



## Measuring Economic Performance | Lesson Plan

How do economic measures help us understand and improve the health of the economy?

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Students will understand how key economic measures, such as GDP, CPI, and unemployment rate, provide insights into an economy's health and performance while recognizing its limitations.

### Learning Objectives:

- Analyze how GDP, CPI, and the unemployment rate provide insights into the health and performance of an economy.
- Evaluate the limitations of these economic tools and their impact on decision-making.
- Apply knowledge of GDP, CPI, and the unemployment rate to real-life scenarios, such as job availability and price changes.
- Explain the importance of economic performance measures in making informed personal, business, and voting decisions.

### Key Vocabulary:

- **Gross Domestic Product (GDP):** A measure of the total value of goods and services produced in a country over a specific time.
- **Economic Growth:** An increase in the production of goods and services in a country over time.
- **Consumer Price Index (CPI):** An index that tracks changes in the prices of everyday items like food, gas, and clothing over time.
- **Inflation:** A rise in the overall prices of goods and services over time, reducing the purchasing power of money.
- **Labor Force:** The total number of people in an economy who are either employed or actively looking for work.
- **Unemployment Rate:** The percentage of people actively looking for work but unable to find a job, calculated as  $(\text{Unemployed} \div \text{Labor Force}) \times 100$ .

**Educational Standards:** CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

**Academic Subject Areas:** Financial Literacy, Economics

### What You'll Need

- Video: *Ca\$h Cour\$e: Measuring Economic Performance* (Watch [Here](#))
- Worksheet: *Ca\$h Cour\$e: Measuring Economic Performance* (Click [Here](#))
- Classroom whiteboard and dry-erase markers (or use a technology solution if available).

Scan to watch episode:



## Lesson Plan (45 mins.)

### Warm-Up: (20 mins.)

1. Hand out note-taking sheets and explain that today's lesson will focus on how we measure the performance of an economy.
2. Begin the lesson by asking students to imagine their favorite sports team—whether it's basketball, soccer, football, or another sport. Pose the question: *"How would you measure if your team is having a good season?"*
3. Let students brainstorm. Possible answers could include:
  - *Wins/Losses (Record): Is the team winning more games than losing?*
  - *Player Stats: Are individual players improving, scoring points, or contributing assists?*
  - *Fan Enthusiasm: Are fans showing up, buying merchandise, or cheering loudly?*
  - *Team Performance Over Time: Is the team improving from one season to the next?*
4. Guide students to make the connection between the sports analogy and economic performance. Explain that a team's performance metrics—such as points scored, game wins, or fan support—are similar to how we evaluate an economy. Point out that economists also track specific metrics, but instead of focusing on wins or player stats, they measure the economy's production, prices, and employment. Explain that this lesson covers a few of those ways to track performance but not all of them. These are just the most common.
5. **Instruction for Teachers:** Create the following chart on the board and guide the students in copying it into their notes. As you go through the chart, explain each section and its terms in detail. Take time to clarify each concept, spending extra attention on definitions and formulas.

Metric	What It Measures	How It's Calculated	Why It Matters
GDP	<b>Production</b> of goods and services	<b>Expenditures Approach</b> = Consumer Spending + Investment Spending + Government Spending + Exports - Imports	Measures total economic output to track growth or contraction.
CPI	changes in the overall price level of everyday goods and services rather than individual price changes	Tracks the cost of a <b>Market Basket</b> (e.g., food, housing, fuel) over time	Tracks <b>inflation</b> (rising prices) and <b>deflation</b> (falling prices). Affects <b>purchasing power</b> and cost of living.

<b>Unemployment Rate</b>	Percentage of people actively looking for work (though it doesn't indicate why they are unemployed)	$\text{Unemployment Rate} = (\text{Unemployed} \div \text{Labor Force}) \times 100$	Tracks job availability and economic health. Indicates how many people want jobs but can't find them.
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6. After filling out the chart, explain that there are some specific limitations that need to be considered to avoid misrepresenting the data. Discuss the following limitations:
  - **GDP:** This doesn't include non-market activities, such as volunteer work, used item sales, or illegal transactions. These sales are not included in the GDP because it only measures the value of new goods and services within a specific time frame. Temporary government spending can also artificially inflate the GDP.
  - **CPI:** This doesn't account for improvements or changes in the quality of goods, which can lead to **inflationary bias** (e.g., higher car prices due to new safety features.)
  - **Unemployment Rate:** This excludes part-time workers seeking full-time jobs and discouraged workers who have stopped looking for work, underestimating economic challenges.
7. Next, before transitioning to the video, explain why this lesson matters to students by highlighting these key points:
  - **Personal Impact:** The economy's performance affects things they care about, such as the prices of food, clothing, and electronics. Understanding these indicators can help them make better decisions about saving and spending.
  - **Future Planning:** As they plan for their future, the economy influences where they'll find jobs, how much they might earn, and how they'll save for major goals, like buying a car, affording housing, or going to college.
  - **Community and Policy Impact:** Understanding how the economy performs will help them make informed choices about leaders and policies that shape their community. For example, they can evaluate whether proposed policies are likely to reduce unemployment, control inflation, or promote economic growth.
  - **Business Decisions:** For those interested in entrepreneurship or management, these tools help predict trends in consumer spending, hiring, and pricing, which are essential for running a successful business.

Watch and Apply: (25 mins.)

1. Introduce the video *Ca\$h Cour\$e: Measuring Economic Performance*.
2. Tell students to pay attention to how GDP, CPI, and the Unemployment Rate are explained in the video and to note any real-world examples.
3. After the video: Break students into small groups and distribute the worksheet.
4. When groups finish, review answers as a class:
  - Clarify any misunderstandings.

- Ask students to share examples or observations from their notes or the worksheet that illustrate key concepts.
- Facilitate a discussion on how understanding these tools might help them in their own lives (e.g., budgeting for rising prices and understanding job availability).

Wrap-Up: (10 mins.)

1. Give a quick recap of things learned in this lesson:
  - Economists have three key tools for measuring economic performance:
    - GDP (Gross Domestic Product): Measures the total value of goods and services produced in a country, showing economic growth or contraction. However, GDP excludes non-market activities like volunteer work or used item sales, and temporary government spending can inflate it.
    - CPI (Consumer Price Index): Tracks changes in the prices of everyday items, helping to understand inflation or deflation. However, CPI doesn't account for improvements in product quality, which can create inflationary bias.
    - Unemployment Rate: Measures the percentage of people actively looking for jobs but unable to find work, reflecting job availability in the economy. However, it doesn't include part-time workers seeking full-time jobs or discouraged workers who've stopped job hunting.
2. Exit Ticket: End the lesson by asking students to answer this question on an index card or the back of their worksheet:
  - How do you think changes in GDP, CPI, or the Unemployment Rate could impact your life or your community? Give an example.
3. Collect the responses and completed worksheets as students leave to check their understanding and encourage them to reflect on the lesson.

**Don't have time for the full lesson? Quick Activity (10-15 mins.)**

Distribute the worksheet and allow students to complete it while they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.