Econlowdown Teaching Resources for the College Classroom

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Let’s start with an update . . .

Econ Lowdown Enrollments Set a Record

Sign-ups for economic education courses and videos top 1 million, the first time the milestone has been reached in a calendar year.

Econ Lowdown Resources Receive Awards

The National Association of Economic Educators gave eight lessons 2016 Gold Curriculum Awards of Excellence and a ninth a bronze.
Congratulations!

NAEE Curriculum Award Winners, 2016
One of our newest courses

Government Budgets

The federal government’s budget is in the news almost every day. We hear about programs being implemented and others being reduced or eliminated in lawmakers’ attempts to agree on a final budget. Regardless of the decisions being made, people’s opinions and wants vary. As you can imagine, a federal lawmaker’s job is not easy.

In this course, your students will play the role of a freshman lawmaker in the U.S. House of Representatives trying to serve his or her constituents’ goals and the long-term goals of the United States. Along the way, they’ll learn about the federal budget process and how federal government initiatives and programs are funded.

View Voluntary National Content Standards in Economics

View Common Core Standards

View Additional Resources
A new way of accessing content
Page One Economics

Essay:
• Research based
• Student Friendly
• Data connections

Classroom Resources:
• Study guide for students
• Answer key for teachers
• Discussion questions
• Handouts

FREE!

Making Sense of Unemployment Data

Scott A. Walls, Ph.D., Senior Economic Education Specialist

"Unemployment is like a headache or a high temperature—unpleasant and exhausting, but not carrying in itself any explanation of its cause." — William Henry Beveridge, Causes and Cure of Unemployment

Job growth has been healthy for five years. However, many people still express concern over the health of the overall labor market. For example, Jim Clifton, CEO of Gallup, states that the "official unemployment rate, as reported by the U.S. Department of Labor, is extremely misleading." He proposes the Gallup Good Jobs rate as a better indicator of the health of the labor market. At the heart of Clifton and others' concern is what the official unemployment rate actually measures and whether it is a reliable indicator.

The Labor Force: Are You In or Out?
To measure the unemployment rate, the U.S. Bureau of Labor Statistics (BLS) surveys 60,000 households—about 110,000 individuals—which serve as a representative sample of the U.S. population. Survey respondents (16 years of age and older) answer a series of questions that classify them as either "in the labor force" or "not in the labor force." Workers classified as in the labor force are those who are either employed or unemployed. (Figure 1). The employed are those 16 years of age and older who have a job. Those considered employed might include the underemployed—people who work part-time but want a full-time job and those who are overqualified for the job they have and earn less pay than they would at a job consistent with their education and experience. The labor force also includes those who are unemployed—those who don't have a job but have looked for work in the past four weeks. As of December 2015, there were 117,631,000 people in the labor force. Those classified as not in the labor force are not working and not looking for work. So, they are not employed and also not considered unemployed.

For example, many full-time college students choose not to work so they can focus on their studies. Some parents choose to stay home to care for their young children. And many older adults retire because they saved and have enough financial resources and no longer have to work. In each

February 2016

Glossary

Cyclical unemployment: Unemployment associated with recessions in the business cycle.

Discouraged worker: Someone who is not working and is not looking for work because of a belief that there are no jobs available to him or her.

Employed: People 16 years and older who have jobs.

Frictional unemployment: Unemployment that results when people are new to the job market, including recent graduates, or are transitioning from one job to another.

Labor force: The total number of workers, including both the employed and the unemployed.

Labor force participation rate: The percentage of the working-age population that is in the labor force.

Natural rate of unemployment: The rate of unemployment that does not contain cyclical unemployment.

Recessions: A period of declining real income and rising unemployment; significant decline in general economic activity, extending over a period of time.

Structural unemployment: Long-term unemployment caused by a mismatch in the skills held by those looking for work and the skills demanded by those seeking workers.

Underemployed: Wanting a full-time job but holding only a part-time job (being overqualified for a job and accepting less pay than would be earned at a job requiring a higher skill level).

Unemployment: People 16 years old or older who are without jobs and actively seeking work.
Page One Economics

- No Difficult Jargon
- “Entry-Level” Economic Models
- Vocabulary defined and explained

FREE! Data

Historic shifts: Women entering the labor force and the baby boom generation (those born between 1946 and 1964) maturing and entering the labor force. They attribute the recent decline to demographics: Baby boomers (currently between 52 and 70 years old) leaving the labor force for retirement have reduced the labor force participation rate for both men and women.

Economists disagree, however, about how much of the change in labor force participation is due to demographics alone and how much is due to cyclical (business cycle) factors. Economists who use a more cyclical explanation perceive the decrease in the labor force participation rate as a "bad omen" for the broader economy. These economists argue that the relatively low labor force participation rate indicates that the economy is weaker than the (U-3) unemployment rate alone might indicate. For example, having a large number of discouraged workers (who are not counted as part of the workforce) would cause the labor force participation rate to fall and keep the unemployment rate lower than it would otherwise be.

Other economists find the decrease in the labor force participation rate fairly predictable based on demographics and cyclical factors to be relatively small.

James Bullard is among those who think demographics have driven most of the recent decline in labor force participation. As such, he argues that most of the decline in the unemployment rate can be understood as an improving labor market rather than workers dropping out of the labor force because they can’t find jobs.*

Conclusion

The standard unemployment rate (U-3) is an important measure of the health of the national labor market conditions. Recent unemployment data indicate that the U.S. economy is near full employment. However, many observers doubt that the unemployment rate fully reflects the reality of unemployed and discouraged workers—both of whom are not counted as unemployed. They often refer to the downward trend in the labor market participation rate as an indication of labor market weakness. However, taken in the context of the demographic shift, the current low unemployment rate is likely an indication of a strong labor market.
Alternative Measures of Labor Utilization

The BLS calculates six measures of unemployment to provide additional information on the health of the labor market. The official unemployment rate is the U-3 measure. Some people argue that U-3 alone does not fully communicate the health of the labor market, so the BLS has developed several alternative measures of labor market conditions and publishes them every month. Comparing the U-6 rate with the U-3 rate can provide another piece of valuable data (Figure 4). The U-6 unemployment rate includes the unemployed (as does the U-3 measure), but also includes those marginally attached (which include discouraged workers), plus those working part-time for economic reasons (and considered underemployed). The December 2015 U-6 rate was 9.9 percent, while the U-3 rate was 5.0 percent.

<table>
<thead>
<tr>
<th>BLS Unemployment Measure</th>
<th>Description</th>
<th>December 2015 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U-1</td>
<td>Persons unemployed 15 weeks or longer, as a percent of the civilian labor force</td>
<td>2.1</td>
</tr>
<tr>
<td>U-2</td>
<td>Job losers and persons who completed temporary jobs, as a percent of the civilian labor force</td>
<td>2.4</td>
</tr>
<tr>
<td>U-3</td>
<td>Total unemployed, as a percent of the civilian labor force (official unemployment rate)</td>
<td>5.0</td>
</tr>
<tr>
<td>U-4</td>
<td>Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers</td>
<td>5.4</td>
</tr>
<tr>
<td>U-5</td>
<td>Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force</td>
<td>6.1</td>
</tr>
<tr>
<td>U-6</td>
<td>Total unemployed, plus all persons marginally attached to the labor force, plus total employed part-time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force</td>
<td>9.9</td>
</tr>
</tbody>
</table>
Page One Economics Newsletter
Classroom Edition – Study Guide w/ Answer Key

Name ______________________ Period __________

Federal Reserve Bank of St. Louis Page One Economics Newsletter:
“GDP: Does It Measure Up?”

After reading the article, answer the following questions.

1. An economy’s GDP is broken down into several components. Which is the largest?

2. Why is real GDP a better measure of economic growth than nominal GDP?

3. Why is growth important?

4. Explain why GDP is better suited to measure economic output and growth than well-being.

5. What are some economic activities that are not included in GDP because they occur outside formal markets?

Teacher’s Guide

Federal Reserve Bank of St. Louis Page One Economics Newsletter:
“GDP: Does It Measure Up?”

After reading the article, answer the following questions.

1. An economy’s GDP is broken down into several components. Which is the largest?
   The largest portion of GDP is consumer spending (this is the consumption portion of GDP). This portion has grown from 58 percent in 1961 to its current level of just over 70 percent.

2. Why is real GDP a better measure of economic growth than nominal GDP?
   If we want to use GDP to measure the “real” increase or decrease in the level of final goods and services produced, we must remove the effect of inflation from the data. Real GDP removes inflation and more accurately reflects actual economic growth when comparing real GDP over periods of time.

3. Why is growth important?
   A growing economy produces more goods and services for its population, including more health care and education. And, generally speaking, more is better.

4. Explain why GDP is better suited to measure economic output and growth than well-being.
   Many meaningful aspects of life cannot be quantified in GDP. An evening walk on the beach or an afternoon playing Frisbee in the park may bring you satisfaction. GDP measures economic activity and is not designed to measure well-being.

5. What are some economic activities that are not included in GDP because they occur outside formal markets?
   Goods and services produced at home (mowing your own yard, by-products of market production [pollution], and goods sold in illegal markets are not captured in GDP because the transactions are not recorded).
The Pre-Test

1. Government spending required by laws other than appropriation acts is also known as what?
   - a. Budget spending
   - b. Mandatory spending
   - c. Discretionary spending
   - d. Deficit spending

2. Payments by governments to people who do not supply goods, services, or labor in exchange for the payments are referred to as what?
   - a. Remittances
   - b. Securities payments
   - c. Transfer payments
   - d. Debt payments
Knowledge Check #1

1. Which term means legal authority for a federal agency to spend money for a specified purpose?
   - Budget
   - Appropriation
   - Revenue
   - Constituent
   - [That is correct. Appropriations are the legal authority for a federal agency to spend money for a specified purpose.]

2. Which term means an itemized summary of projected income and expenses for a given period?
   - Budget
   - Revenue
   - Constituent
   - Function
   - [That is incorrect. A budget is an itemized summary of projected income and expenses for a given period.]
## Budget Line Item

<table>
<thead>
<tr>
<th>Budget Line Item</th>
<th>Current Budget Amount (in millions)</th>
<th>Percent of Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>17877</td>
<td>1.79%</td>
</tr>
<tr>
<td>Commerce, Justice, Science</td>
<td>51357</td>
<td>5.14%</td>
</tr>
<tr>
<td>Defense</td>
<td>480927</td>
<td>48.09%</td>
</tr>
<tr>
<td>Energy and Water</td>
<td>29959</td>
<td>3.00%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>18554</td>
<td>1.86%</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>36285</td>
<td>3.63%</td>
</tr>
<tr>
<td>Interior and Environment</td>
<td>26538</td>
<td>2.65%</td>
</tr>
<tr>
<td>Labor, Health and Human Services, Education</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Budgeting Activity

Before congressional subcommittees meet to discuss spending, Congress receives a proposed budget from the president. The president suggests how much the administration would like to spend on the budget, but it is just a proposal. Spending totals are set annually through a budget resolution.

For this simulation, the budget resolution established discretionary spending totaling $1 trillion. To keep within the allocations set by the budget resolution, the funding must total no more than +/-$10 billion of the $1 trillion. You are under no obligation to align with the president’s proposed amounts for any account or agency. You have options. For example, you may decrease funding in one account and increase spending in another under your subcommittees’ jurisdiction. Depending on your decisions, the president’s total proposed budget may increase or decrease. For the purposes of this activity, assume that the President’s proposed budget is balanced, that is, government spending equals government collections.
Discussion Board Topic:
Something to think about: Why did the government operate with such a large budget deficit in late 2009 and 2010? Conduct research and report some plausible reasons for the budget deficit during this period.

Go to the discussion board and answer this question.

3. Different words can often be used to describe the same things. In the graph below, "Federal Net Outlays" are government expenditures, "Federal Receipts" are government collections, and "Federal Debt: Total Public Debt" is national debt. Analyze the graph, which shows each of these measures from 1960 to 2016. Based on the graph and what you have learned, answer the question below the graph.

Explain the relationship between the budget deficit and national debt.

Type your response below.

Submit