FINANCIAL FRAMINGS

Financial Framings Presenter's Guide
A program of Financial Beginnings

Presented by

COUNTRY FINANCIAL®

COUNTRY FINANCIAL®

THANK YOU for educating young people about money.

Today's financially savvy kids will be our
well-prepared friends and neighbors of tomorrow.

COUNTRY Financial® offers several free programs
ranging from financial education to safety information.

Take advantage of FREE materials for your classroom!

Topic	Description	Ages	Get it now
Financial Education	Help kids become financially savvy, even at a young age.	**5 – 22**	**www.countryfinancial.com/FinEd**
Simply Drive®: Classroom Edition	Help students realize how being distracted in the car can cause serious, even fatal results.	**16 – 17**	**www.simplydrive.com**
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Safety materials	Help students learn the rules of the road and how insurance works, among other safety topics.	**Teens & young adults**	**www.countryfinancial.com/safetyresources**

Financial Beginnings

PROVIDING GOOD ₵ENTS.

Our Mission

Financial Beginnings empowers youth and adults to take control of their financial future. We provide educational programs that incorporate all aspects of personal finance to give individuals the foundation they need to make informed financial decisions.

Our Vision

Financial Beginnings is the pathway to a financially literate nation. In a financially literate nation, individuals cease to see finances as a barrier and instead view them as a tool to realize their dreams. In a financially literate nation, individuals are vested in and contribute to a healthy economic system nationally, regionally, and in their own neighborhood.

Welcome to Financial Framings!

Financial Framings is the Financial Beginnings program for middle school students, but could easily be used in a high school class also. The Financial Framings program provides finance education while framing personal financial decisions within the local as well as global economies. The curriculum is an interactive, game designed to engage students to learn about real-world economic scenarios.

The introductory lesson can be taught in a class setting in between 1-2 hours. The introduction walks students through the evolution of currency and the economy. Students then learn about the circular flow of money and how personal and economic situations can affect the flow of money. After providing a foundational knowledge for students, the educator can then utilize Scenario Cards to help students apply the information they have learned to the circular flow of money chart.

This **Presenter's Guide** provides you with detailed information on how to deliver the Financial Framings program. This guide is meant to provide you with support, but in no way should you feel that you have to follow it exactly. We hope you will tailor the lessons to the needs and interests of your students while providing the essence of the information to meet the learning objectives.

Additional Program Materials:

Student Handout- The student handout is a poster that shows a large visual image depicting the flow of money through the global economy. The poster is for students to keep. They can fold it to a letter size. When they do this, each fold provides relevant information to the lesson.

PowerPoint Slides- We provide PowerPoint Slides to serve as an aid in the presentation. The slides also contain presenter's notes and clarifying information.

Scenario and Factors of Influence Cards- These cards outline several economic scenarios and the factors that influence the flow of money. Use these cards in discussion, small group work, or as part of a game that students play to learn the subject matter.

Activity Sheet- The students use the provided activity sheet as an aid in working through the economic scenarios from the cards.

Thank you for partnering with Financial Beginnings to provide this valuable financial education program to youth in our communities.

Table of Contents

Introductory Lesson

Overview & Timeline

Activity (Time)	Objective	Summary of Activity
Introduction (5 Minutes)	To build rapport with participants.	Introduce yourself and the session topic. Get to know the participants.
The Flow of Money (15-20 Minutes)	Students understand how the global economy is interconnected.	Walk students through the story of how money came into use and how the economy is interconnected.
Factors of Influence (20-30 Minutes)	Students learn several of the factors of influence which affect the economy.	Lead a discussion walking students through several of the factors that influence the economy.
Conclusion (5 Minutes)	Wrap-up the day's lesson.	Presenter addresses any follow up questions and closes out the lesson for the day.

The introductory lesson sets the stage for the Financial Framings program. The introductory lesson is designed to be presented by a Financial Beginnings volunteer in 60-90 minutes. We provide **PowerPoint Slides** to serve as an aid in the lesson. The **PowerPoint Slides** as well as other program materials can be found on the Financial Beginnings **Volunteer Website**.

Introduction

Time: 5 Minutes

Objective: To build a rapport with students.

Discussion

Take a few minutes to introduce yourself to students. Share with students information such as; where you work, what your position is or why you are passionate about volunteering to be in their classroom today.

The Financial Framings program provides students with an understanding of how their personal finances relate to the global economy. Some examples to quickly demonstrate this are:

- Question: *If the company you have your credit card with finds they have a huge surge in bankruptcies, how are they going to recoup the losses?*
    - Answer: By passing it onto other customers like yourself.
- Question: *If individuals fear the stock market is going to go down and sell all of their stocks, how does this affect the price of stocks you own?*
    - Answer: The price of stocks will likely go down and mean that your assets will become less valuable.
- Question: *There is a high demand for houses in your neighborhood, what will this do to the value of your house?*
    - Answer: The value of your house will increase.

After describing some examples of the interaction between personal finance and global economics explain to students the importance in having this understanding.

The Flow of Money

Time: 15-20 Minutes

Objective: Students understand how the global economy is interconnected.

PowerPoint

Slide#:

2- Once upon a time…
3- There was a goat farmer
4- And then….
5- The evolution of money
6- Businesses
7- Families are consumers
8- Purchases
9- Financial System
10- Government
11- Global Economy
12- The Flow of Money

Discussion

This lesson tells the story of the evolution of the flow of money.

THE STORY
Families use to be self-sustaining. All of the family members contributed to the duties to keep the household operating.

Have you ever heard the old saying 'Don't throw the baby out with the bath water'?

Back in the day there was no indoor plumbing and it was a huge chore to draw a bath. The order of bathing went from oldest to youngest.

Can you imagine being the last of six or more to bathe? What would the water be like?

The baby was the last to bathe and by then the water was very dirty. This is where the saying came from because the baby was hard to see in the dirty bath water.

Once upon a time there was a farmer who had a cow. He would milk the cow each day and found he had more milk than his family needed to drink and the cow required a lot of hay to live. There was another farmer who had field of straw, but no cow. Both realized that they could **trade** milk for hay and both would benefit. The exchange of goods and services with no money is called **bartering.**

Then along came someone who loved to bake. She did not have a farm of animals or plants and needed to find ingredients to bake her breads. She needed ingredients from local farmers. She would bake breads for the whole village and found that bartering became very difficult. Bartering did not always provider her with the exchange she needed.

What else could be used to exchange goods?

Currency became the way for individuals to exchange goods and services.

THE EVOLUTION OF MONEY
Money is anything that members of a community accept in exchange for goods or services.

Money is:
A medium of exchange
A measure of value
A store of value

Money needs to be:
Durable- Doesn't easily break or wear out
Transportable- Can be moved easily from place to place
Dividable- Can be broken down into smaller amounts
Difficult to counterfeit- Can't easily be duplicated

Provide examples of some currency that has been used. For each example ask students if the form of currency is **Durable? Transportable? Dividable? Hard to counterfeit?**
Cow- Not just cows but other forms of livestock have been used as forms of currency.
Shells- Cowrie shells have been the most widely and longest used currency in history.
Gold- It used to be that all paper notes were backed by actual gold. In 1933 the United States began moving away from the gold standard.
Currency today- We are continually updating our currency to try to prevent counterfeiting.

Where do you think currency is heading?
In the digital age do you think our currency will stay the way it is now?

BACK TO THE STORY
After currency was established it allowed for individuals to further specialize in the things they were good at. All of the people trading their goods and services for money made them businesses.

Businesses

Individuals and families then became consumers.

Consumers

People began to specialize in work trades. Not everyone was a business owner. Some individuals worked for the businesses and in exchange the businesses paid the individuals **wages**. Owners of the businesses would earn **profits**.

Consumers would then use the wages to purchase more goods and services from businesses. Businesses then would have to purchase raw materials to manufacture more or hire more workers and the selling, buying, and manufacturing becomes a business cycle. Increased purchases created more jobs which then would increase wages and profits, then allow for more purchases to be made.

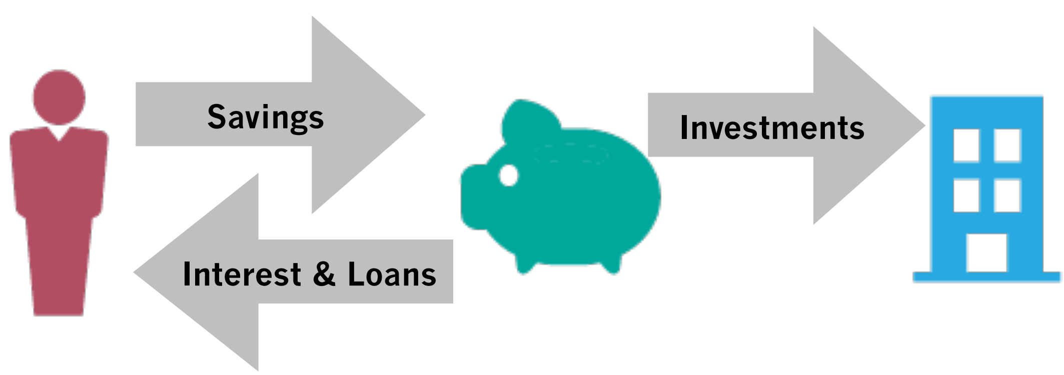
If consumer purchases decrease then there is less money in the system for workers' wages and business profits. When that happens, consumers have less money for purchases and the economic system continues to spiral down.

Do you plan to work your entire life?

Hopefully not! Consumers have to save money for such things as retirement, emergencies or large purchases. These savings needed safe keeping. In the financial system there are banks where consumers keep their money safe.

When an individual puts money in the bank, do banks keep it safely locked away in the vault until you need it?

No, the banks use the funds individuals deposit and save to make loans to individuals and businesses. In exchange for your allowing the bank to use your money, they will pay you interest on your deposits.



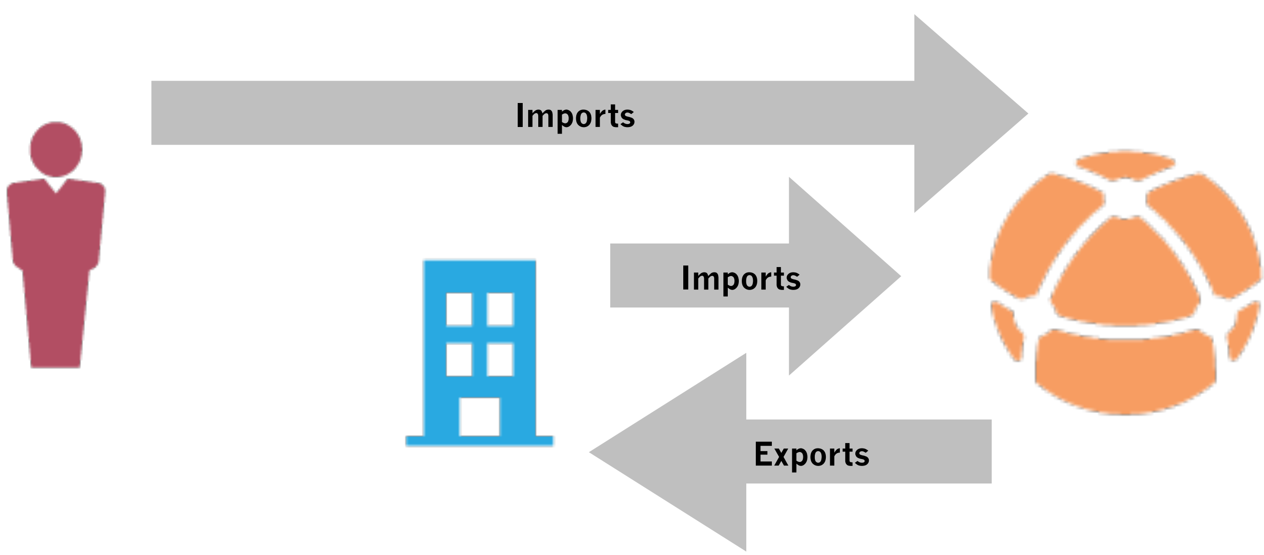
People began to demand public services such as maintained roads, bridges, and schools.

Things started to get confusing and there were some banks, businesses and even individuals who were not acting in a way that protected the public.

A government was formed to help sustain public services. In order to pay for the government-provided public services, individuals and businesses pay taxes. The government also acts as a consumer by purchasing goods from businesses.

We don't just buy our goods from local businesses. Both businesses and consumers seek to buy and sell goods from around the world. When businesses **exported** their goods or services to another country they brought money into their economy.

On the other side of the transaction, when consumers purchase goods and services from another country these purchases would take money out of the economy. These purchases are called **imports**.



All of the exchanges that we have talked about lead to the flow of money throughout a local and global economy. The circular flow of money shows that we are all interconnected and the decisions of each effect everyone.

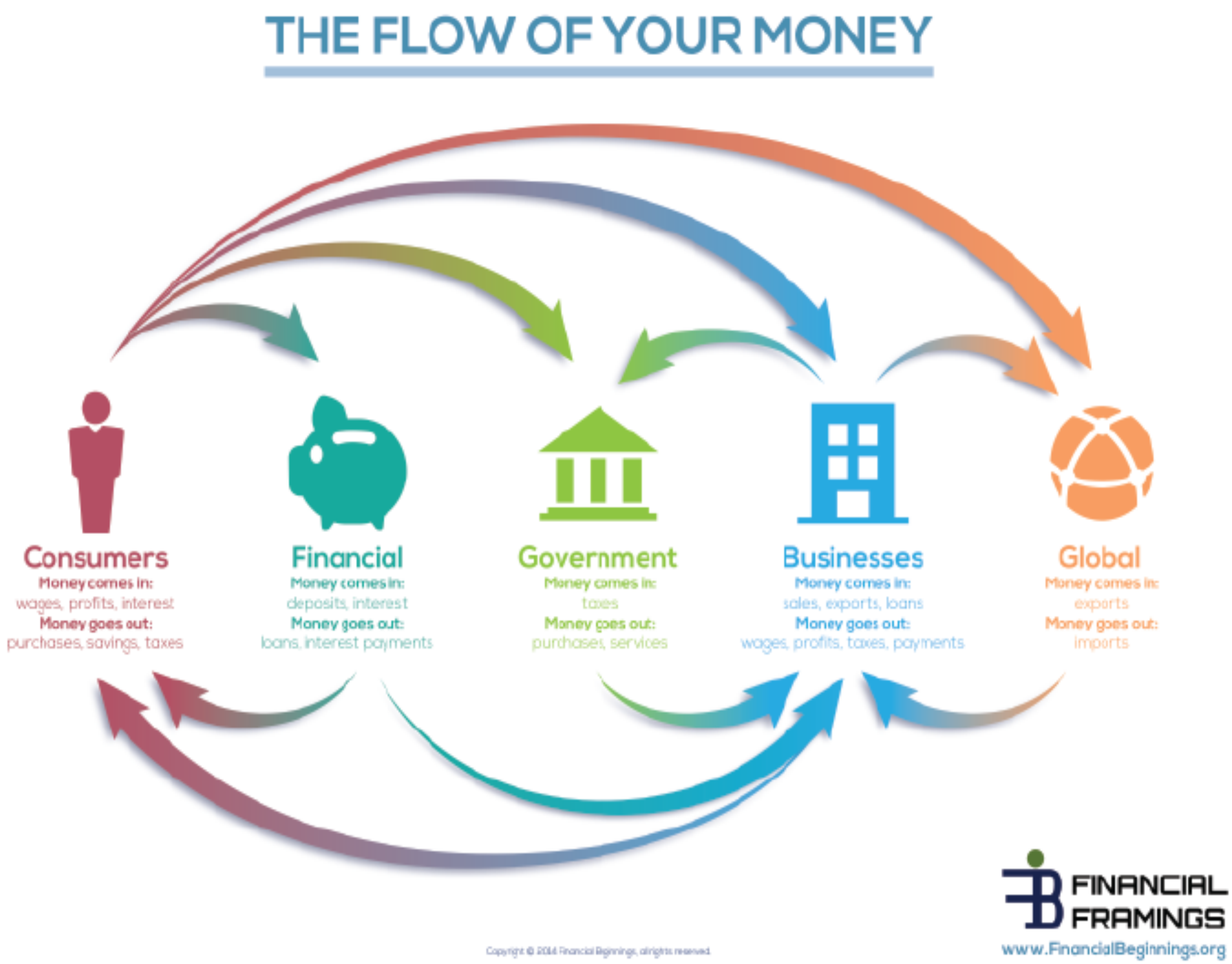


Image from the inside of the **Financial Framings Student Handout**.

Factors of Influence

Time: 20-25 Minutes

Objective: Students learn several of the factors of influence which affect the economy.

PowerPoint

Slide#:
13- Factors of Influence
14- Scarcity
15- Sanctions
16- Unemployment
17- National Savings Rate
18- Bankruptcy
19- Government Investment
20- Tariffs
21- Minimum Wage
22- Exchange Rate
23- Interest Rates

Discussion

Now that you have covered how money flows within a local and global economy it is time to review the factors that influence the flow of money. You will review ten of the more common forms of influence within an economy. This will help set the stage for when students they work through the Scenario Cards, which depict many of the factors of influence. Students will work through the scenarios to determine the flow of money for themselves.

Depending on the amount of class time you have, below are two outlines with options for teaching this portion of the lesson.

Option 1: Utilize the **PowerPoint Slides** and walk through the definitions and examples of each of the factors. This will be your most time-effective option. It will likely take you about 20 minutes.

Option 2: If you have more time, you can utilize the **Factors of Influence cards** to deliver this portion of the lesson and make it more interactive with students. Pass out the cards to either individual or groups of students and let them know they are going to share with the group the definition for their card. It can be helpful to ask students to also provide what they think might be an example of their factor of influence.

Below outlines the Factors of Influence, the definitions and additional discussion points.

When something is scare and in demand it can cause the cost of the item to go up.

Any consumer or business purchasing items that are scarce will likely have to pay a premium for that item.

Businesses or countries selling items that are scarce or in high demand can charge more for the items.

Can you provide some examples of scarce items?

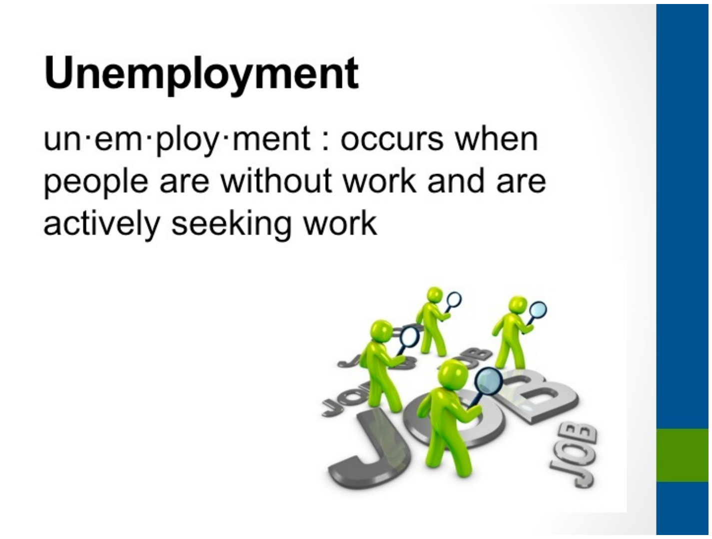
Sanctions are penalties or other means of enforcement used to provide incentives for obedience with the law or with rules and regulations.

Countries may impose sanctions on other countries limiting or discontinuing economic trade in an effort to force the country to comply with international laws.

Sanctions have a serious negative impact on the country where the sanctions exist. If the business relies on importing or exporting to another country that has imposed sanctions, these limitations can cripple the economy. Sanctions can even bring a halt to the economic growth.

Do you know of some countries the United States imposes sanctions on?

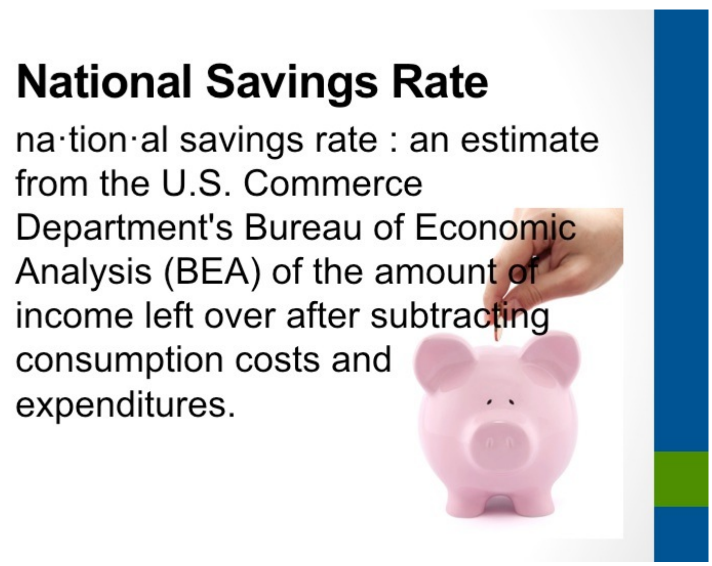
The flag on the left is Cuba's and the flag on the right is North Korea's flag.



Unemployment (or joblessness) occurs when people are without work and are actively seeking work.

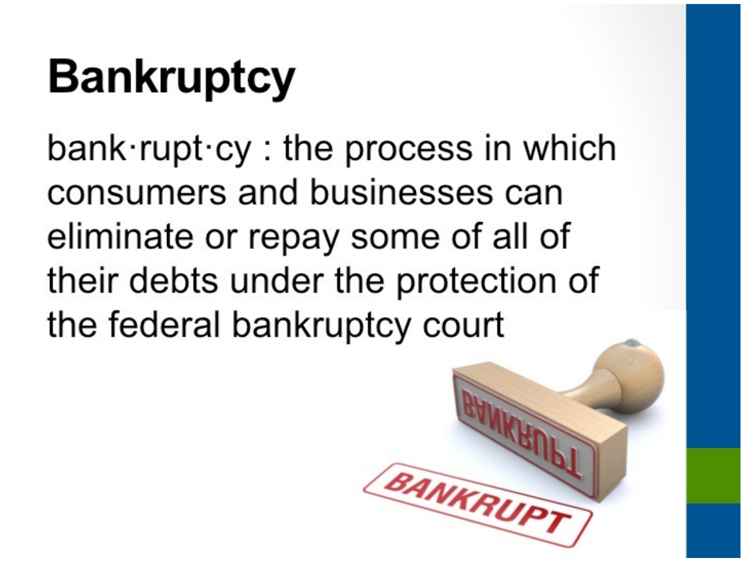
There is a direct negative effect on the unemployed because they are not generating income.

If the unemployment rate is high and many individuals are out of work, consumers have less ability to purchase goods. The lack of consumer purchasing then negatively impacts businesses. Government receives fewer tax dollars and has difficulty providing services when fewer taxes are paid by consumers and businesses.



The National Savings Rate is an estimate from the U.S. Commerce Department's Bureau of Economic Analysis (BEA) of the amount of income left over after subtracting consumption costs and expenditures. National savings include savings left over from personal, business and government spending.

When money is saved it is removed from the flow of purchases. If the savings rate is quite high, and lots of money is sitting in savings accounts, this can have a negative effect on the economy because not enough money is circulating between businesses, consumers, and the government.



Bankruptcy is the process by which consumers and businesses eliminate or repay a portion of their debts under the protection of federal bankruptcy court.

When a consumer or business files for bankruptcy and has debts eliminated, who pays for the amount they owed?

The debt does not magically go away, instead has to be absorbed by the debt holder. Those costs end up being passed on to other customers.

What debts cannot be eliminated through bankruptcy?
Child support, student loans, alimony, and taxes.

The government chooses to invest in a variety things at any given time. Infrastructure is one of these things in which the government often invests. Infrastructure refers to the basic physical structures needed for the operation of a society such as roads, bridges and the water supply.

In times of high unemployment, the government has invested in additional infrastructure in order create more jobs. The idea is that when the government creates projects, more workers are needed to complete the project, and the increase in employment will lead to increases in consumer purchases. This money flowing into the economy will then increase the amount of goods businesses need to deliver and the business will have an increase in the need for employees to meet the larger demand.

After the great depression President Franklin Roosevelt implemented the New Deal. Some of the more famous projects funded by the New Deal were the building of Hoover Dam and Timberline Lodge.

The government has also invested in the economy by trying to stimulate spending. Oregon did this in 2001 by providing money to consumers in the form of a ‘kicker check’ that was supposed to be used to purchase goods, thereby stimulating the economy.

Tariffs

tar·iff : are taxes imposed by a government on imports and/or exports

Tariffs are taxes imposed by a government on imports and/or exports. Tariffs are usually imposed in order to discourage imports and encourage local commerce. If the item begin imported has a high tariff, then the cost to consumers will be higher and many will choose a less expensive, and hopefully, local item.

For example, another country may have lower wages and be able to produce a product for a much lower cost. In order to try and level the playing field, governments will impose tariffs which will then increase the cost of the products on which the tariffs are placed.

Minimum Wage

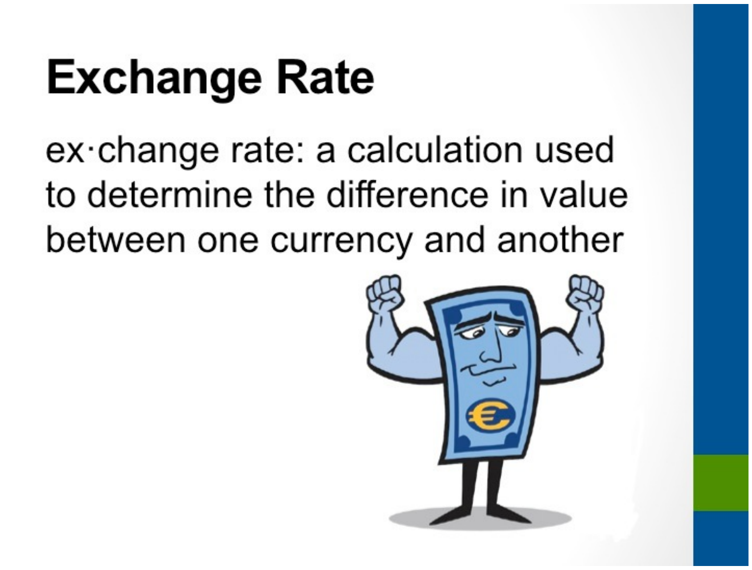
min·i·mum wage : is the lowest hourly, daily or monthly compensation that employers may legally pay to workers

A minimum wage is the lowest hourly, daily or monthly compensation that employers may legally pay to workers. There is a national minimum wage, but some states require a higher minimum wage.

Do you know our state's minimum wage?

A higher minimum wage means increased cash to consumers, which they can use towards additional purchases and/or savings.

Higher minimum wage also means a higher cost for businesses and can then lead to higher prices for their products. When businesses are required to pay workers more, the business needs to weigh how to make up for the increased expenses. This can mean a decrease in staffing to make up for the increased costs, higher prices, or lower profits.



Countries determine their form of currency. When importing and exporting from another country, currency may need to be exchanged. The exchange rate is the value of one currency compared to another.

The incentive for a bank to lend out money is the advantage they receive when they charge interest on the debt and receive more in return than they originally loaned.

Interest is also earned on investments. The higher the rate of return on an investment, the more appealing that investment is to the investor.

The Federal Reserve Bank has the ability to increase and decrease interest rates in order to encourage or discourage lending and spending.

When interest rates are low, individuals and businesses are more likely to borrow and spend money.

When interest rates are high, individuals and businesses are less likely to borrow and will likely slow down spending.

Conclusion

Time: 5 Minutes

Objective: Wrap up the days lesson.

PowerPoint

Slide#:
24- What does this all mean?

Discussion

The moral of the story is that we are all connected. Decisions made by consumers, banks, governments, businesses and other countries effect the entire flow of money. We need to take this into consideration when making financial decisions.

Wrap-up the day's lesson by answering any remaining questions students have. Let students know that they will be using this information in scenarios over the next few days or weeks.

Scenarios

To help students with examples and reinforce the learning, educators can use **Scenario Cards** and **PowerPoint Slides.** There are several different ways that these scenarios can be delivered to students.

Scenario delivery options:

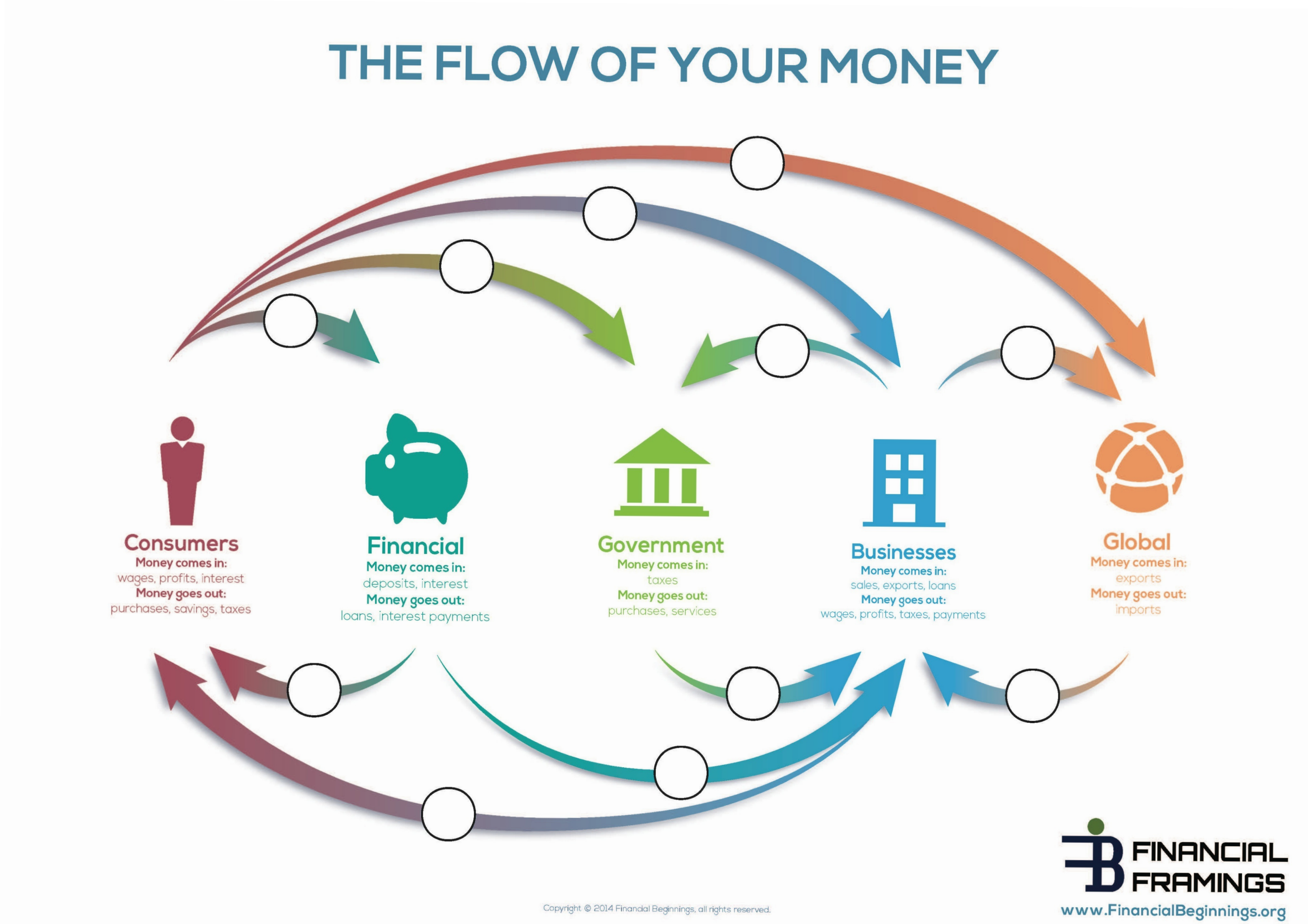
- Individually- you can provide students with a scenario as an in-class or homework assignment. Students can work individually on the scenario and then you can review the possible answers as a class.
- Pairs or teams- you can provide students with a scenario to work on as a pair or a team. You could have the teams all work on the same scenario and then come together as a group to see how the answers vary or you can provide each group with a different scenario.
- Interactive classroom activity- You can divide students up into each of the different groups represented on the circular flow of money (consumer, business, financial, government and global) then have the students act out the scenario with pretend money and watch the flow of the money.

Questions and possible answers:

Economics is a social science and though there is a lot of economic theory which attempts to predict the flow of money. However, because individuals are unpredictable, economic theories are not always reliable. The economic picture is shaped by individuals' reactions to their personal situations.

For each scenario, there are a few questions outlined to pose individually to students. There are also possible answers provided, but realize there can be more than one correct answer. The scenarios and questions are designed to encourage discussion around common economic situations and how those situations affect one's personal finances.

The **Activity Sheet** can be utilized to help students visualize the scenario. Based on the question posed relating to the scenario students begin by determining who is first effected, then follow through the circular flow of money to understand how the scenario affects the entire economic situation. On the back of the **Activity Sheet** students can write their comments on how each group is effected.



Directions: Using the circles above place a ↑ if the flow of money increases in this scenario, place a ↓ if the flow of money decreases in this scenario or leave blank if there is no change.

Directions: Describe the changes to the sectors of the economy that were affected by this scenario.

Consumer

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Financial

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Government

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Business

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Global

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Scenario 1- Scarcity

Scenario

Coltan is a metallic ore from which tantalum is extracted. Tantalum is used to manufacture cell phones and other electronic equipment. The majority of this ore is found in the Democratic Republic of the Congo (DRC). In this scenario fighting and political unrest has flared up in the DRC. This has put a halt on Coltan mining.

Questions

1. What is the consumer going to experience when they go to purchase a new cell phone?
2. Would the amount the governments earns on import taxes remain the same?
3. What would happen to businesses that sell cell phones?
4. How would the Democratic Republic of Congo's economy be affected in this scenario?

Possible Answers

1. The consumer will experience limited supply and higher prices for cell phones.
2. There would be less coltan to import, therefore less import taxes collected.
3. Business that sell cell phones would need to raise prices on their product and possibly diversify into new products to maintain business profits.
4. A war is always hard on a country financially, but in addition the DRC would export less Coltan which means less revenue collected.

Educator Talking Points

Scarcity is the fundamental economic problem of having unlimited human wants in a world of limited resources. There are not enough productive resources to fulfill all human wants and needs. For something to be scarce, it has to be hard to obtain, hard to create, or both. Simply put, the production cost of something determines if it is scarce or not. For example, although air is more important to us than diamonds, it is cheaper simply because the production cost of air is zero. Diamonds on the other hand have a high production cost. They have to be found and processed, both of which require a lot of money. Put in a simple term, scarcity is the limited availability of something people want.

Historical reference

Oil is a good example of scarcity. Over the last several years the price of oil has gone up and caused the price of gasoline to go up. This price increase has created interest in oil exploration, interest in development of alternative energy sources, and interest in consumers to find lower energy costs and methods of saving on energy use.

Scenario 2- Sanctions

Scenario

The United States is one of the world's largest exporters of wheat. Canada is one of the countries that import a large amount of wheat from the United States. In this scenario Canada is upset at the United States for a recent movie produced in the United States that makes fun of Canadians. Canada implements economic sanctions on the United States and halts the wheat export to Canada.

Questions

1. What would a consumer in the United States experience when purchasing wheat?
2. Would banks be affected by this situation?
3. How would a sanction on wheat affect the United States government?
4. What would happen to businesses that sell wheat in this scenario?
5. How would a sanction on wheat between the United States and Canada affect other countries such as Russia or China?

Possible Answers

1. Consumers would notice a reduced price in wheat due to the increase of supply.
2. Banks could notice lines of credit being paid late or wheat businesses applying for lines of credit to stay in business.
3. The US government would gain less revenue due to the inability to sell wheat to Canada.
4. Businesses that sell wheat would have more supply and therefore would need to lower their prices to off-load the product.
5. Other countries like Russia or China might have an opportunity to purchase the wheat at a better price since the US has more supply and needs to off-load the wheat.

Educator Talking Points

Sanctions are penalties or other means of enforcement used to provide incentives for obedience with the law or with rules and regulations. International sanctions are actions taken by countries against other countries for political reasons. International sanctions can include diplomatic sanctions where a country removes their diplomatic ties to another country or economic sanctions where there is typically a ban on trade with another country. These types of penalties can greatly affect a country that relies on exports for income and imports to supplement resources they need.

Historical reference

Examples of countries with the longest running sanctions are North Korea since 1950 and Cuba since 1962.

Scenario 3- Interest Rates Increase

Scenario

In this scenario the Federal Reserve Bank decides that interest rates have been too low for too long. They raise interest rates by 1%. That means it will cost more to borrow money.

Questions

1. What would happen to a consumer looking to buy a new home if the Federal Reserve Bank raised the interest rates?
2. How would raised interest rates affect banks and lending institutions?
3. How would interest rates being raised affect businesses that need to borrow money for strategic growth?
4. If the United States employment rate decreased because of slow business growth how would that affect the global economy?

Possible Answers

1. When the Federal Reserve Bank raises interest rates it becomes more expensive to borrow money for things like a new home.
2. Banks and lending institutions base many of their loans on the Federal Reserve Rate. Therefore, they would probably raise their interest rates for consumers.
3. Even business lines of credit or loans experience increased rates when the Federal Reserve raises their rates.
4. More unemployed people is bad for the government and the economy as many will need government assistance just at a time when consumers and businesses are paying fewer tax dollars.

Educator Talking Points

The Federal Reserve Bank has the ability to influence the direction of interest rates. When interest rates are low, capital is easier to acquire. This can spur economic development. Human nature, being what it is, causes consumers to spend more when they have more cash available. Left unchecked, however, can result in "too much money chasing too few goods," as the saying goes. This leads to inflation as businesses realize they can charge higher prices for their goods and services. Suddenly, it costs you more to fill up your tank with gas and refrigerator with food. If interest rates are too high, however, the result can be a recession. It is a delicate balance, indeed.

Historical reference
In the early 1980s the Federal Reserve Bank increased interest rates in an attempt to slow down inflation.

Scenario 4- Interest Rates Decrease

Scenario

In this scenario the Federal Reserve Bank decides that interest rates have been too high for too long and wants to increase the amount of borrowing. They lower interest rates by 1%. That means it will cost less to borrow money.

Questions

1. What would a consumer experience when looking to borrow money for a new car if interest rates were decreased?
2. How would decreased interest rates affect banks and lending institutions?
3. Why would the Federal Reserve Bank decide to lower interest rates?
4. Would businesses be affected by lower interest rates?

Possible Answers

1. Consumers would find it less expensive to borrow money for cars and homes if the Federal Reserve Bank decreased interest rates.
2. Banks and lending institutions would need to lower their interest rates which are tied to the Federal Reserve rate.
3. The Federal Reserve might decide to lower interest rates to spur business growth because the cheaper it is to borrow money the more people/businesses borrow and spend.
4. Business usually expands and grows when interest rates are low because people are willing to borrow money to purchase items.

Educator Talking Points

The Federal Reserve Bank has the ability to influence the direction of interest rates. When interest rates are low, capital is easier to acquire. This can spur economic development because, human nature being what it is, the more cash you have available, the more you are likely to pay for something you want. Left unchecked, however, and the result is "too much money chasing too few goods," as the saying goes. This leads to inflation as businesses realize they can charge higher prices for their goods and services. Suddenly, it costs you more to fill up your tank with gas and refrigerator with food. If interest rates are too high, however, the result can be a recession. It is a delicate balance, indeed.

Historical reference

In an attempt to stimulate the economy during the most recent economic recession, the Federal Reserve Bank lowered the interest rates to the lowest point possible. Borrowers in turn have been able to borrow money at record low interest rates.

Scenario 5- Minimum Wage Increase

Scenario

In this scenario there is a big push from the public to raise the minimum wage. The State appeals to public pressure and raises the minimum wage from $9.10 per hour to $15 per hour in your state.

Questions

1. What would happen to an individual that worked for minimum wage? Is there anything negative that could happen to a minimum wage worker?
2. Explain how this would affect the amount of money the government collects in taxes.
3. How could this affect a small business?

Possible Answers

1. Individuals making minimum wage would experience a substantial pay increase if the minimum wage was increased this much. They could also find themselves out of a job if their employer could no longer afford to keep them employed.
2. The more individuals get paid, the more money they pay in taxes.
3. Some small businesses could not afford to stay in business or continue with their normal business practices. Some changes would need to be made for some small businesses. Some might even go out of business altogether.

Educator Talking Points

A minimum wage is the lowest hourly, daily or monthly compensation that employers may legally pay to workers. Although minimum wage laws are in effect in many jurisdictions, differences of opinion exist about the benefits and drawbacks of a minimum wage. Supporters of the minimum wage say it increases the standard of living of workers, reduces poverty, reduces inequality, boosts morale and forces businesses to be more efficient. In contrast, opponents of the minimum wage say that due to the stress a higher minimum wage places on the business it increases poverty, increases unemployment, is damaging to businesses, and ultimately increases poverty of workers and businesses alike.

Historical reference

As of 2014, the federal minimum wage rate is $7.25, but several states pay more than the federal minimum. The west coast has some of the highest minimum wage requirements, with Washington state having the highest at $9.32 per hour. Cities can also have a minimum wage higher than the federal or state minimum. Legislation was recently passed in Seattle, Washington increasing the minimum wage to $15.00 per hour.

Scenario 6- Big Business Comes to Town

Scenario

In this scenario Walmart opens up in your town. Up to this point your town has only consisted of small shops owned by local people.

Questions

1. What are the positive and negative things a consumer could experience with Walmart coming to a small town?
2. How might a big business coming to a small town affect the bank?
3. Is there a situation where Walmart coming to a small town could affect the government?
4. What would happen to the small businesses in this town?

Possible Answers

1. Consumers could find a greater variety of items at a lower price if a Walmart entered their town, but they could also see small businesses they have frequented for years be pushed out of business.
2. The bank might see an increase in consumer bank accounts as more individuals gain employment at Walmart, but the bank might also see fewer small business accounts if these businesses were forced to close down.
3. The local government would be involved in the entire process of a Walmart coming to town. There are not many cases where the Federal Government would be affected in this scenario except that a Walmart expansion may produce an increase in corporate taxes the company pays.
4. Small businesses would need to specialize in order to stay in business. Some would be forced to compete on price and some may close down.

Educator Talking Points

Big business coming to a town holds many positive and negative aspects. No matter whether the aspect is positive or negative it is bound to affect individuals, businesses, banks and the government.

Historical reference

There have been several pros and cons to small towns with the arrival of Walmart. From Walmart, consumers can enjoy lower prices, convenience of shopping in one place and the addition of jobs in the community. Some of the negative aspects of a Walmart moving into a community are that small businesses have a hard time competing with Walmart's low prices, higher-wage jobs can be decreased, and it can change the dynamic of a city's Main Street.

Scenario 7- Big Business Leaves Town

Scenario

In this scenario the local lumber mill that employed many of the town's population closes down.

Questions

1. What happens to families when the major industry in that town goes out of business?
2. What might happen to local banks in this scenario?
3. Would this situation affect the state or federal government? How?
4. How would this lumber mill closure affect other business in town?

Possible Answers

1. Many families would be hurt by the main industry in town going out of business as family members could lose their jobs. Small businesses supporting the major industry could be affected.
2. Banks might find loans being paid late and banks may have fewer new loan applications from consumers.
3. Small towns that can no longer support themselves are a big drain on the government as often the government is the one that needs to provide temporary assistance in the form of unemployment payments.
4. Businesses tend to be established to support other businesses. For example, the closure of the mill might force restaurants that fed mill workers to close, or repair companies that serviced machinery at the mill to go out of business.

Educator Talking Points

Towns are often built on the foundation of one or two big businesses. It is difficult when those businesses close, but it can also provide opportunities.

Historical reference

The most recent recession has caused large and small companies to lay off employees in order to reduce costs. The automotive sector experienced a huge downturn forcing some of the largest layoffs in the nation. This had a devastating effect on Michigan where companies such as Ford, General Motors and Chrysler are headquartered.

Scenario 8- Unemployment Increases

Scenario

In this scenario the United States is suffering from a recession (period of temporary economic decline) and the number of unemployed people increases drastically.

Questions

1. How would increased unemployment affect consumers?
2. Would banks be affected by increased unemployment? How?
3. Explain how the government would be affected by an increase in unemployment.
4. How are businesses tied to the unemployment rate?
5. Could the unemployment rate in the United States affect France? How?

Possible Answers

1. The more people unemployed the less consumers tend to spend. They may be experiencing unemployment themselves or worried about losing their job.
2. Banks would be affected by late loan payments and less borrowing.
3. The government would need to establish more support programs and assistance for the unemployed during recessions.
4. The fewer jobs businesses create, the higher the unemployment rate becomes. Jobs created by businesses and the unemployment rate are directly linked.
5. A high unemployment rate in the US could cause the government to provide less assistance or purchase fewer products from other countries like France.

Educator Talking Points

Unemployment (or joblessness) occurs when people are without work and actively seeking work. The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labor force. The current unemployment rate is around 6% nationwide.

Historical reference

The most recent economic downturn has resulted in some of the highest unemployment rates in several years nearing 10% unemployment, and higher in some areas of the country. Still, the highest unemployment rates experienced by the United States were during the Great Depression in the 1930s when unemployment exceeded 25%.

Scenario 9- Unemployment Decreases

Scenario

In this scenario the United States is enjoying economic growth and the unemployment rate decreases greatly.

Questions

1. Explain how the unemployment rate decreasing could affect consumers.
2. How would banks be affected by the unemployment rate decreasing?
3. Would the government be affected by a decreased unemployment rate? How?
4. What would businesses do in good economic times to help the unemployment rate go down?
5. How could a low unemployment rate in the United State affect Mexico?

Possible Answers

1. The more people are employed, the more individuals feel comfortable spending and borrowing.
2. When consumers are more comfortable spending and borrowing, business for banks increases as they lend consumers money.
3. The government is positively affected in times of decreased unemployment rates. The economy expands, more money is paid in taxes, and less money is needed to assist the unemployed.
4. In good economic times consumers buy more. When consumers are purchasing, businesses can grow and therefore must hire more people. This helps the unemployment rate go down.
5. The low unemployment rate in the US might allow for more foreign aid to and increased trade with countries like Mexico.

Educator Talking Points

Unemployment (or joblessness) occurs when people are without work and actively seeking work. The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labor force. The current unemployment rate is around 6% nationwide.

Historical reference
The highest and the lowest rates of unemployment in the US occurred back to back in our nation's history. The Great Depression yielded the highest rates of unemployment in history during the 1930s. Unemployment rates decreased to the lowest points in history when World War II began in 1941.

Scenario 10- Savings Rate Decreases

Scenario

In this scenario people are saving less on a national scale. In fact, people are spending more money than they earn. This causes the savings rate to decrease drastically.

Questions

1. What could happen to a family in an emergency in this scenario?
2. How are banks affected when the savings rate decreases?
3. Does a decrease in the savings rate affect the government?
4. How might the decrease in the savings rate affect a local business?
5. Explain how the United States savings rate decreasing could affect a country like Canada?

Possible Answers

1. If a family is saving less money they will have less of a safety net in an emergency. They might struggle more and rely on assistance.
2. The less people save money in the bank means less money for the bank to lend. It negatively affects banks.
3. A decreased savings rate negatively affects the government by decreasing the number of individuals purchasing tax bonds. The government also provides assistance to individuals who fall on hard times and don't have the savings to meet their living expenses.
4. A lower savings rate might hurt a business if consumers has not saved enough to purchase their product. Lower savings might also represent purchases as individuals spend money they normally would have saved.
5. A decreased savings rate for the US might cause the government to borrow more money from other governments such as Canada.

Educator Talking Points

The National Savings Rate is an estimate from the U.S. Commerce Department's Bureau of Economic Analysis (BEA) of the amount of income left over after subtracting consumption costs and expenditures. National savings include savings left over after personal, business and government spending.

Historical Reference

The personal savings rate of Americans was at its lowest in the early to mid 2000s, which is a point when the economy was doing very well. After the economic crash in 2008, consumers became scared and significantly increased their savings rates. Though savings rates have been going in up, the rate is still lower than rates three decades ago.

Scenario 11- Savings Rate Increases

Scenario

In this scenario people are saving more on a national scale. In fact, people are saving a large amount of what they earn each month. This causes the savings rate to increase drastically.

Questions

1. What situations would cause individuals to save more money than usual?
2. How would this scenario affect banks?
3. Would the government feel the affect of an increased savings rate?
4. Explain a situation where a business could benefit from a higher savings rate.

Possible Answers

1. Often times people tend to save more money after times of economic hardship. They save money to build a safety net in case the economy slows.
2. Many people save their money in a bank. The more money a bank has on deposit the more that bank can leverage that money to make loans and sell other financial products.
3. A government experiencing a higher level of consumer savings might need to invest less in services to help those in economic despair as more people have a financial cushion.
4. Often times a consumer will feel more comfortable borrowing money to purchase an item if they have savings. Banks are more likely to loan money to customers that are in strong financial standing.

Educator Talking Points

The National Savings Rate is an estimate from the U.S. Commerce Department's Bureau of Economic Analysis (BEA) of the amount of income left over after subtracting consumption costs and expenditures. National savings include savings left over after personal, business and government spending.

Historical reference

When consumers increase their savings it takes money out of the economy and can slow economic growth. In recent history, strong economic times have been fed by consumer spending and in turn savings is low. When the market took a steep downturn in 2008 and 2009, consumers got worried and started to increase their savings rate. This in turn then slowed the economic turnaround because money was being taken out of the economy.

Scenario 12- Banking Regulations

Scenario

In this scenario Congress imposes a new set of regulations on banks making the process of lending to a business more difficult.

Questions

1. Would consumers experience anything different if Congress made the process for banks to lend money to a business more difficult?
2. How would this scenario affect the bank?
3. Why might Congress impose bank regulations like this?
4. What might a business do if it became harder to borrow money from the bank?
5. Would this situation have global implications?

Possible Answers

1. Businesses often borrow money to renovate their business, open new facilities, or bring a new product to market. The more difficult it is for a business to borrow money the less often these innovations will occur and consumers will have fewer options in the form of loans available or products to purchase.
2. Banks want and need businesses to borrow money. The fewer businesses borrowing money the less income banks will receive.
3. Congress has imposed regulations on banks to ensure they are managing their business for positive outcomes. Banks had become very relaxed in their lending standards and that helped lead to the Mortgage Crisis of 2008.
4. Businesses might now expand or enter new markets if they could not borrow from the bank.
5. If more and more businesses here in the US were unable to borrow money to innovate or expand this could affect other countries that rely on trade with the US government and with US businesses.

Educator Talking Points

Bank regulations are a form of government regulation that subjects banks to certain requirements, restrictions and guidelines. This regulatory structure creates transparency between banking institutions and the individuals and corporations with whom they conduct business. Given the interconnectedness of the banking industry and the reliance the national (and global) economy has on banks, many feel it is important for regulatory agencies to maintain control over the standardized practices of these institutions.

Historical reference
Several new banking regulations were imposed after the recent financial crisis. These regulations have imposed billions in increased costs for banks and in turn banks have looked for other revenue streams through increased fees banks have passed on to consumers. The creation of the Federal Deposit Insurance Corporation or FDIC was put into place in 1934 after the bank runs that took place during the Great Depression.

Scenario 13- Bankruptcy

Scenario

In this scenario your cousin gets into a car accident and needs to stay in the hospital for two weeks. The bills add up and he can no longer pay his medical bills or his normal household bills. He decides the best option is to file bankruptcy.

Questions

1. How might your cousin declaring bankruptcy affect you?
2. Would the bank be affected by your cousin's bankruptcy?
3. How might the government feel the affects of bankruptcy?
4. What might businesses do to the price of items if they have lost money due to bankruptcies in the past?

Possible Answers

1. Prices of some products are generally higher because businesses build in the cost of a certain number of consumers declaring bankruptcy and pass that cost onto consumers.
2. Your cousin's bank might be affected by the bankruptcy as it would become very difficult or impossible for your cousin to borrow money for up to 7 years. Less money loaned means less money for the bank in interest charges.
3. The more individuals filing for bankruptcy, the more businesses struggle. This might get to a point where the government would need to provide assistance.
4. Businesses might increase the cost of items if they are accounting for a certain number of people filing for bankruptcy and are not getting paid.

Educator Talking Points

Bankruptcy is a process in which consumers and businesses can eliminate or repay some or all of their debts under the protection of the federal bankruptcy court. For the most part, bankruptcies can be divided into two types -- liquidation and reorganization. In Chapter 7 bankruptcy, some of your property may be sold to pay down your debt. In return, most or all of your unsecured debts (that is, debts for which collateral has not been pledged) will be erased.

Historical reference

In 2005, a new law was put into place making it more difficult for consumers to file for bankruptcy. The law was created in an attempt to minimize abuse to the bankruptcy system. In anticipation of the law going into effect, bankruptcy filings increased significantly right before the implementation of the new law.

Scenario 14- Bounced Check

Scenario

In this scenario you find a pair of shoes that you absolutely love. You did not bring cash or a debit card, but you do have a checkbook. The shoes cost $75, but you forgot to check your account and you only have $73 in your account. Your check bounces and you get hit with a $35 fee.

Questions

1. Besides the $35 fee, what other things could happen to you if you bounced a check?
2. Do bounced checks affect your bank?
3. Explain how bounced checks could affect the business where you purchased the shoes.

Possible Answers

1. Your bank charges you a fee for bouncing a check, but the business to which you wrote the check might also charge you a fee. You might also lose your privilege of writing checks at that business.
2. Bounced checks cost the bank money, and many banks charge high fees to cover the cost.
3. Businesses rely on income from sales to pay their bills. If too many sales are made with bounced checks the delay in payment could affect the business bottom line.

Educator Notes

Bouncing a check is slang for a check that cannot be processed because the account has insufficient funds. A bounced check will often be returned to the account owner along with a penalty fee for non-sufficient funds.

Historical reference

Before 2010 banks could automatically opt customers into overdraft protection. Now consumers have to opt in for this service. The implementation of this legislation has significantly decreased the amount of over drafts and saved consumers a lot of money in non-sufficient funds (NSF) fees. This regulation has created a decrease in this form of revenue for banks and, as a result, banks have had to look for other forms of revenue.

Scenario 15- Business Line of Credit

Scenario

In this scenario the bike factory in your town is able to open a new line of credit with the bank. They borrow from their line of credit to buy a new machine that they use to create a new line of bikes.

Questions

1. Explain what consumers would experience as a result of this business expansion.
2. What are the potential negatives to a new line of credit for the bank that provided it.
3. How will this business grow because of this new line of credit?

Possible Answers

1. The local bike factory opened a line of credit to buy a new machine for a new line of bikes. The consumers would experience a new product unique to this shop.
2. Lines of credit and other forms of lending are always risky for the bank. They are lending money with the expectation of getting that money back plus interest. Sometimes businesses pay the bank late, or not at all if the business declares bankruptcy.
3. The bike factory should grow due to this line of credit. The new machine that helps create a new line of bikes should produce more sales and result in greater profits.

Educator Talking Points

A Business Line of Credit is an arrangement between a financial institution, usually a bank, and a business that establishes a maximum loan balance that the bank will permit the borrower to access. The borrower can draw down on the line of credit at any time, as long as the borrower does not exceed the maximum set in the agreement.

Historical reference

Small businesses create about half of the private sector jobs in the United States. It can be very difficult for small businesses to obtain financing, but if they are able to borrow, it can help drive the economy. Increasing the availability of lending to small businesses allows them to invest capital, which can lead to more production and more jobs.

Scenario 16- Business Tax

Scenario

In this scenario the Federal Government decides to lower the Business Tax Rate by 1%.

Questions

1. Would a lower business tax affect the average consumer?
2. How might this lower business tax rate affect the bank working with the business?
3. Why might the government lower the Business Tax Rate?
4. Explain how a lower tax rate could help businesses grow.
5. Are there global implications for a lower tax rate in the United States?

Possible Answers
1. A lower business tax would boost business which would affect the consumer by possibly providing more products, providing more locations to shop, or by decreased costs due to innovations in efficiency.
2. A lower business tax rate could spur the business to grow. To do this businesses often turn to banks for lines of credit and loans.
3. The government might lower the business tax rate to spur on new economic growth and to motivate businesses to hire people. All of this is good for the government.
4. A lower tax rate provides businesses more money to put into their businesses. This money can help them innovate or become more competitive.
5. A lower tax rate for businesses here in the US could affect other countries that do business with these companies.

Educator Talking Points

Business is taxed in a way that is similar to how individuals are taxed. There are four general types of business taxes**.** **Income Tax** = Businesses pay federal income tax as they earn or receive income during the year. **Estimated Ta**x = Businesses should pay income taxes by making regular payments of estimated tax during the year. **Self-Employment Tax** = This tax pays for Social Security and Medicare tax for individuals who work for themselves. **Employment Tax** = When a business has employees it must pay employment tax which include Social Security, Medicare, Federal income tax withholding and Federal unemployment tax.

Historical reference

Cutting taxes for businesses has been a strategy to stimulate growth in the economy. The hope is that businesses utilize the tax cuts to invest in their business and stimulate more jobs. There have been successful and unsuccessful implementations of this. Ronald Reagan implemented tax cuts in the 1980 which yielded a positive impact through a much lower unemployment rate. George W. Bush, in 2001, cut taxes in an attempt to stimulate the economy after September 11, but fear kept businesses from using the tax breaks to invest in their businesses.

Scenario 17- Government Investment

Scenario

In this scenario the Federal Government decides to invest in the development of new railroad lines, shipping lanes and cargo airports.

Questions

1. How would this government investment help the general population?
2. Why would the Federal Government decide to invest in these things?
3. How might this affect businesses?
4. Would a more developed infrastructure like roads, shipping lanes and cargo airports affect the global economy? How?

Possible Answers

1. The general population would benefit from increased jobs needed to build new infrastructure and would create greater safety and convenience.
2. The government has invested in infrastructure projects in the past to help spur the economy and create jobs. This is what happened under the New Deal during Franklin Roosevelt's presidency.
3. Business would improve for many businesses as they would need to supply the machinery and equipment to build new infrastructure.
4. A country with strong infrastructure is more efficient and creates opportunity to do business with other countries.

Educator Talking Points

The government chooses to invest in a variety of things at any given time. Infrastructure is one of these investments. Infrastructure refers to the basic physical structures needed for the operation of a society such as roads, bridges, water supply, etc.

Historical reference

Franklin D. Roosevelt's administration is a good example of the government investing which resulted in a positive impact on the economy. Roosevelt invested in public works projects which created jobs for unemployed workers. A couple of examples of projects funding through this include Timberline Lodge and Hoover Dam.

Scenario 18- Credit Card Debt

Scenario

In this scenario the United States economy struggles though a Credit Card Crisis due to a security breach in the national credit card processing system. The impact is similar to the Mortgage Crisis in 2008.

Questions

1. What would happen to a consumer interested in getting a credit card if there was a crisis like this?
2. What would happen to the financial industry in this scenario?
3. How might the government be affected by a credit card crisis?
4. Would businesses be affected by a credit card crisis? How?
5. Will a credit card crisis here in the United States affect a country like China?

Possible Answers

1. Just like during the Mortgage Crisis it would become more and more difficult and expensive for a consumer to get a credit card as the banks would be forced to implement stricter processes.
2. The financial industry would suffer if fewer people were able to obtain and utilize credit cards as the industry makes money from the interest consumers pay.
3. The government would need to impose tough regulations on credit cards and might have to provide financial assistance to some lending institutions to keep them in business.
4. There would be less spending during this crisis and that would hurt businesses.
5. Any financial crisis in a country the size of the US will affect those countries we do business with. There might even be a situation where a country like China would have to lend money to the US to help cover the costs of the crisis.

Educator Talking Points

Credit card debt is money that was loaned to a consumer via a credit card, which is similar to a line of credit that a business borrows. The average household credit card debt in 2014 is $15,480. Credit card defaults (when consumers cannot pay back their debt) are on the rise.

Historical reference

The years leading up to the Mortgage Crisis, credit was easy to obtain and consumers accumulated large amounts of debt easily. Lending requirements were very low and caused both consumers and banks to take advantage of the ease of borrowing.

Scenario 19- Student Loans

Scenario

In this scenario the process for acquiring a student loan becomes much more difficult as many people with current student loans are not paying them back on time.

Questions

1. How would this affect a graduating high school student seeking to attend college?
2. Why would banks make it more difficult for students to obtain student loans?
3. What are the long-term affects on the US government if there are fewer student loans?
4. How would businesses near colleges and universities be affected by the student loan process becoming more difficult?
5. Would this scenario affect the global economy in the short-term or long-term?

Possible Answers

1. Fewer students would be able to attend college if borrowing was more difficult to help pay for schooling.
2. Banks might be required to make the process of student loans more difficult if Congress imposed regulations or if there was a student loan crisis similar to the mortgage crisis.
3. Fewer student loans today means fewer college-educated individuals in the long term. This would create a less qualified workforce and would hurt the US economy.
4. Some businesses near colleges might suffer if the student loan process was so difficult that fewer people went to college and didn't purchase goods from those businesses.
5. This scenario might affect the global economy in the short-term if foreign countries were involved in the investment of those student loans, and would affect them long-term when there is a less educated population.

Educator Talking Points

Student loans are designed to help students pay for college tuition, books and living expenses while in college. Interest rates on student loans might be lower and the repayment schedule may be deferred (postponed) while the student is still in school.

Historical reference

Student loan debt is one of the few debts that cannot be discharged in a bankruptcy and on average an undergraduate will come out of school with approximately $30,000 in student loan debt. Though there is not a historical example that aligns closely with this scenario, it is clear that the economy benefits from an educated populous.

Scenario 20- Stock Market Crash

Scenario

In this scenario the stock market suddenly crashes after a long period of tremendous growth.

Questions

1. What could happen to a person's investments if the stock market crashed?
2. Would banks be affected by the stock market crashing?
3. How would the government be affected by the stock market crash?
4. Explain how a big business would be affected by this.
5. Do other countries feel the impact of a stock market crash here in the US? How?

Possible Answers

1. A repeat of the stock market crash in 1929 is not likely because safeguards have been implemented to prevent such an event. However, individual investors would suffer a significant decrease in investment value in the event of a crash.
2. Banks would be affected by a crash as their company stock values would decrease. They may be positively affected as people pull their money from the stock market and deposited it in banks.
3. The government would be negatively affected by a crash as it might need to provide assistance to businesses and individuals.
4. A big business often is publicly traded on the stock market. If there were a crash the value of that company stock would be lower and would negatively affect that business.
5. A stock market crash here in the US would create a world-wide impact as we are truly a global economy. There is a tremendous amount of cross investment between countries. Other countries invest in US businesses and stock market and the US is invests in theirs.

Educator Talking Points

A stock market crash is a sudden dramatic decline of stock prices across a wide cross-section of a stock market. This can result in a significant loss of paper wealth. Paper wealth refers to the wealth measured by monetary value (how much one's assets could be sold for).

Historical reference
What goes up must come down! Several times in history unexpected stock market crashes have occurred.

October 19, 1987	-22.61%
October 28, 1929	-12.82%
October 29, 1929	-11.73%
October 15, 2008	-7.87%