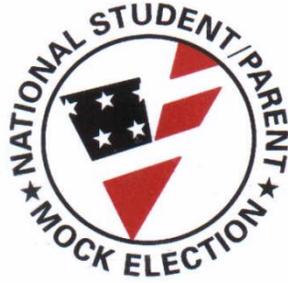


National Student/Parent Mock Election



Teacher's Guide to Economic Issues in the 2014 Elections

Introduction:

This is not a teacher's guide to Economics 101 -- there are many lesson plans in economics available online. This guide is instead intended to examine the economic issues affecting congressional, state, and local races in the 2014 elections. While the President's economic policies are obviously an issue, he is not up for re-election. The positions of candidates who are running in 2014 are more relevant to the Mock Election.

In addition to this guide, also see previous National Student/Parent Mock Election teacher's guides to the economy. A summary of activities from these guides is included at the end of the 2010 guide. Please note that some web links in earlier guides no longer work.

Topics for discussion and activities:

On Labor Day, Sept. 1 2014, President Obama said:

"So I just want everybody to understand -- because you wouldn't always know it from watching the news -- by almost every measure, the American economy and American workers are better off than when I took office....

More folks are working. The economy's growing stronger. The engines are revving a little louder. And the question now is, are we going to make the right decisions to accelerate this progress? Are we going to continue to focus on working families? Are we going to continue to make sure that a growing economy gives everybody rising incomes and wages? Are we going to make sure that we're helping the middle class and everybody who is trying to get into the middle class?

It's a good thing that corporate profits are high; I want American businesses to succeed. It's a good thing that the stock market is booming; a lot of folks have 401Ks in there, I want them to feel good. But I also want to see the guy who's

breaking his back on two eight-hour shifts so he's got enough money to send his kids to college, I want to make sure that guy is getting a break....

So that's what's at stake right now. That's what's at stake: making sure the economy works for everybody."

<http://www.whitehouse.gov/the-press-office/2014/09/01/remarks-president-milwaukee-laborfest>

How has the economy grown stronger? The Gross Domestic Product (GDP) rose at a rate of over 4% for the first half of 2014. What does that mean? The stock market has almost tripled in the last five years, and the private sector has added 10 million jobs over 54 straight months, breaking President Clinton's record. The housing market is beginning to recover from the mortgage crisis. How much of that growth can the President or any other public official take credit for? While the economy is the biggest concern of most voters, how does government have an impact on it? In particular, how much impact can an individual member of Congress, Governor, or even a political party have? How much was economic growth responsible for the current federal deficit being half of what it was in 2010, and how much of the decrease was due to policy changes like budget sequestration? Say what?

http://en.wikipedia.org/wiki/Budget_sequestration_in_2013



There are many theories about how the economy works, how to stimulate it, and what to do about areas where it is not working. How do we choose candidates based on what we think are the right answers? How can the average voter understand the effects of globalization, offshoring, corporate inversions, quantitative easing, government regulation or the lack of it, the monetary policies of central banks, tax policies, subsidies, trade deficits, TARP, debt ceilings, etc.? Why does all this not lead to simple answers and sound bites?

The economy clearly is not working for everybody. As has been happening for decades, the rich are getting richer and the poor are getting poorer, and income inequality is now a big issue. When attempts are made to address the situation with ideas like increasing the minimum wage or extending unemployment

benefits, there are vast differences of opinion. What has created this situation and what can we do about it?

The Stanford Center on Poverty and Inequality issued a report this year that says: "...in his 1988 State of the Union Address President Reagan declared:

"In 1964, the famous War on Poverty was declared. And a funny thing happened. Poverty, as measured by dependency, stopped shrinking and actually began to grow worse. I guess you could say "Poverty won the War." Poverty won, in part, because instead of helping the poor, government programs ruptured the bonds holding poor families together."

"Was President Reagan right? Are safety net programs to blame for the stagnation in the official poverty rate since the early 1970s? The short answer: No. A careful analysis reveals that the lack of progress results from two opposing forces—an economy that has increasingly left more of the poor behind and a safety net that has successfully kept more of them afloat."

"The primary reason that poverty remains high is that the benefits of economic growth are no longer shared by almost all workers, as they were in the quarter century after the end of World War II. In recent decades, it has been difficult for many workers... to earn enough to keep their families out of poverty."

"This economic trend represents a sharp break with the past. Inflation-adjusted median earnings of full-time year-round male workers grew 42 percent from 1960 to 1973. But, four decades later, median earnings were \$49,398 in 2012, four percent lower...."

http://web.stanford.edu/group/scspi/sotu/SOTU_2014_CPI.pdf

So average earnings are down, unemployment is up, many people have left the job market entirely out of frustration, and nobody wants to support freeloaders, but people still disagree on whether the "safety net" is a cause or solution for the problems.



What are the positions of the candidates in your state? How will their proposals

help the national and/or local economies? Is your state a net donor or beneficiary of federal assistance? How much does the federal government contribute to your state's economy? What large contractors in your state depend on the US government for most of their business? Where are the nearest military bases, and what effect do they have on their area economies? Should your elected representatives use their offices to help those businesses? Should they accept large campaign contributions from them? How can you find out what your state spends money on? Have you ever seen your state's budget? Look for it online, and try not to fall asleep.

The US has been at war since 2001, spending around four trillion dollars on the conflicts in Iraq, Afghanistan, Somalia, etc. Can we reduce our expenditures in the face of new threats? How has this spending affected other federal budget items like education, and what is the effect in your state? What are the 2014 candidates positions on "guns vs. butter issues?" How should we choose our options? For example, should military base closings be decided on the basis of need or political power?

What are the economic issues that hit home most closely? Among others in the headlines have been proposed and enacted minimum wage increases, student loan interest rates, manufacturing and jobs going overseas, and of course taxes. What can (or should) government do when the economy is not working as we would like? The usual argument is between some type of stimulus and some form of austerity, although others want to leave everything to the "free market" and leave the losers to their own devices. How did this play out during the Great Depression of the 1930's and the recent Great Recession? How is it still affecting the political positions of candidates this year?

President Franklin D. Roosevelt said in his Second Inaugural Address in 1937:

"But here is the challenge to our democracy: In this nation I see tens of millions of its citizens—a substantial part of its whole population—who at this very moment are denied the greater part of what the very lowest standards of today call the necessities of life.

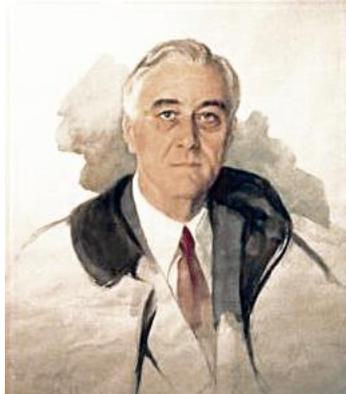
I see millions of families trying to live on incomes so meager that the pall of family disaster hangs over them day by day.

I see millions whose daily lives in city and on farm continue under conditions labeled indecent by a so-called polite society half a century ago.

I see millions denied education, recreation, and the opportunity to better their lot and the lot of their children.

I see millions lacking the means to buy the products of farm and factory and by their poverty denying work and productiveness to many other millions."

<http://historymatters.gmu.edu/d/5105/>



In other words, he argued that helping the poor helped the economy by helping them participate in it. But conservatives argue that the best way to help the poor is to cut taxes on the rich, who can then spend more money that trickles down to help everyone. There are now more poor people in the US (about 50 million) than there were in the Great Depression, although their population percentage is smaller. What states and cities have tried to help the economy with programs like higher minimum wages, expanded health care insurance coverage, and extended unemployment benefits? Which have tried cutting corporate taxes, weakening unions, and enforcing fiscal austerity? Where is each approach working or not working? What are your local candidates advocating this year?

Economist Paul Krugman wrote in the New York Times on August 7, 2014:

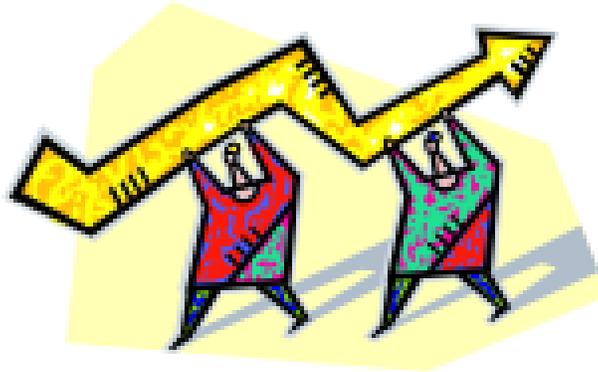
“For more than three decades, almost everyone who matters in American politics has agreed that higher taxes on the rich and increased aid to the poor have hurt economic growth.

Liberals have generally viewed this as a trade-off worth making, arguing that it’s worth accepting some price in the form of lower G.D.P. to help fellow citizens in need. Conservatives, on the other hand, have advocated trickle-down economics, insisting that the best policy is to cut taxes on the rich, slash aid to the poor and count on a rising tide to raise all boats.

But there’s now growing evidence for a new view — namely, that the whole premise of this debate is wrong, that there isn’t actually any trade-off between equity and inefficiency....”

“But how is that possible? Doesn’t taxing the rich and helping the poor reduce the incentive to make money? Well, yes, but incentives aren’t the only thing that matters for economic growth. Opportunity is also crucial. And extreme inequality deprives many people of the opportunity to fulfill their potential.... Moreover, this isn’t just unfair, it’s expensive. Extreme inequality means a waste of human resources.

And government programs that reduce inequality can make the nation as a whole richer, by reducing that waste.... Goodbye, trickle-down; hello, trickle-up.”



If people can't afford a good education, or are overburdened with student loan debt, what happens to their opportunities? If they are unhealthy as adults because of poor nutrition as children, how does that affect their ability to contribute to the economy? Yet some people will take advantage of government "freebies" and abuse any assistance program, not just scholarships or food stamps. How do we minimize such abuse without becoming a police state?

What will be the effect of rising income inequality? Nick Hanauer wrote in Politico:

"You probably don't know me, but like you I am one of those .01%ers, a proud and unapologetic capitalist.... Seeing where things are headed is the essence of entrepreneurship. And what do I see in our future now?

I see pitchforks.

At the same time that people... are thriving beyond the dreams of any plutocrats in history, the rest of the country—the 99.99 percent—is lagging far behind. The divide between the haves and have-nots is getting worse really, really fast. In 1980, the top 1 percent controlled about 8 percent of U.S. national income. The bottom 50 percent shared about 18 percent. Today the top 1 percent share about 20 percent; the bottom 50 percent, just 12 percent.

But the problem isn't that we have inequality. Some inequality is intrinsic to any high-functioning capitalist economy. The problem is that inequality is at historically high levels and getting worse every day. Our country is rapidly becoming less a capitalist society and more a feudal society. Unless our policies change dramatically, the middle class will disappear, and we will be back to late 18th-century France. Before the revolution."

<http://www.politico.com/magazine/story/2014/06/the-pitchforks-are-coming-for-us-plutocrats-108014.html>

What are the candidates in your area proposing to do about inequality, if anything? Who is supporting their campaigns – the 1% or the 99%? What can be done about that? What can you do to support a campaign besides contributing

money? What was the result of campaign spending in the 2012 election – how did it affect which candidates got elected? What have they done about problems with our economy or any other issues? Should they be re-elected for another try? Do you blame the elected officials or Washington gridlock for any lack of progress? How has that gridlock helped or hurt the economy? Consider the 16-day government shutdown when Congress could not agree on increasing the federal debt ceiling, or “sequestration” that instituted automatic budget cuts as a result of another lack of agreement. Is no action better than the wrong action? Who ultimately decides what is right or wrong – the elected officials or the voters?

What economic factors are outside of government control? We claim we want a “free market,” and then impose taxes, trade tariffs, regulations, minimum wages, etc. Is there any real “free market” in the US? What happens where there is no government control, as in Somalia? How do we decide what control is necessary? How did we do so in the past, with issues like child labor, workplace health and safety, consumer and environmental protection, banking and mortgage standards, etc.? What has or has not worked? Is there any such thing as “free trade” or is it as elusive as the “free market?” If our elected officials are unable to agree on what they want to do with the US economy, how can they hope to influence the world economy? If they don’t, who does? What issues remain to be addressed, like pay equity for males and females? What solutions are the 2014 candidates proposing?

Even with any agreements on economic issues, what can go wrong? What happened in 1973 when many oil producers proclaimed an embargo? Could it happen again? What else is happening in the Mideast that could trigger oil shortages? What are we doing to reduce our dependence on foreign oil? Should the government be involved in subsidizing alternative energy? What are the positions of candidates in your area?

What economic actions of government are not controlled by our elected officials? How does the Federal Reserve Board decide on economic issues like interest rates, inflation, or the money supply? How did Congress attempt to put some controls on it with the Dodd–Frank Wall Street Reform and Consumer Protection Act? What happened to implementation of the law? Does government now oversee Wall Street or vice-versa? Who should be in charge? What are the positions of the 2014 candidates in your area?

The US has lost a great deal of its manufacturing industry to cheaper operations overseas. What remains is often high-tech, requiring fewer workers as a result of computerization and automation. As this trend continues with developments in artificial intelligence and other innovations, will there be any production line jobs left? How do we train workers for jobs using technology that doesn’t yet exist? Will we all be able to sit around in the future and let robots do all the work for us? Why is that economically unlikely?

How has globalization affected the U.S. economy? How does the political situation in countries like China, Russia, or Iraq affect it? What can or should we do about it? Is the World Trade Organization effective? Are the best solutions military or economic? Who decides and how? What are the positions of the 2014 candidates?

The 800-pound gorilla is climate change. While there are still some people that do not accept that humans are responsible, there is no real question that it is happening. What are the economic consequences of the U.S. or the planet experiencing more severe storms, more droughts, invasions of alien species due to warmer winters, sea level changes, loss of agricultural lands, toxic algae blooms, fish kills, etc? With or without climate change, increasing populations are depleting critical resources like clean water. How are we planning for these effects?

What happens if our economic or environmental policies fail? Warren Buffet wrote in 2009 (New York Times Op-Ed August 19th):

“Unchecked carbon emissions will likely cause icebergs to melt. Unchecked greenback emissions will certainly cause the purchasing power of currency to melt. The dollar’s destiny lies with Congress.”

Who controls the destiny of Congress?

