewer is asked to evaluate each applicant as to appearance, attitude, reliability, motivation, preparation for employment, to answer the question, "Whom would you hire?" Source: Division of Continuing Education Library, Oregon State University, Corvallis, Oregon. \$6.50

16 mm FILM: Job Interview, Color, 15 minutes. Follows a young man from when the employment service counsellor tells him of the job opening until he has been hired, with some scenes of poor job-hunting procedures for contrast. Source: same as above.

16 mm FILM: Getting a Job is a Job, 17 minutes, color. The correct procedure to follow in applying for employment. Follows two young people as they seek employment, pointing out the right and wrong ways of applying for a job. Source: same as above. \$6.50.

HANDOUT: Choosing Your Occupation, or How to Get and Hold the Right Job, Similar booklets which include self-inventory forms, tips on interviews, letters of application and where to look for a job. Available free from your State Employment Service Office. 15 pages.

How Pacific Northwest Occupations Will Change 1960-80, and How Employment Will Change in Pacific Northwest Industries - 1960-80. Battelle Memorial Institute, "The Pacific Northwest, A Study of Economic Growth in a Quality Environment," reproduced in Teachers Guide to Economics, Grade 5, pp. 59-60.

BUZZ GROUP ACTIVITY: Does College Always Pay Off? Use with the 2-page job description pamphlets ("mini-guides") available free from your State Employment Office.

16 mm FILM: Grievance, 30 minutes. How the rights of a worker with a genuine grievance are protected under the union's contract. The orderly processing of a grievance through several stages of negotiations between union and management. Source: Division of Continuing Education Library, Oregon State University, Corvallis, Oregon. \$6.50.

16 mm FILM: Inheritance, 45 minutes. The late 19th and early 20th century migrations to America. The social, economic and cultural changes which marked the immigrant's early years in this country. Conditions since 1900 as found in the sweatshops, coal mines, and weaving mills and as evidence in the labor struggles of the thirties and the civil rights movements of the sixties. Source: same as above. \$8.50

GENERAL SESSION

1) As before we suggest beginning with a discussion of some of the activities the teachers carried out to teach the concepts in the previous lesson.

2) INCOME EARNED BY WORKING SETS THE LIMIT OF MOST FAMILIES' CONSUMPTION. In an industrialized, developed country like the U.S., money income is earned by family members at specialized jobs outside the home. This is in contrast to a pioneer family whose consumption depends mainly upon what it can produce for itself. It might be wise to show the circular flow diagram briefly for review, at this point. Other types of income (property, transfer) should be discussed here when it can be easily pointed out that the principal source of income is from labor (transparencies 1-3).

3) WHY DO DIFFERENT JOBS EARN DIFFERENT INCOMES? It might be useful to have the class volunteer possible factors and decide whether they affected supply or demand after transparencies 5 and 6 are shown. Transparencies 7-11 summarize these supply and demand factors, following the class discussion. The collective-bargaining and supply-limiting roles of unions (and other groups) is included but it might be wise to postpone more discussion of unions until the end of the lesson. The buzz group activity, "Does a College Education Pay Off?" can be used either to launch this section, or to summarize it. If it is used at the end, each group might try to identify the supply and/or demand factors which explain the wages of the job investigated.

4) YOUR JOB SHOULD FIT YOUR INTERESTS, ABILITIES, AND INCOME NEEDS. To make wise choices, everyone needs information about (1) himself and (2) the job opportunities. The booklets from the State Employment Service are an excellent device for self-evaluation. After distributing them to the class, you can either give them a few minutes to actually fill in the self-inventory themselves, or just discuss it (and the rest of the booklet). Be sure to mention that it is available for their own classes free from the employment service. Transparencies 13-22 review the workforce and job opportunity projections to 1980 for the country as a whole, and the mimeographed sheets provide some projections for the Northwest specifically. The discussion of job opportunities provides a chance to again stress the derived demand character of labor demand, and the influence on wages of the constant changes in the demand for goods and services.

5) TO FIND AND KEEP A JOB, YOU NEED TO KNOW HOW TO LOOK FOR A JOB, FILL OUT APPLICATION FORMS, BE INTERVIEWED, MEET THE EMPLOYER'S REQUIREMENTS ABOUT ATTITUDES, WORK RULES, ETC. Transparency 24 emphasizes the variety of the labor markets in which to look for a job. One of the movies on job interviews is an excellent way to cover these other necessary points, with discussion of them after the film.

6) UNIONS SERVE THEIR WORKER-MEMBERS IN A VARIETY OF WAYS. The roles of unions are outlined on transparency 25, and some discussion of them, especially those beside collective bargaining, might be fruitful. Which jobs are unionized and which are not, and the trends for the future (public employees, white collar, and agricultural labor unionization) can be brought in.

7) TOTAL U.S. INCOME GOES UP WITH PRODUCTIVITY, BUT SOME GROUPS' INCOMES MAY GO UP FASTER THAN OTHERS. The income distribution question is discussed in transparencies 27-30.

JOBS AND INCOME

Transparencies

1. Household income: 1967.
2. Circular flow diagram of resources/goods and money.
3. The proportion of women in the workforce will continue to rise.
4. Working wives contribute about $\frac{1}{4}$ of the family income.
5. For a bigger paycheck... (1) work longer (Quantity); (2) Get more per hour (Price); Paycheck = P X Q.
6. Median yearly earnings: 1969.
7. What sets a wage rate or salary? Demand...interacting with supply....
8. Demand for workers comes from (1) What the worker is making; (2) What the article sells for; and (3) productivity.
9. Supply of workers depends upon mobility.
10. Why workers can't move to better paying jobs.
11. Unions, and other groups which represent their members, influence wages.
12. Public policy affects wages.
13. Which Occupation to Choose?
- * 14. Labor Force will Grow by 15 million in the 70's.
- * 15. Employment will continue to shift toward white collar and service occupations.
- * 16. Professional, technical and service occupations will grow fastest.
- * 17. Most new jobs will be in the service producing industries.
- * 18. State and local government and service industries will grow fastest.
19. Good job prospects for 1980; (specific jobs).
20. Jobs for College graduates, 1980; Supply vs. demand for specific jobs.
- * 21. Reduced teacher openings will prompt many college graduates to enter other fields.
22. To find and keep a job, you need to know how to....

23. Where do you find job openings?
24. 5 "Cs" of Unionism.
25. Who is not unionized?
26. How fast can wages rise?
27. How big an income pie for all of us?
28. How are the productivity gains to be passed out?
29. How big a slice for any one group?

* Charts from U.S. Dept. of Labor, U.S. Manpower in the 70's: Opportunity and Challenge; Supt. of Documents, Gov't Printing Office, Washington D.C., 20402. 55¢.

Does College Always Pay Off?

You are considering college at \$2,000 a year for 4 years, and planning to become the owner of your own business. Reports show your average income will be \$9,500 a year. You pick this occupational "mini-guide"* up off the street. Before you toss it away, you decide to see how much you'd make in that occupation.

What would be the costs of preparing for this job? Would the training needed be obtained on the job, as an apprentice, in high school, a community college, or other training school?

After working 30 years in each occupation, how would the total net earnings compare? (Remember: you must subtract not only the cost of college or training, but also the "opportunity cost" - the income of say \$6,500 a year you could have earned if you hadn't been in college or training.)

Your 30 year net earnings as a business owner: \$ _____

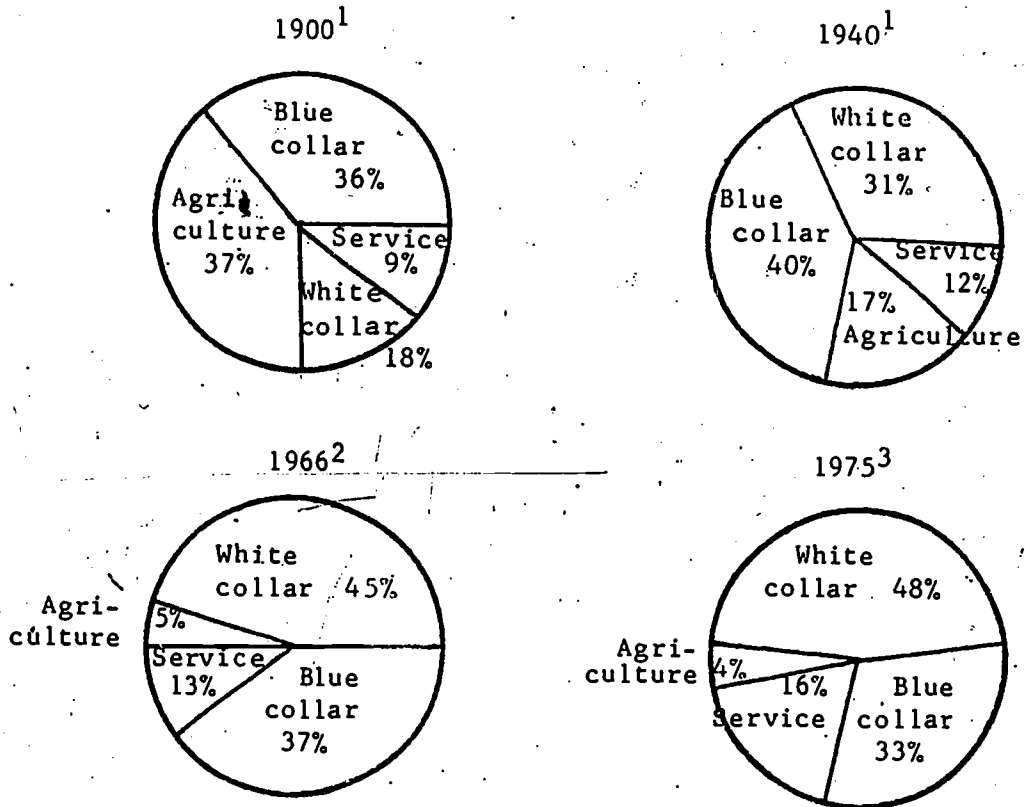
Your 30 year net earnings as a _____: \$ _____

DID COLLEGE PAY OFF FINANCIALLY?

*Mini-guides for 85 different occupations are available free from your local office of Oregon Employment Service.

*Obtain from your local State Employment Office. Folders on over 50 different jobs.

HOW OCCUPATIONS HAVE CHANGED SINCE 1900



White collar workers: accountants, pilots, doctors, photographers, managers, officials, bankers, stenographers, real estate salesmen, sales clerks

Manual workers: bakers, cabinet makers, locomotive engineers, sailors, painters, industrial production workers, laborers

Service workers: laundresses, housekeepers, bartenders, policemen, waiters and waitresses

Farm workers: owners, managers, tenants

¹ Historical Statistics of the United States, Colonial Times to 1957, Department of Commerce, U.S. Bureau of the Census, Government Printing Office, Washington, D.C., 1960, p. 74.

² Statistical Abstract of the United States, 1967, U.S. Dept. of Commerce, Bureau of the Census, Government Printing Office, Washington, D.C., 1967, p. 230.

³ Technology and the American Economy, Government Printing Office, Washington, D.C., 1966, p. 240.

HOW PACIFIC NORTHWEST OCCUPATIONS WILL CHANGE*—1960-1980

	<u>1960</u>	<u>1980</u>
All occupations.	100%	100%
Professional, technical, and kindred workers.	12.4%	18.4%
Managers (including farm).	15.4%	13.3%
Clerical and kindred workers	13.8%	17.8%
Sales workers	7.5%	6.9%
Craftsmen and foremen.	14.3%	11.7%
Operatives and kindred workers	14.9%	11.1%
Personal services (including private household)	11.8%	14.1%
Laborers (including farm).	9.9%	6.7%

*The Pacific Northwest, a Study of Economic Growth in a Quality Environment,
Battelle Memorial Institute, Columbus, Ohio, 1967, p. 73.

**HOW EMPLOYMENT WILL CHANGE
IN PACIFIC NORTHWEST INDUSTRIES*—1960-1980**

Professional and Related Services.	142.9% (increase)
Finance, insurance, and real estate.	95.1%
Business and repair services	94.6%
Public Administration.	66.7%
Personal services.	61.6%
Retail trade	54.0%
<u>Total Employment</u>	<u>51.3%</u>
Entertainment and recreation services.	50.5%
Manufacturing	49.6%
Wholesale trade.	44.4%
Construction	29.3%
Transportation, communications, and public utilities	18.0%
Agriculture, forestry, and fishing	-33.4% (decrease)
Mining	-47.5% (decrease)

*The Pacific Northwest, A Study of Economic Growth in a Quality Environment,
Battelle Memorial Institute, Columbus, Ohio, 1967, p. 73.

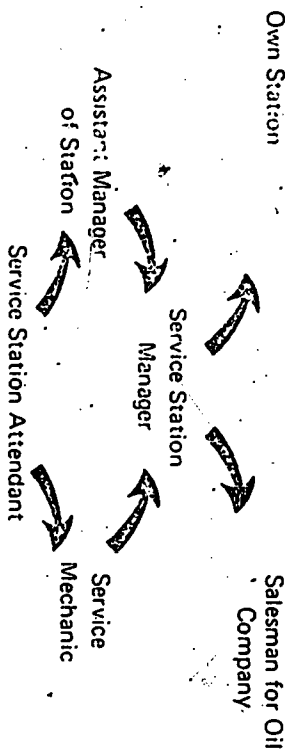
WHERE SERVICE STATION ATTENDANTS WORK

- Company owned stations
- Leased stations
- Fleet owners
- Government agencies
- Department store stations

HOW YOU CAN LEARN

- On-the-job
- MDTA classes
- Distributive education

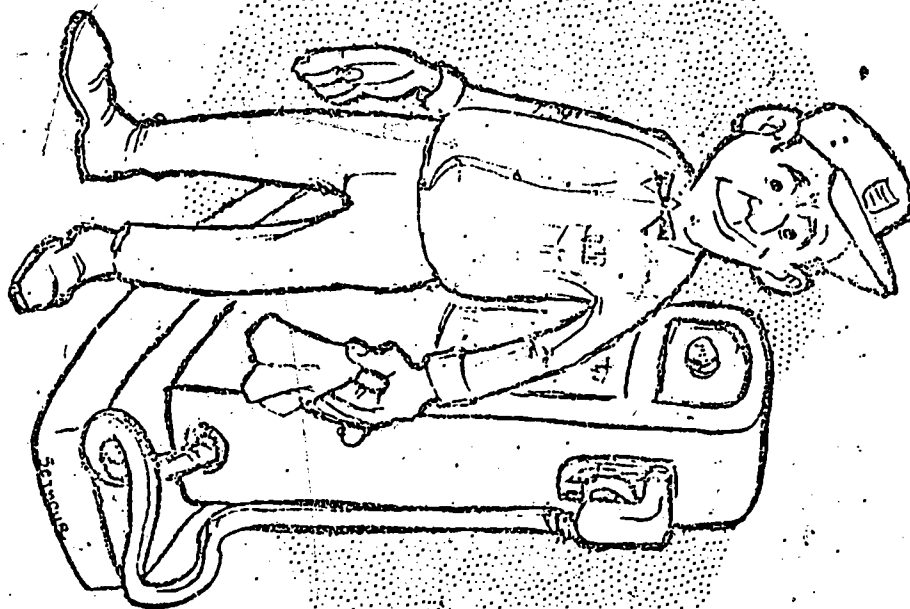
RELATED JOBS



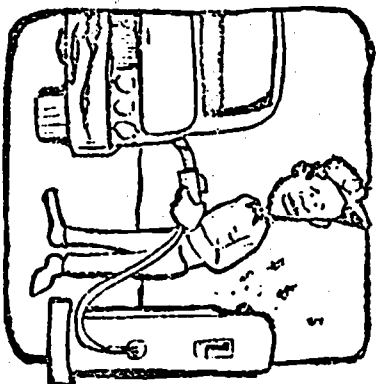
FOR MORE DETAILS GO TO:

Project	Address	Phone	Zip	Office	Address	Phone	Zip
Agri	102 Salem St	428 3361	97301	Western Representative	814 N. Yam St	928 3331	97152
Auto	1700 Duane St	324 4421	97103	Orlando	315 S.W. Second Ave	889 5784	32104
Auto	4175 Duane St	923 1127	97114	Detroit City	500 W. 4th St	636 2126	97245
Auto	21 Lombard Ave	302 2011	97201	Portland	401 S.E. 9th St	225 0131	97211
Auto	445 E	287 9716	97420	Portland	410 S.W. Columbia	226 2161	97201
Auto	720 S.W. 4th St	153 6625	97200	Portland			
Auto	122 W. 11th	342 2197	97401	Portland			
Auto	142 1411	342 2131	97213	Central	1023 1/2 E. Court St	233 4461	97212
Auto	442 S.E. 1st St	444 2121	97216	North Portland	3425 N. Vancouver Ave	288 9997	97212
Auto	1700 E. Third St	648 1125	97123	Portland and Clatsop	470 S.W. 3rd Street	225 2161	97205
Auto	42 Duane St	96 2211	97201	Portland and Clatsop	1402 S.W. Fourth Ave	232 2161	97204
Auto	1811 Duane Ave	984 2211	97201	Portland Department Center	25 N.E. 11th Ave	233 4461	97212
Auto	112 N. E. St	982 2216	97205	Portland	946 S.E. Row St	612 3586	97210
Auto	208 Duane St	208 2124	97201	Portland	215 Union St N.E.	548 4120	97210
Auto	418 Duane St	418 2124	97201	Portland	215 Court St	206 5445	97205
Auto	172 Duane St	172 2124	97201	Portland	2014 Second St	842 4422	97211
Auto	172 Duane St	172 2124	97201	Portland	126 N.E. Third St	235 2241	97201

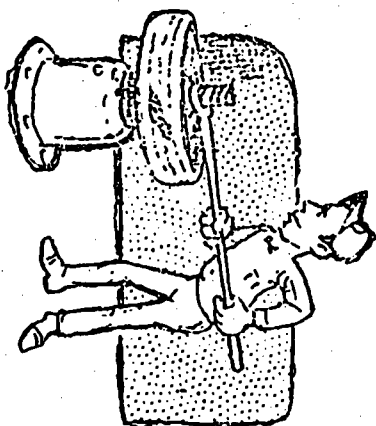
SERVICE STATION ATTENDANT



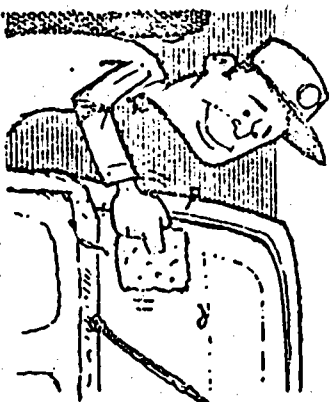
A SERVICE STATION ATTENDANT



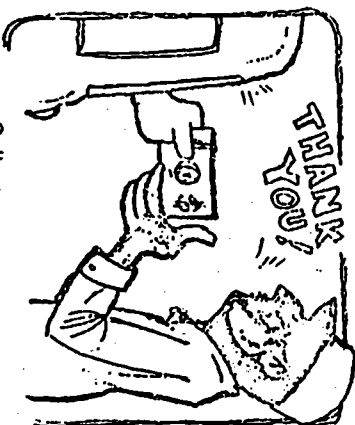
Pumps gas, checks oil and water



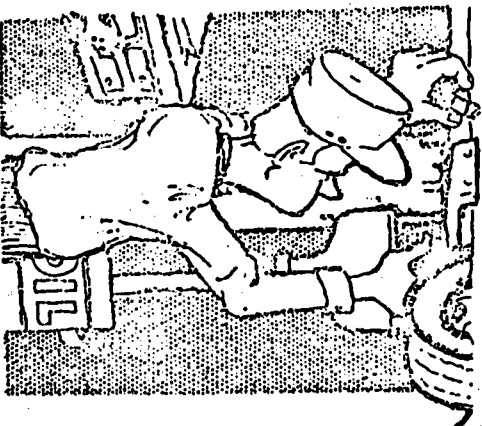
Fixes flats or puts on new tires



Washes windshields and windows



Collects money or fills out charge slip



Greases car and changes oil



May sell and install accessories

A SERVICE STATION ATTENDANT SHOULD

- Enjoy meeting people
- Be in good health
- Be able to lift 50 to 60 pounds
- Know about cars
- Write clearly
- Be able to do simple arithmetic
- Know the roads and highways near where he works

A SERVICE STATION ATTENDANT MAY NEED

- A driver's license

\$\$\$ THE PAY \$\$\$

- Ranges from \$1.50 to \$2.00 per hour for beginners

THE HOURS

- Usually from 48 - 54 hours a week
- May be night shift
- May be weekends and holidays
- Part-time work also available

Extras You MAY Get

- Group Life and Health Insurance
- Retirement Plan
- Paid Vacations
- Sometimes, uniforms and laundry

CONSUMERS:

6 BIG ECONOMIC CHOICES

Personal Economic Edcision-Making

by

Mrs. Charlotte T. Harter
Asst. Professor of Economic Education
Director, Center for Economic Education
Oregon State University
Corvallis, Oregon

for the

Instructor's Handbook to the Package Economic Course

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CONSUMERS--CHOICES, CHOICES
Personal Economic Decision-Making

DESCRIPTION: Consumers, as individuals or as families, share the basic economic problem--limited resources and unlimited wants. Resources include principally income, but also time, skills and knowledge, and community resources. Wants include both goods and services, and more leisure. Since income is limited, but wants are unlimited, choices are necessary--choices among different goods and services; choices between goods which are similar but have different prices; choices between goods and services today or, by saving, in the future; choices as to how best to invest savings to protect their purchasing power; the choices whether or not to borrow to buy a car or home, and where to "buy" credit; the choice of getting the services we want, like education, by buying them as individuals, or having governments provide them and paying for them with taxes. Each family's choices are different since the values and goals of each family differ, but all families face the same problem of how to get the information necessary for them to make the best possible choices. How consumers as a group choose affects both the stability of the economy and what it produces.

Prof. Charlotte T. Harter
Center for Economic Education
Oregon State University
Corvallis, Oregon

CONSUMERS: CHOICES, CHOICES!!

MATERIALS AVAILABLE:

- 16 mm film: A Visit To Consumers Union: 28 min., black and white. The film includes detailed segments of the testing of record changers, electric toys, children's sneakers, etc. Featured is a test to determine the flammability of carpeting, thus illustrating one of CU's significant public service roles--calling attention to potentially dangerous products. Source: Consumers Union Film Library 267 West 25th Street, N.Y., N.Y. 10001. Free except for 2 way postage.
- 16 mm film: Beginning Responsibilities: Using Money Wisely, 11 min., color: for primary grades. Some simple economic facts about money and its uses. How money is exchanged for time and skills and used for necessities of food, clothing, housing, taxes, and savings. Why careful choices are necessary to achieve maximum satisfaction from your income. Source: Film library, Division of Continuing Education, Oregon State University, Corvallis, Oregon 97331, \$4.50.
- "Using Money Wisely" 28 min., color, senior high and adult. The skills and knowledge essential to effective handling of money, buying and credit power, counseling and information services, How to counter "high pressure" sales techniques. Source: Film Library, Division of Continuing Education, Oregon State University, Corvallis, Oregon, 97331
- Filmstrip and Record Truth in Lending: What Consumers Need to Know; 15 min. color: by Federal Reserve System. Tells how the new truth in lending law enables an individual in the market for money to make better choices. Clearly shows new requirements. Contents is objects and does not promote any one type of consumer credit. Source: Oregon Council on Economic Education, Portland State University, Box 751, Portland, Oregon 97207, or Federal Reserve Bank, Portland Branch, P.O. Box 3436, Portland, Oregon 97208; free both sources.
- Handouts "Choice Made Difficult": Comparison price study on instant teas appropriate for buzz groups.
- "It Pays to Think Before You Buy Something That Costs Lots of Money"

CONSUMERS: CHOICES, CHOICES

GENERAL SUGGESTION

- 1) As usual, we recommend beginning with a discussion of some of the activities teachers actually tried with the previous lesson's material.
- 2) It is wise choices in spending his income (and using other resources) a consumer can satisfy more of his needs and wants. We develop this concept with transparencies 9-1 and 9-2. 9-2 highlights the non-monetary resources which are often overlooked, and the point needs to be made that some of them are limited, such as time. However money income is the principal resource of consumers in the United States.
- 3) Each family has different values and goals, so the way each family chooses to spend its income will differ. Transparencies 9-4 through 9-6 give the opportunity for exploring how values and goals of individuals and family are developed and influenced and therefore why they differ. Every consumer seeks maximum satisfaction.
- 4) The collection of goods and services a family buys for itself reflects its own values, goals and income level. Transparency 9-3 briefly states the 5 major decision areas each family must consider in spending its income. Each of these areas is taken up in succession. Transparency 9-7 takes up the first of these choices, and can lead into a discussion showing how values, goals, and income level will cause different families to choose different alternatives. Compare the things a sports oriented family would buy with that of a musically oriented family.
- 5) Even choosing between similar goods is difficult because price is not a reliable guide always. Consumers are confused by product differentiation, product complexity and the scarcity of objective information. The buzz group activity, "Buying Made Difficult", is a good way to introduce this concept. It makes the point that comparing brands of the same product by price is difficult, and trying to get a per-ounce or per-serving price is even more difficult. Transparency 9-8 addresses itself to alternatives to a new, top-quality product. Transparency 9-9 is to make the point that top quality will mean high price but that the reverse is not always true. The lessening of price competition by means of product differentiation, and its hand-aided advertising, can give business power to push up prices; higher incomes can raise prices by demand-pull. Transparency 9-10 makes an oft-neglected point that consumers time is limited. They need readily available, objective information on which to base their choices. Following the transparency 9-10 is the logical place to show the film, "A Visit to Consumers Union", if it is used.
- 6) During his working years, a person needs to use part of his earnings to "buy" and to pay for his needs during his unemployed or retired years. (transparencies 11 through 16). Transparencies 14 and 15 are concerned with the fact that when prices are relatively stable and the dollar is not losing its purchasing power, "fixed" dollar incomes are satisfactory, but when prices are rising, in order not to lose purchasing power, the dollar amount of your income should be rising at a comparable rate.

TRANSPARENCIES FOR CONSUMERS--CHOICES, CHOICES
Personal Economic Decision Making
by
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- 4-1 INCOME (AND OTHER RESOURCES) LIMITED. Wants unlimited.
So CHOICES must be made.
- 4-2 RESOURCES
1) Money Income, present income, past earnings--saving, credit
2) Non-money (help stretch income)
Time, knowledge, skill, community: library, extension, etc.
- 4-3 ARE YOU A "KEEP-UP-WITH-THE-JONES-ER"?
Lured by every ad?
How do you choose?
- 4-4 VALUES INFLUENCE CHOICES (drawing)
- 4-5 VOTE YOUR \$ FOR YOUR CHOICES
1) what you think is important (values)
2) where you want to go (goals). Every family is different
- 4-6 WHICH WANTS? CHOICES!
1) What "mix" of goods, services?
2) Which of similar goods?
3) "Grasshopper" or "Ant"?
4) Save first or borrow?
5) Private or public services?
- 4-7 WHAT MIX?
\$3,000-trailer? Trip to Europe? college? car?
\$50-bike for sis? \$ pig for freezer? savings bond?
\$200-stove? outboard motor? trip for Grandpa? life insurance?
- 4-8 CHOICES:
1) new or used?
2) a 21-jewel watch for your 5-year-old?
(top quality or utilitarian)
- 4-9 DO YOU GET WHAT YOU PAY FOR? Does high price reflect:
1) Quality only?
2) or market power of producer?
3) or what you can afford?
- 4-10 QUICK RELIABLE INFORMATION FOR FAMILY CHOICES
Which tires? which car? which peanut butter?
Home extension agent. U.S. Government Printing Office. U.S. Govern-
ment Grades.
Consumer Reports. *Consumer Bulletin* Changing Times.*
*no ads; consumer oriented
- 4-11 GRASSHOPPER OR ANT, or what if we live to be 80?
1) how much to spend now for security then?
2) what type of savings/investment will do the job best?

12. CHOICE: FOR FUTURE INCOME
Social security, private retirement, and pension plans private insurance
Stocks and bond, real estate, savings account
13. "BEST BUY" WILL DEPEND ON
1) what it cost you for every dollar of future income
2) what prices will be doing in next 30 years
3) what economy will be doing in next 30 years
14. GOOD INCOME SOURCES WHEN PRICES ARE STABLE --
annuities, life insurance, bank savings
government and corporation bonds, rent, salary, what you lend
15. GOOD INCOME SOURCES WHEN PRICES ARE RISING--
own business income, home you live in, real estate
farm incomes, common stock, what you borrow
16. SOCIAL SECURITY A BEST BUY
Employer pays part of its cost, assured minimum income, benefit checks
usually rise with prices
Least chance of going bankrupt, goes with you job to job, covers widow
and children, even for some college
17. SAVE FIRST OR BORROW
1) How sure is your job?
2) What are prices doing?
3) How much debt do you have already?
18. BORROW--ENJOY IT WHILE YOU PAY FOR IT. Consumers debts 1970-\$420 billion!
Pie chart: 60% house mortgages, 30% consumer credit installment:
cars, washers, charge accts., 10% other bank and ins. loans (about
60% of all families have some personal debt not counting charge accounts)
19. WHICH CREDIT? THE CHEAPEST! New Federal regulations help borrowers
1) make it easier to figure cost of credit
2) promote more competition among lenders
20. MEDICAL CARE, EDUCATION, OLD AGE PENSIONS-- How should we provide these?
1) Should each individual buy it if a) he wants it? b) if he has
enough income to buy it?
2) Should we ask government to provide it to everyone free (or below
cost) and pay for it with taxes?
3) would some combination of 1) and 2) work best?
21. RIGHT OF CONSUMERS
--to choose, competition among sellers
--to be informed about grade
--to safety
--to be heard (complaints)
--to restitution
- 22.a. CONSUMERS BOTH SELL TO AND BUY FROM PRODUCERS. (Circular Flow chart)
- 22.b. OF ALL THE GOODS AND SERVICES PRODUCED, HOW MUCH DO CONSUMERS BUY?
(Pie chart) Consumers 2/3rds; business investment 1/7th; Governments &
1970 G.N.P. = \$1 trillion approximately

23. SMALL SPENDING "SPRE" WILL CAUSE BIGGER INCREASE IN OUTPUT AND INCOME
Consumers spend (instead of save) 1% more :about \$7 bill.
More goods sold; more orders to business; more people hired; more
goods produced and incomes go up. So increase in total output
and income (G.N.P.) of about \$21 billion.
24. IS THE \$ 21 BILLION MORE GOODS OR HIGHER PRICE TAGS?
If it was a fully employed economy, mainly higher price tags.
If it was a slack economy, mainly more goods.
25. SMALL CUT IN SPENDING WILL CAUSE A BIGGER DROP IN OUTPUT AND INCOME (G.N.P.)
Mainly a decrease in goods and services, employment and income.
Not much drop in prices

CHOOSING MADE DIFFICULT

BRAND OF INSTANT TEA	Nestea Hot Tea	Nestea Hot Tea	Canterbury Instant Tea (Safeway Brand)	Lipton Instant Tea	Canterbury Instant Tea w/ Sug. & Lemon	Nestea Instant Tea Mix w. S & L	Nestea Instant Tea w/ L
SIZE OF JAR	1 oz. weight volume: 10 fld. oz.	2 oz. volume: 2 c., 2 oz. (18 fld. oz.)***	2 oz. ***	2 oz. ***	12 oz. (same vol. as 2 oz. jar of 'just tea)**	12. oz. **	4 oz. **
PRICE	59¢	39¢	89¢	\$1.09	69¢	79¢	99¢
PRICE PER OUNCE							
SERVING PER JAR	50 1 tsp.-cup	90 (on label) 1 tsp.-cup	90 1 tsp.-cup	90 1 tsp.-cup	12 2 tsp.-cup	43 2 tsp.-cup	90 1 tsp.-cup
PRICE PER SERVING							

(Prices: February, 1970, Safeway, Corvallis)

*The Consumer is the only "Purchasing Agent" who has to work this hard!

** All these jars have the same size and volume (although the net weight differs) (Jars numbered 5-7)

*** All these jars have the same size and volume (although the net weight differs) (Jars 2-4)

CONSUMER ECONOMIC CONCEPTS

It pays to think before you buy something that costs lots of money.

1. The money you spend for x cannot be spent for anything else.
 - A. Which would you rather have, x, y, or z? why? (x= washing machine, y=stock, z = vacation).
 - B. Every additional dollar you spend for x is a dollar that you cannot spend for something else (marginal utility). Is it worthwhile to spend an additional dollar on x?
2. There are good and bad sources of information about major purchases.
3. Many big items don't sell for a fixed price (bargaining range).
4. The true cost of a big item is the difference between what you paid for it and what you get when you sell it. This is influenced by:
 - A. depreciation
 - B. inflation or deflation
 - C. cost of buying or selling the item
 - D. repair
5. It costs money to borrow money. On the other hand, money that is saved can be lent out at interest. Interest you pay out and interest that you earn both affect the true cost of buying and owning a big item.
6. Some items are easier to sell than others and provide better protection against emergencies.

Hugh Lovell
Oregon Council on Economic Education
5/14/71

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DEVELOPING IDEAS ON CONSUMER CHOICE

Since most of our resources, including incomes, are limited, families must make choices about how to allocate them wisely. They must choose between one use and another. Money spent for one thing cannot be spent for another.

- A. Choices may differ from time to time. Also, one individual may make different choices than another.

Do children and grown-ups always agree about which things to buy first?
Do all families decide to buy the same things first?
Does a city family spend its money differently than a country family?
Does a family with young children spend its money differently than a family with older children?

Activities: Make a want list vs. a need list. Illustrate if desired.
Would this list be appropriate for a child as well as his mother?
Would the same list be appropriate next year? In five years?

- B. Prices help families decide which goods and services to buy and which to do without.

Why do families budget their incomes?

Activities: Keep a record of the money a child and his parents spend for goods and services during one week.
Invite a friend to lunch. Together you have \$1.00 to buy a well-balanced menu. Draw, cut out pictures, or gather ads with prices of items. Discuss good vs. poor choices.

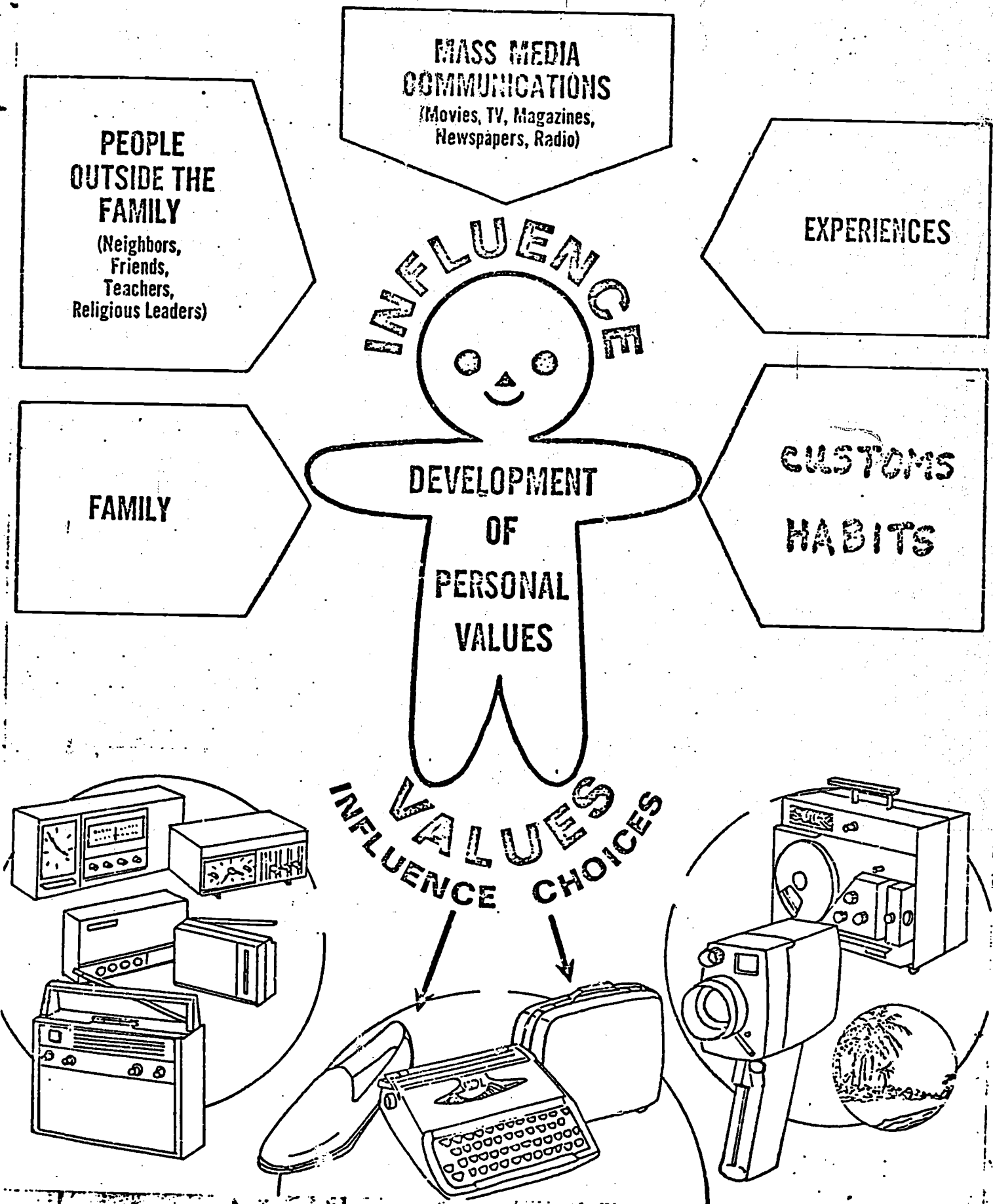
- C. Families sometimes choose between spending now and spending later.

Will a family buy fewer things now so that it can save up enough money to buy it later?
Will a family borrow so that it can buy it now, but then buy fewer things until it is paid for?

Activities: Draw pictures (or collect) of expensive things a family would like to have--color television, new car, motor boat. Identify who will use it: father, mother, children, or the entire family. Discuss how the family might get the money with which to buy it.

Grade level ideas:

First - Big Idea #2, concepts 4 and 5
Second- Big Idea #4, concepts 1 and 2
Third - Big Idea #2, concepts 2 and 3
Fourth- Pioneers concept 1
Fifth - Colonial Period, concept 1



OREGON'S PUBLIC SERVICES

AND TAXES

by

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Director, Center for Economic Education
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Corvallis, Oregon

for the

Instructor's Handbook to the Package Economic Course

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PACKAGE ECONOMICS COURSE
Oregon Council on Economic Education

Lesson Six: Oregon's Public Services and Taxes

DESCRIPTION

Oregonians have directed their state and local governments to produce certain goods and services. Oregonians have wanted more services, of many types, than goods: education is the largest service of Oregon governments. Families and business pay for these services and goods by a variety of taxes. Some of the taxes go to local governments, some go to the state government. The amount and quality of services and goods Oregonians want has risen over the years and, in order to pay for them, so have taxes. Oregonians must frequently rethink their past decisions about what goods and services each level of government should produce, and what types of taxes should pay for them.

MATERIALS AVAILABLE:

Handout: Mr. J. P. Tillamook of Corvallis, Oregon: Estimated federal, state, and property taxes paid by homeowner with a \$10,000 income in 1970. Taxes stated as dollar amounts and as a percent of income.

Questions from Part I of You and the Economy. Gives the questions asked on the first half of a television quiz program dealing with the Oregon and the national economies. These questions deal with taxation and government spending. The questions and more up-to-date answers than given on the film of the quiz are published separately by the Oregon Council on Economic Education under the title "You and the Economy" and are available from the Council. (Included in Lesson 3, Business and Government in Instructors Handbook to the Package Economics Course, p 19-22)

What Do You Think About Public Services and Taxes? Questionnaire which can be answered outside of class and handed in, or answered in buzz groups.

Buzz group
role play-
ing:

How Should We Finance These Projects? Each buzz group takes a different project and the members of the group take different roles. The group decides and reports to the whole class.

Wolf Bountty Meeting: Teachers take roles of Oregonians of 1845 to decide who should be taxed to pay the bounty. (Shorter) (Grade Four Guide. p. 24)

Transpar- 6-1 through 6-29
encies:

GRADE-LEVEL MEETINGS

(a) Talk about what the teachers did in regard to businesses and governments. (b) Demonstrate and discuss a project related to Oregon's public services and taxes. (c) For next time encourage the teachers to think about and report on (1) their own successes and problems with activities related to Oregon's public services and taxes, and (2) ways in which they have taught or think they might be able to handle concepts dealing with regional specialization and trade and/or primary and secondary industries.

GENERAL SESSION:

- 1) As usual, we recommend beginning with a discussion of some of the things the teachers actually did with the previous lesson's material.
- 2) This lesson starts by making clear that the state and local governments' taxing and spending activities have a more limited objective than the federal government, namely that they do not try to stabilize economic growth. In fact, government may have a destabilizing effect because of the constitutional requirement that the state budget be balanced.
- 3) Services and goods. We first look at the services, and goods, that we have directed governments to provide for us, emphasizing the overwhelming importance of education at both state and local levels. (Transparencies 6-2 through 6-8). At this point have the teachers act out the wolf bounty meeting. This helps them think about why citizens have decided to provide some of the goods and services they want through government rather than by private businesses through the markets. Transparency 6-9 discusses this directly and other reasons can be added.
- 4) How do we pay for these services we've directed government to provide? The wolf bounty skit introduced some answers to this question which can be drawn from the class. Further exploration is provided by the Economic Quiz, Part I, and the transparencies which answer the questions (6-11 through 6-13). It might be well to point out that recent studies indicate that the property tax on private homes tends to be about proportional (using income as a base) for those with incomes above \$8000, although it is regressive for those on lower incomes. Other factors in judging a tax are covered in 6-14 and 6-15. At this point, it might help make this discussion of taxes concrete if you passed out the Mr. J. P. Tillamook tax estimates. Then the state income tax is evaluated by the criteria presented (6-16 and 6-17).
- 5) Are Oregon taxes high? The comparisons given on transparencies 6-18 and 6-19 indicate no. In fact Oregon has slipped, in the last decade, close to the bottom among the Western states in terms of "tax effort" (per cent of income paid in taxes). The figure for

Nevada in transparency 6-19 demonstrates the desirability of using income and not per capita as the measure if the burden on the resident is to be accurately measured.

6) The Gap: A developing problem and how to deal with it.
Especially at the local level, but also at the state level, a widening gap is developing between the services demanded (and their cost) and tax revenues. The demand for services (and their cost) increases as incomes increase. (The price of labor is a major component of most people's income and also a major component of most services.) But the base for much of the tax revenues (especially locally) is property, not income. So automatic increases in tax revenues do not follow increases in income. Therefore, as incomes go up, the demand for (and cost of) services is increasing faster than the tax revenues--a gap which grows wider and wider.
(6-20)

Ways to close this gap which might be considered are explored in transparencies 6-21 through 6-29. While these alternatives presented are presented separately, they are certainly not mutually exclusive, and the possibility of using a combination of these alternatives needs to be stressed.

"How Shall We Finance These Projects" is a good summarizing activity. The instructor and discussion leaders can bring in more details of the various taxes in helping the groups make their decisions.

OREGON'S PUBLIC SERVICES AND GOODS - AND TAXES

Transparencies

1. OREGON GOVERNMENTS
Do produce goods and services - mostly services
Do NOT stabilize economic growth
(State's biannual budget must be balanced)
2. LOCAL GOVERNMENT IS MANY GOVERNMENTS
 - Cities
 - Counties
 - Schools
 - Special Districts: cemetary, domestic water, drainage, flood control, hospital, park and recreation, etc.
3. WHAT Local Governments produce
Local Government Spending - 1967 (pie chart:)
 - 57% Education K-12 community colleges
 - 15% General Government
 - 10% Highways
 - 8% Miscellaneous
 - 4% Police
 - 3% Health
 - 3% Parks and recreation
4. State government produces mainly services
Oregon 1966-1967 (pie chart):
 - 24.2% Highways 161,142
 - 20.7% Higher Education 137,932
 - 19.3% General Education 128,558
 - 12.8% Other 86,570
 - 9.2% Public Welfare 61,377
 - 5.6% Natural resources 37,509
 - 5.2% Health and Hospitals 34,509
 - 1.4% Correction 9,156
 - 0.8% General Government 5,136
 - 0.8% Police Protection 5,084
5. STATE HIGHWAYS, PARKS
Second most important government service
Controlled by Highway Commission, not by legislature
Financed by "locked up" gas, vehicle taxes and by federal highway funds
25% of Oregon state expenditures
- 5a. TOTAL STATE REVENUES
1969-1971 (pie chart):
 - 43% "Locked up" and other special funds
 - 31% General Fund
 - 25% Federal Funds (educ. welfare, transportation)

Transparency List - Oregon Services and Taxes

6. Services produced by General Fund Spending
(voted by each legislature) 1969-70 (pie chart):

All Education 59.5%:	
Basic (local) School Support	25%
Higher Education	24%
Other Educational services	7%
Community College	3.5%
Human Resources:	
Welfare	1.5%
Other	1.5%
Other	6.8%
Property tax relief	3.7%

7. WELFARE: THIRD BIGGEST SERVICE

15% of General Fund
Federal Government matches State payments
Local governments pay nothing

8. WHO GETS WELFARE?

Children - ADC 50-60% of total
Sick - medical assistance
Aged - old age assistance

9. Why buy through government?

1. I benefit if my neighbor has fire protection, schools, sewage disposal, etc.
2. Some jobs are too big for private groups -- e.g., welfare

10. Cartoon picture; "You know, the idea of taxation with representation doesn't appeal to me very much, either." from New Yorker magazine

11. An Opinion Question:

If Jones earns five times more than Smith.....

- a) They should pay same taxes--both citizens
- b) Jones should pay five times more--earns five times more
- c) Jones should pay more than five times as much--he can afford it better

12. If Jones earns \$30,000 and Smith earns \$6,000,
Jones' Federal income tax is 14 times greater
Jones' property tax is 3 times greater
Jones' sales tax is 3 times greater

13. Why -- An Example

Smith house \$12,000
 Tax = \$300

Jones house \$36,000
 Tax = \$900

at 2.5% of value

14. HOW TO JUDGE A TAX

Fair? (What is fair?)
 Taxes equals equally?
 Easy to understand?
 Cheap to collect?
 Hard to evade?
 Most feathers, least squawk?
 Steady, predictable revenue?

15. WHAT IS FAIR?

He who gets should pay
 The "benefit" theory
 Is "he" a person, society?
 He who can should pay
 The "ability" theory

16. Individual Income Tax 24% of State Revenue

Rates: 4% on \$1,000 up to
 10% on \$10,000 mildly progressive
 Federal income tax deduction
 Hard to administer, evade
 Little "squaw," withheld

17. Individual Income Tax -- the "Effective Rate"*
 (graph chart showing Progressive, Proportional, Regressive)

18. HIGHER INCOMES MATCH HIGHER GOVERNMENT SPENDING 1957-67

State and local taxes, spending up 79%
 Oregon personal incomes up 81%
 Government taxes, spendings till 10.3% of income

19. HOW OREGON TAXES COMPARE

State and Local Taxes: 1969
 Calif (high) 12.6% of income
 Oregon (5th) 10.5% of income
 Washington (9th) 9.7% of income
 Nevada (10th) 7.1% of income*

*Excludes gaming tax = 1/3 tax take

Transparency List - Oregon Services and Taxes

20. THE PROBLEM: THE WIDENING GAP

Chart showing: Demand for (and cost of) services growing faster
Tax revenues growing slower
Total Income Going Up
RESULT: Not enough money to pay for services

21. How to close the gap?

Which alternative?
Which combination of alternatives?

22. ALTERNATIVE #1 CUT SERVICES

Which ones? Welfare?
Result in higher police costs?
State parks? No property tax relief;
Their money comes from locked up gas taxes

23. ALTERNATIVE #2 INCREASE PRODUCTIVITY

Hard to do with services; they use much labor and little "machinery"
In education: 40 in a classroom? Specialization?
More capital (computers, teaching machines, TV)?

24. ALTERNATIVE #3 HE WHO BENEFITS SHOULD PAY

- 1) Higher state park fees?
- 2) Parents pay some tuition for elementary schooling?
- 3) Higher college tuitions?

25. ALTERNATIVE #4 MORE TAX REVENUES

From present taxes?
From new taxes?
By shifting taxes or services?

26. MORE TAX REVENUES FROM PRESENT TAXES

- 1) Higher tax rates for property;
business? home? agriculture? timber? public utilities? on cigarettes?
- 2) Make income tax more progressive
add more steps and higher rates on higher incomes
- 3) Tax more TYPES of property and income
country clubs, lodges, churches, federal government land, timber,
inventory
remove federal taxes exemption
remove interest payment exemption

Transparency List - Oregon Services and Taxes

27. NEW TAXES FOR MORE REVENUE

- 1) Retail sales tax, exemption food and drugs (proportional)
- 2) Value added tax (hidden sales tax)
- 3) Land tax; on land, not improvements

28. SHIFT TAX REVENUES

- 1) Unlock "locked up" revenues (Federal and state gas taxes)?
- 2) More of cigarette (and other?) tax receipts to local property tax relief?
- 3) Federal government share income tax revenues with states, cities?
- 4) State pay higher % of local school costs?

1-10

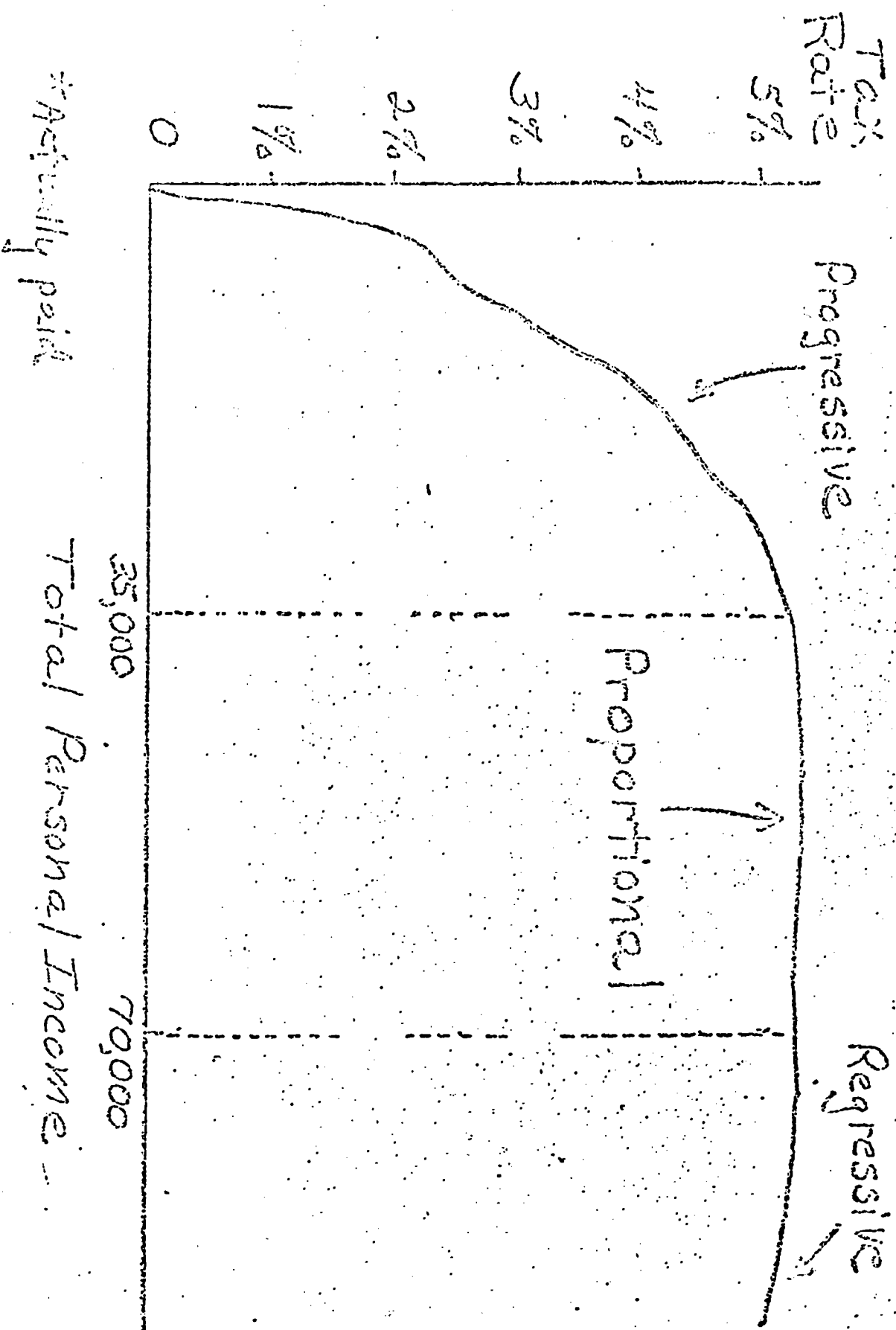
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Cartoon from the New Yorker magazine (1970) omitted for reproduction purposes.

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Individual Income Tax - the "Effective Rate"



The Problem:

The Widening Gap

Demand for (and cost of)
services growing faster

Tax revenues growing
slower

Total Income going up →

RESULT: Not enough money to
pay for services

WOLF BOUNTY MEETINGS

In 1845 the problem of wolves attacking the livestock had become so bad that the settlers in the Willamette Valley called a meeting to discuss this. It was proposed that a bounty be paid for every wolf killed. It was generally agreed that this common practice would be a good solution. But then the question of how to raise the money to pay the bounty had to be decided. Have the teachers role-play the discussion among the pioneers. Put each of the following quotations, representing different opinions, on cards to be given the players.

"Let those who are attacked kill their own wolves."

"Let those who want to contribute to the bounty fund."

"Why should I contribute? I live in town and wolves don't bother me."

"Why should I contribute? If everyone else does, the wolves will be killed and I will be safe."

"Everyone is threatened by wolves. Everyone must contribute whether they want to or not! Otherwise there won't be enough money to pay the bounty and to get rid of the wolves."

"Some of us can afford more than others. Let those who can afford more pay the larger share."

Have each one, in the course of the discussion, explain his reasons for his opinion. After the discussion, have the class vote on each point of view.

HOW SHOULD WE FINANCE THESE PROJECTS?*

Divide the class into small buzz-groups (3-4). Have each group consider one of the following list of projects and agree upon a recommendation to be reported to the class.

How would you recommend financing your project?

Why?

As each committee report is presented, the other members of the class can serve as a group of local citizens reacting to the proposal. Assign special roles to some of the class members by distributing slips of paper with profiles of people specified.

Widow, 67, owns her home.

Married man, 28, one two-year old child, rents an apartment.

Father of three school age children, owner of a local clothing store, rents an apartment.

Teacher, 40, lives outside town.

Keep profiles on 3 x 5 cards for easy reference. Students can help create profiles from real life examples.

Each buzz-group should make an effort to answer objections raised by each citizen. Citizens should be instructed to support or object to each recommendation as specified by the profile.

Projects to be considered:

A two-year community college free to all residents of your community. Or should it be free?

A new park and playground to be located in a slum area.

A new park and playground to be located in a high-income residential area.

A new hospital.

A sewage disposal plant.

Increased salaries for firemen and teachers.

*Source: Taxation in the U.S.; Teaching About. . . . by Mindella Schultz, Economic Topic Series, Joint Council on Economic Education, 1212 Avenue of the Americas, N. Y., N. Y. 10036. May be reproduced if author and source acknowledged.

WHAT DO YOU THINK ABOUT PUBLIC SERVICES AND TAXES?
(Local and State)

1. Of the following taxes listed below, which do you find the easiest to pay?
 _____ . Most difficult to pay? _____

Federal income taxes	Property taxes
State income taxes	Gasoline and misc. sales taxes

2. If funds were not available and could not be obtained to maintain present local and state services, which of the following would you reduce or eliminate? (Check)

	<u>Reduce</u>	<u>Eliminate</u>
Education a. Elementary and secondary	()	()
b. Community colleges and vocational institutions	()	()
c. Other colleges and universities	()	()
Law administration and enforcement a. Local	()	()
b. State	()	()
Health (public, sanitation, etc.)	()	()
Recreation (parks, swimming pools, etc.)	()	()
Transportation (roads, highways, parks)	()	()
Welfare (aids to underprivileged)	()	()
Pollution Control	()	()
_____	()	()

3. If more taxes were unavoidable, rank the following sources according to your preference. (Enter 1 alongside first choice, 2 for second choice, etc.)

- | | |
|---------------------------------|-------------------------------------|
| a. _____ Higher income taxes | e. _____ Combination of b and c |
| b. _____ Higher property taxes | f. _____ Combination of a and c |
| c. _____ More sales taxes | g. _____ Combination of a, b, and c |
| d. _____ Combination of a and b | |

4. Do you favor the use of more or less state and local funds for:

	<u>State Funds</u>		<u>Local Funds</u>	
	<u>More</u>	<u>Less</u>	<u>More</u>	<u>Less</u>
Education (elementary & second)	()	()	()	()
Welfare	()	()	()	()
Law enforcement	()	()	()	()
Health	()	()	()	()
Highways & Roads	()	()	()	()
Fire protection (city & co.) ..	()	()	()	()
Pollution Control	()	()	()	()
Parks and Recreation	()	()	()	()

5. Should parents pay a greater share of the cost of their children's school supplies and service (books, paper, transportation, etc.)? _____

6. How confident are you that all of your preferences are in the best interest of everyone as a whole?

Very confident _____ Confident _____ Doubtful _____ Very doubtful _____

7. What are your personal preferences for public services? (Enter 1 alongside first choice, 2 for second choice, etc.)

- _____ Fewer public services at less cost.
- _____ Same services at less cost.
- _____ More and/or better services at same cost.
- _____ More and/or better services even if they must cost more.

Oregon Taxes and Services

Teaching Strategies and Activities: Grades 4-8

1. SRA - "Banking: An Economic Decision Game" by Erwin Rausch (booklet)
2. Oregon Teachers' Guides to Economics*
 - (a) Appendix: Grades 3,4 and 5 guides
 - (b) Grade 4 guide: pp. 24-28.
 - (c) Grade 8 guide: pp. 94-98
 - (d) Grade 8 guide: p. 123
 - (e) Grade 5 guide: pp. 39-40
3. Debate and discuss aspects of Oregon School Base fund crisis. What alternatives are available? What are the advantages and disadvantages of each?
4. What would it be like to live in a city without taxes? (Discuss) What would be different from present cities? Would such a city be able to survive? How?

*Oregon Teachers' Guide To Economics, Lovell, Hugh, editor. Available from Joint Council on Economic Education, 1212 Avenue of the Americas, New York, New York 10036; \$2.00 each.

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A new hospital.

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Increased salaries for firemen and teachers.

QUESTIONS FROM PART ONE OF THE TELEVISION ECONOMICS QUIZ

1. Our state and local taxes are higher than those of any other western state. True or False
2. Oregonians pay more state and local taxes per dollar earned than those who live in Washington and California. True or False
3. Generally speaking, the Oregon income tax goes to the state of Oregon, while Oregon property taxes go to local governments. True or False
4. About one-tenth of your total tax dollar -- federal, state, and local -- goes to people who are on public welfare. True or False
5. Imagine a Portland family with two children, one nine and one fourteen. Their annual property tax bill is \$500. About \$220 of this goes to the Portland Public Schools. This \$220 is enough to keep their children in school for...
(a) one-quarter year (b) one-half year (c) one year
6. The property tax is unfair because home owners have to pay it while people who rent go tax free. True or False
7. This is an opinion question. There is no correct answer. If Mr. Jones earns five times more than Mr. Smith,
 - (a) Jones and Smith should pay the same taxes--they are both citizens.
 - (b) Jones should pay five times as much as Smith--he earns five times as much.
 - (c) Jones should pay more than five times as much as Smith--he can afford it better.

8. If Mr. Jones earns five times more than Mr. Smith, his federal income tax bill will be
- (a) about the same as Smith's
 - (b) about three times as much as Smith's
 - (c) more than five times as much as Smith's
9. If Mr. Jones earns five times more than Mr. Smith, his property tax bill will be
- (a) about the same as Smith's
 - (b) three times as much as Smith's
 - (c) more than five times as much as Smith's
10. If Mr. Jones earns five times more than Mr. Smith, his sales tax bill will be
- (a) about the same as Smith's
 - (b) three times bigger than Smith's
 - (c) more than five times bigger than Smith's

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