

# TEACHING TIPS

from the Federal Reserve Bank of Kansas City



BASED ON THE  
WINTER 2010 TEN MAGAZINE ARTICLE  
“LABORING TO RECOVER”

The article “Laboring to Recover” from the winter 2010 issues of TEN Magazine looks at the U.S. unemployment rate during the current downturn as compared to previous recessions. It discusses the possibility of a jobless recovery based on changes in labor market trends and the ongoing banking crisis. The article projects that unemployment may take a number of years before returning to pre-recession levels.

## Reading the Article with Students

Read and discuss the article in class, using the direct discussion questions that follow. Students interested in further research on the topic could work on the extension activities and share their findings with the class. The article is available at: [www.kansascityfed.org/publicat/TEN/pdf/winter2010/laborfeature.pdf](http://www.kansascityfed.org/publicat/TEN/pdf/winter2010/laborfeature.pdf).

1. Compare the recession of 1973-1975 and 1981-1982 to the current recession. What similarities can you find? What recovery predictions could be made on these similarities?

2. According to Ed Knotek, senior economist at the Federal Reserve Bank of Kansas City, why might unemployment recover more slowly following this recession?

3. What labor market trends have evolved since the 1980’s that increase the possibility of a jobless recovery?

4. Describe the key elements that can precede a banking crisis and the outcomes that can follow this type of crisis?

5. Explain several changes in consumer behavior influenced by this recession and slow recovery period.

6. Why has the current recession increased the enrollment at universities and community colleges?

7. How have start-up businesses been affected by the jobless recovery?

8. What specific unemployment predictions does Knotek make for future years? What possible factors might change his forecast?

## Direct Discussion Questions

## KEY PERSONAL FINANCE & ECONOMIC CONCEPTS

*Review the meanings of some of the personal finance and economic concepts contained in this article.*

**CREDIT:** *The opportunity to borrow money or to receive goods or services in return for a promise to pay later.*

**ECONOMIC GROWTH:** *An increase in real output as measured by real GDP or per capita real GDP.*

**ENTREPRENEURSHIP:** *A characteristic of people who assume the risk of organized productive resources to produce goods and services.*

**FEDERAL RESERVE:** *The central bank of the United States. Its main function is controlling the money supply through monetary policy.*

*Continued on next page*

1. Looking at the chart showing unemployment rates following previous recessions on p. 8, choose a recessionary period to research in depth. Use websites such as: <http://www.investopedia.com/articles/economics/08/past-recessions.asp> or <http://www.davemanuel.com/2009/09/05/past-recessions-and-recoveries-in-the-unemployment-rate/> to find what cause the recession and how unemployment behaved as a result. Share findings with the class.
2. Check the latest Beige Book survey information on current economic conditions supplied by the Fed at <http://www.federalreserve.gov/fomc/beigebook/2010>. Look at the summary report from the twelve Federal Reserve Districts and focus on the “Employment and Wages” section. What are the current labor market conditions across the country? Which areas are gaining jobs, and which areas are losing jobs? What types of jobs are increasing? What is the employment picture in our local Kansas City District?
3. Read the article “A Historical Look at the Labor Market During Recessions” located at <http://www.dallasfed.org/research/ecllett/2010/el1001.html>. Looking at charts 2 and 3, you will see the timeframe for employment loss during the current recession. How does this timeframe compare with that of the average post WWII recession? Why do you think a discrepancy exists?
4. Review the summary for pending legislation titled “Jobs for Main Street Act of 2010” at: [www.ncsl.org](http://www.ncsl.org). Choose the three areas targeted for additional jobs and describe how government money will be used in each area. Do you think this bill will help lower the unemployment rate more quickly? Give reasons for your answer.

## Extension Activities

## Key Personal Finance & Economic Concepts continued

**FISCAL POLICY:** Changes in the expenditures or tax revenues of the federal government, undertaken to promote full employment, price stability and reasonable rates of economic growth.

**GROSS DOMESTIC PRODUCT:** The market value of all final goods and services produced in a country in a calendar year.

**LABOR MARKET:** The labor supply and demand curves. The intersection of the labor supply and labor demand curves determines the equilibrium wage and the quantity of hours people work at this wage.

**MONETARY POLICY:** Changes in the supply of money and the availability of credit initiated by a nation's central bank to promote price stability, full employment and reasonable rates of economic growth.

**RECESSION:** A decline in the rate of national economic activity, usually measured by a decline in real GDP for at least two consecutive quarters (i.e., six months).

**UNEMPLOYMENT RATE:** The number of unemployed people, expressed as a percentage of the labor force.

For more economic concepts, definitions and lessons, check out Virtual Economics 3.0 from the National Council on Economic Education (online at [www.councilforeconed.org](http://www.councilforeconed.org)).

Federal Reserve Bank of Kansas City:  
TEN Magazine - Winter 2010  
“Laboring to Recover”  
[www.kansascityfed.org/publicat/ten/pdf/winter2010/laborfeature.pdf](http://www.kansascityfed.org/publicat/ten/pdf/winter2010/laborfeature.pdf)

Federal Reserve Bank of Kansas City:  
Economic Review - Third Quarter 2009  
“How Will Unemployment Fare Following the Recession?”  
<http://www.kansascityfed.org/publicat/econrev/pdf/09q3knotek.pdf>

Recession Research Links  
<http://www.investopedia.com/articles/economics/08/past-recessions.asp>  
<http://www.davemanuel.com/2009/09/05/past-recessions-and-recoveries-in-the-unemployment-rate/>

## Links and Resources

A Historical Look at the Labor Market During Recessions  
<http://www.dallasfed.org/research/ecllett/2010/el1001.html>

Jobs for Main Street Act of 2010  
<http://www.ncsl.org/default.aspx?tabid=19409>

Teaching Tips is a FREE resource from the Federal Reserve Bank of Kansas City. It is available on our web site at [www.kansascityfed.org](http://www.kansascityfed.org).

For more educational resources from the Federal Reserve Bank, contact Michele Wulff ([michele.wulff@kc.frb.org](mailto:michele.wulff@kc.frb.org)).