Objectives:
- Define economics and discuss how the economy relates to our lives.
- Differentiate between democracy as a political system and capitalism as an economic system.

Concepts and Key Terms:
- economics
- resources
- consume / consumer
- goods and services
- capitalism
- democracy
- American dream
- meritocracy

Instructional Time:
- 55 minutes

Preparation:
- 7 large markers
- 7 large pieces of different colored paper (approximately poster size) taped equal distances apart around the room with the following phrases (all part of the definition of economics) written and hung in the order below (one phrase per piece of paper). The papers are folded up from the bottom and taped so the words are not revealed at first.
  “Social science”
  “concerned with the way society chooses”
  “to employ its limited resources”
  “which have alternative uses”
  “to produce goods and services”
  “for present and future”
  “consumption”

- Find out the most recent figures for the unemployment rate in your area. (See the U.S. Bureau of Labor Statistics website: www.bls.gov.)

Conducting the Lesson

Bellringer Activity 1.1: Defining Economics

1. Pass out the markers to students and ask students to get in seven equally divided small groups (or have them number off). Each group chooses one of the posters and stands by it. Ask each group of students to unfold their poster in turn and read it. Explain they are each looking at a “part” of the definition of economics. Ask them to brainstorm what their word or phrase means and how it relates to what they know about the word “economics.” Ask one student to act as “scribe” and record the group’s ideas on the poster under the word/phrase. Assign a set number of minutes to accomplish this task.

2. When the students are done brainstorming explain that when you say “rotate” they should move to the next poster. Have them brainstorm again and add any comments to those already written on the poster. (Walk around and monitor to help jump-start groups that appear stumped.) After a few minutes announce “rotate” and have the students do another brainstorm. Repeat this process until all groups have been to every poster.

3. Next ask the class to gather around the “Social Science” poster. Discuss students’ ideas written on the poster. Ask them to explain their ideas. Discussion might center on how “hard” sciences, such as physics or chemistry, differ from “soft” sciences, such as sociology or economics. The “hard sciences” tend to deal with the structure and behavior of inanimate objects, while the “soft sciences” involve the observation of the behavior of human beings. This is an
opportunity time to explain how economics can be paired with a certain set of values to advance a particular political viewpoint.

4. Move through the remaining posters, asking students to gather around each poster as it is being discussed. Review students’ topics first and then steer the discussion to the ideas that follow for each word or phrase.

“**concerned with the way society chooses**” – Center discussion on the word “chooses.” Explain how economics and the economy do not operate by natural forces, like the weather. There are choices to be made in how the economy operates. People make these choices. (You may want to branch out on just “who” the people are that make these choices, although this subject is covered in Lesson 9 under the topics of monetary and fiscal policy.)

“**to employ its limited resources**” – Ask students to name resources. Coal, oil, etc., are often named by students. Discuss how “people” are resources and how labor is a resource. You can also touch on unemployment here. (Find out the current level of unemployment in your area before this lesson. Economists debate whether or not there is an “optimum” level of unemployment to keep inflation low, and what that level of unemployment is. Lesson 9 discusses the relationship between unemployment and inflation.)

“**which have alternative uses**” – Ask students for examples of how resources can be used wisely or unwisely. Examples: clear-cutting versus selective cutting of trees, throwing away paper versus recycling paper, and turning off the water when you brush your teeth. Remind them that there are many examples they may have learned as early as elementary school.

“**to produce goods and services**” – Ask students for examples of “goods” (shoes, cars, houses, clothes) and examples of “services” (waiting on a table at a restaurant, teaching, performing surgery, and giving legal advice).

“**for present and future**” – Ask students how we can continue to use resources to produce the goods and services we need now and still plan wisely for the future.

“**consumption**” – Ask students, What do you think it mean to consume? To use? To devour or absorb; to waste; to spend; to destroy? How would you define a consumer? How are we all consumers? Ask students for examples of how they consume. Examples: we all buy clothes, shoes to wear, buy food, use gas in cars to go see friends. Other examples?

5. Ask students why they think economics is concerned with consumers.

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**DEFINITION:**

A *consumer* is a person that uses products or services, especially for personal needs.

**TALKING POINT:**

The level of consumption is one indicator of how the economy is functioning. Economists and social scientists also look at which goods and services people are consuming and why and how they consume what they do.
6. This section focuses on differentiating between democracy and capitalism in order to have students discuss a) how they are connected to the economy; and b) their right, in a democracy, to determine how the economy functions and to have it function for their benefit. Ask students to describe the type of government we have in the U.S. When students respond “democracy” ask them to describe our economic system. Ask them how they would characterize the differences between an economic system and a political system. Spend some time explaining the difference between capitalism and democracy. Make sure students understand them as separate structures: democracy as the political structure of our government and capitalism as the economic structure of our economy.

7. Ask students to look again at the definition of economics and determine how they might fit into the economy. Ask students to name some ways.

8. Ask students to provide examples of how they can “vote” with their dollars.

TALKING POINTS:

Students are consumers. For example, in 2003, people ages 10-24 bought one third of all CDs, tapes, and digital music downloads sold in the U.S., spending $3.9 billion (Recording Industry Association of America, 2004 Consumer Profile). In our democracy the right to vote is reserved for those 18 years old and over. However, in our capitalist economy youth can “vote” with their dollars and make their opinions count, even before they have the legal right to vote.

Many students work and pay taxes such as payroll or “FICA” taxes. Also, in most states, sales tax is collected on all purchases, except on items such as food and clothing. Students are also connected to the economy because they are the future workers, producers, owners, etc., and the skills they gain and choices they make can affect the extent to which our economy prospers or falters. Also, the health of the economy may determine what occupation students may choose one day. So students are connected to the economy through their lifetime goals and dreams.

DEFINITIONS:

Capitalism is the economic system based on the private ownership of the means of production and the distribution of land, factories, mines, railroads, etc., and their operation for the profit of the owners, under predominantly competitive conditions.

Democracy is a political system in which government is by the people, either directly or by elected representatives. Depending upon the amount of time available, you may want to discuss comparative governmental and economic systems. For example, explain the Democratic Socialist governments in Europe (Sweden and Denmark, for example). Provide examples of dictatorships where political freedoms are limited yet their markets are largely open to “free” trade and operate a free market economy under capitalist principles (Indonesia, Singapore, Saudi Arabia, and Guatemala, for example).
Activity 1.2: The American Dream

1. Invite students to talk about their dreams. Ask them to take out a sheet of paper and write down the type of job they might want to have either after high school or after college. Tell them not to worry about being realistic, but to dream and then write about their dream career.

2. Ask for volunteers to share what they wrote.

3. Ask students the following questions. What is the “American dream”? Some folks say that anyone, including you, can one day become President or can be as rich as Bill Gates, if you work smart and hard enough. What do you think? Students will probably begin to form a discussion around the American dream being equal opportunity for all. As this discussion evolves, continue to question the students: Is it true that everyone has an equal chance to get ahead with hard work and academic achievement? Is the American dream true today? Do we have equal opportunity in America? Is hard work always rewarded with monetary gain? Is everyone who works hard rewarded? How do we define “work hard?” (Many physically-taxing jobs are not well-paid.) A system that rewards people who are determined and work hard to succeed is often referred to as a meritocracy. Do we have a meritocracy today?

4. Ask students to keep these questions in mind and continue to think about them during future lessons that will get into the specifics of obtaining the American dream.

Suggested Homework

1. Drawing on your new knowledge of the definition of economics and our class discussion, answer the following questions for homework:
   a. Name four things you know about economics.
   b. How does economics relate to your life? How does it affect your family?
   c. What role do you play in the economy? What role does your family play?
   d. How does the economy affect your neighborhood?

Additional Resources

*The Ad and the Ego* (2005 update) A video that demonstrates the critical connection between consumerism, our debased public discourse, environmental degradation, and our blind faith in economic growth at any cost. It is a comprehensive examination of advertising’s impact on our culture of consumption. Available from the producers of the film at http://www.TheAdandtheEgo.com or by calling (310) 374-2228.

*Affluenza.* A 60-minute video that explores consumerism and materialism, and its impact on families, communities and the environment. Produced by PBS.