

ECONOMIC STRATEGIES FOR ELECTION 1988

By

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"[Economics] is a method rather than doctrine, an apparatus of the mind, a technique of thinking which helps its possessor to draw correct conclusions."

In his attempt to derive a general theory for economics, John Maynard Keynes stumbled upon an educational goal that has haunted social studies education — to teach methods that would allow citizens to arrive at correct conclusions and decisions. The rigor and process of economic thinking can be applied to the 1988 presidential election. Despite the diversity of election issues, a pedagogical model can be applied to study a candidate's positions and statements.

STRATEGY #1 Positive or Normative Statements

The first strategy is to separate the candidate's positions or statements into two categories: those that are based upon values or beliefs (normative statements) and those that are potentially verifiable (positive statements). For example, to say that every individual who is looking for a job should have a job, is a normative position since its "truth" is dependent upon a philosophical or value position. The idea that every person ought to have a job differs significantly from saying that "full employment has not been achieved in the last eight years." We can determine the correctness of the latter statement by appealing to fact. Significantly, a statement can be positive and be false. What makes a statement positive is its verifiability or potential verifiability. Categorizing positive and normative statements allows students to ascertain the differences or agreement between candidates' statements, suggest methods to evaluate the accuracy of statements, and suggest the distinctions between philosophical and value positions and positions relating to the tangible world of economics.

STRATEGY #2

Define the Terms, Economically

Economists view the world in their unique way with a specific and precision-oriented vocabulary. For example, when a candidate claims a policy objective of "a fully-employed economy," the voter may have to investigate the meaning of the term, "fully-employed economy." Investigating and defining the term by consulting economics texts, suggest that the entire concept of employment is a much more complicated idea than merely counting the numbers of employed and unemployed persons. For example, full employment could mean a 4% unemployment rate, a political definition, if we accept the Humphrey-Hawkins Act. Yet most economists suggest that, because of changes in the composition of our work force, 6% represents a fully-employed economy. Moreover, there are four basic types of unemployment: frictional, cyclical, seasonal and structural. Was the candidate addressing all four types of unemployment? Can a single policy solve all types of unemployment? Defining terms economically can assist in clarifying the concept or issue, analyzing a candidate's policy and more often than not, pose new questions that require further investigation.

STRATEGY #3

Quantify Past and Present, Localize

Many economic issues can be analyzed and evaluated by quantifying frequencies, magnitudes, or rates. For the employment issue, a quick trip to the school library yielded this unemployment information about the United States and Iowa:

Period	Unemployment Rates (NR= Not Reported)				
	Total (All) (%)	Mean (%)	Woman (%)	Teenagers (16-19) (%)	Blacks (%)
1980	7.1	5.9	6.3	17.7	13.2
1981	7.6	6.3	6.8	19.6	14.2
1982	9.7	8.8	8.3	23.2	17.3
1983	10.0	9.0	8.6	23.6	18.9
1986	7.0	5.9	6.1	17.7	13.1
1987	5.7	4.9	5.2	16.1	12.0
1988	5.7	5.1	5.1	16.0	12.2
1988*	6.5	NR	NR	7.4	13.0
1988**	5.4	NR	NR	NR	NR

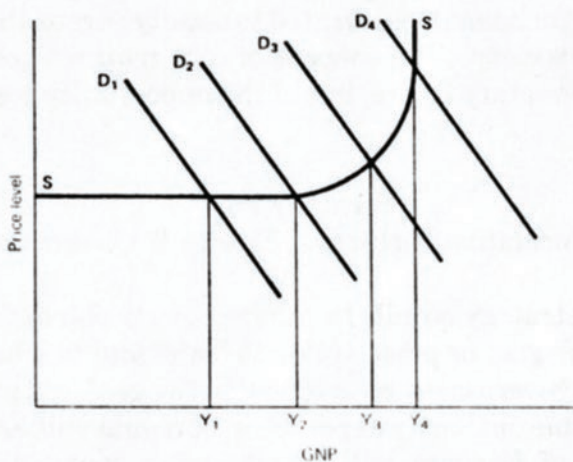
(* Iowa rate only, Cedar Rapids Gazette, March 25, 1988.)

(** Current U.S. rate, Cedar Rapids Gazette, May 7.1988.)

All of the information reported above was found in Fact on File and our local newspaper, The Cedar Rapids Gazette. The collection of the data can be a student task, checking with the library's vertical files, national newspapers, as well as the weekly magazines. To make the data more meaningful, try to localize the information by citing statistics which are closer to home such as Iowa, city, or county data. More important, the collection of the data would assist the decision-maker in evaluating a candidate's explicit or implicit claim that there is a problem in attaining a fully-employed economy. The data may suggest contradictions and can lead, again, to further questions about the candidate's policy statement. Are the data consistent with the candidate's message? Is the candidate aiming the message at a particular audience?

Strategy #4 Model

Modeling an economic problem through a graphical analysis is the most difficult of the strategies because it assumes prior skills and knowledge of economics. It is, nevertheless, an indispensable tool to examine and illustrate an economic issue or a policy prescription. If, for example, a candidate argues for increased employment opportunities through government spending programs, then the effects may be inflationary, forcing wages and all prices upward. A simple model can illustrate:



The aggregate supply (S) is illustrated by three distinct ranges. An increase in aggregate demand (AD) (the result of increased government spending) would have different effects depending on the exact location of aggregate demand. While difficult, modeling the problem and prescription often yields a more complete analysis of what would happen if the policy were executed, both possible short-run and long-run effects.

Strategy #5

Marginal Benefits/Marginal Cost

“There’s no such thing as a free lunch”

The idea that a ‘special interest’ will benefit from a specific economic policy or prescription is obvious. The unemployed would benefit from programs designed to increase employment. From the data shown above, any attempt to increase employment opportunities would seem to benefit teenagers and minorities most. Yet, a more challenging question would appear to be whether the extra benefits outweigh the additional cost of the program. The additional cost of increased government spending to reduce unemployment among teens, for example, might take the form of inflation for all of society. Moreover, the issue and questions might be hypothetically posed as to whether a 2-3 percentage drop in unemployment among teens is worth a 5-10% increase in price level. Also, questions about what government spending would be forfeited as a result of the government plan or what new taxes would be created have to be considered. The overall emphasis of this strategy is to think in terms of the extra benefits generated to society versus the extra cost imposed upon society. The concept of cost requires consideration not only of a monetary figure, but of the opportunity cost (foregone alternatives).

Strategy #6

The Normative Problems: Equity & Government

The last strategy entails two normative problems. The issues are whether the goal or prescription is “fair” and to what extent, if any, ought the government be involved in the goal and prescription. What is equitable obviously depends on personal values. Certainly one’s concept of fairness will dictate one’s view of how much government intervention is necessary to establish an equitable

society. Yet, the analysis of the employment issue may suggest that one's concept of fairness and the role of government might change, given new knowledge and new facts. However, the point is not to necessarily change a person's point of view, but to challenge and test one's concept of equity. The study of government issues through economic concepts and questions provides a unique paradigm by which one may examine his sense of fairness and right.

During the primary season, the six strategies proved useful in discussing, elucidating, and evaluating statements made by presidential candidates. Not all strategies were employed for all issues. Finally, depending on the students, it was necessary for the teacher to take the more difficult tasks of explaining and modeling complex economic concepts. Most important, the strategies epitomize critical thinking skills and inquiry methods, the central and fundamental core of social studies education.

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