

Job Economics Training

Sessions Outline

Second Edition

Training Within Industry Foundation

Summit, New Jersey 1952

To the Job Economics Trainer:

At no previous time in our business history has the need for a real understanding of our economic system been so pronounced. Each person in the United States plays a part in and is affected by its working results.

Everyone of us, regardless of position in business, must give close attention to promoting and spreading a real understanding of our system if it is to endure in a healthy condition. Various forms of economic presentations will be necessary to do a complete job, and no one presentation can hope to do the job alone.

Among these presentations, the TWI Job Economics Training (JET) program aims first at getting conviction that there are simple, basic factors which underlie everything that occurs in our economy. After conviction, such facts are to be spread as widely as possible in the everyday contacts which all of us have. Practice in doing this is a major feature of this program.

Upon this accepted, basic understanding, a particular company or industry can better present its own specific facts or economic story.

This short program can, if put to work, lay a firm foundation on which the individual can base better judgment in appraising and deciding for himself that which is good for him and the system, and that which is bad.

Sincerely,

C.R. Dooley

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CODE

CAPITALS....Section Heads

Horizontal line across page....Encloses section for timing

Plain type.....trainer says in own words

\*Star in front of line.....trainer says verbatim

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Material between lines.....board work

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[ Bracket ] .....instructions to trainer

## Job Economics Training

### Session I

#### Our System – How it Works

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Allow 3 min. Leader's Introduction

My name is \_\_\_\_\_ and as many of you know, I am not an economist as that term is used. However, you and I play a part in the economy of this country, and from our own experience we do know a lot about what happens in it, and how such happenings affect us.

We are going to be together for five meetings of one and one-half hours each.

We are going to try to get a better understanding of how and why we have in the United States the world's best living and working conditions.

The subject we will cover in each meeting is:

[ Write on board: ]

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1. Our System – How It Works.
  2. Profit – What It IS and Where It Comes From.
  3. Buying Power – How It Works.
  4. Money – Compared with Material Wealth.
  5. Government – How It Affects Our System.
- 

We are not going to attempt to support or oppose any "movement" whether it be political, social, or economic.

What we are going to talk about is the means through which the work we do can best provide our family with the shelter, food, clothing, and the security and comfort which we want to have. We are not going to attempt to cover the complete science of economics.

3 min. to here

We are just going to take a close look at the simple facts about the American way of working and living, so we may better explain, to ourselves and others, what the important factors are and what they mean to all of us.

Allow 27 min      Reasons For Talking About Our System

[ Present the following statements in an informal manner. ]

[ There will be little disagreement on most of them. ]

[ Possible on the “education” and “middle class” questions there will be differences; do not try to resolve to a final agreement. ]

[ The purpose is to stimulate group participation early in these meetings, not to explore fully any of these questions. ]

We here in the United States have what is acknowledged by the rest of the world the highest material standard of living that has ever been achieved, for a greater number of people.

Do you agree?

We have a higher wage and salary scale for the individual as a whole than has ever yet been maintained.

Is this acceptable as being so?

With all its faults we have an educational system which provides schooling to the rank and file of our people to a greater degree than does the educational system in most other countries.

Is this true?

We probably have a larger number of so-called “middle class people” who live more comfortably than any other economy provides.

Agreed?

Well what do we have here in the United States that enables all this to be true?

We have for a background of our economy these concepts or beliefs:

[ Develop quickly on board under four column headings. Plan spacing of columns to permit all four columns to be on at one time. ]

1. [ Now in United States ]
2. [ Changes Clearly Indicated ]
3. [ Conflicting Activities ]
4. [ What Else Can Be Done? ]

(8 min.)

[ Write in the underscored items while giving an example of each as the full statement is made by you. ]

[ Discuss each briefly as written on board. ]

[ Use sharp illustrations to clarify. ]

[ Get some indication from group that these are basic, and that they are what all of us want. ]

[ Brief discussion to insure understanding that we now have these – and they mean something to all of us. ]

[ Ask, “Which of these can we do as well without?” ]

[ Do not belabor these. ]

[ Write in first column: ]

---

Now in United States

Private Ownership of property

Individual freedom to choose for ourselves from a large number of goods and services; and opportunity

Volume production of goods

Open competition for customer’s dollar

A profit incentive

Use of tools rather than human effort

High wages to support a high standard of living

Private savings for our use in investment, education, travel, or comfort and amusement.

Some government regulations to insure:

- a. Freedom not becoming license
  - b. Competition not becoming unfair or monopolist
- 

(4 min.)

Now most of us know that there are many people and forces among us who wish to change or eliminate some or all of these concepts. Some of these changes you may agree with; others you may oppose. But let us look at some of them.

[ Illustrate with examples as each is put on board or get examples from group.

[ Get discussion enough to assure understanding that these are areas of change – some probably good – some probably bad for our economy. ]

[ Ask after listing all six items, “Which of these if extended will affect the items in first column?” ]

[ What items might be affected?” ]

[ Check those items which the group say might be unfavorable. ]

[ Again, do not belabor these. ]

[ Write in second column: ]

---

#### Changes Clearly Indicated

1. Ever increasing taxes
  - Direct
  - Indirect
2. Global participation
  - Economic

Political

Military

3. Deficit spending by governments

Growing national debt

4. Centralized planning by government

Controls – subsidies

Manpower allocations

Price and wage fixing

5. Excessive regulation of competition

Restraint on size alone

Fair trade practices

A & P law suits, etc.

6. Government in competition with industries

Electric power

T.V.A., etc.

Loans to business

Housing, etc.

---

Now some of these you say may be good changes; some not so good. No one can decide for you – but, your own decision about these changes can be of the utmost importance to you and to our American way of life.

(5 min.)

Do the features in these two lists directly affect you own daily living?

Why?

They can affect your individual security, prosperity, convenience and comfort.

Now this is not new or startling to any of us. We have been aware of these changes because both supporters and opponents have been busy telling their story.

We have:

[ Again illustrate with sharp examples as each is written. ]

[ Ask, "What effect does this have on you?" ]

[ Discuss briefly to assure that the picture is confused and that many of us suspect a "motive" behind the activity. ]

[ We are not at ease with all of this conflict. ]

[ Write in third column: ]

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Conflicting Activities

Lectures and speeches

Books and pamphlets

Texts on economics both deep and shallow

Advertising programs

Floods of statistics and figures proving everything

Forums of all kinds – in person and "on the air"

Political activity and slogans by the score

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\*As a result we find individual confusion. Do we as individuals want to

\*see these items in column one preserved, or destroyed?

\*Are the trends mentioned in column two growing or diminishing?

[ Get expressions from group. ]

\* Do we as individuals have a “stake” in keeping the means through  
\*which we have secured the “most goods for the greatest number”  
\*continued and strengthened?

Who is it that gives the lectures, writes the books, makes the speeches?  
For the most part professional people:

Educators

Clergymen

Political leaders

Labor leaders

Industrial leaders

And who reads the books, listens to the speeches or lectures? Clearly  
those who are already interested and informed, or opponents of the idea  
who intend to dispute or disprove it.

These professional people can and do reach only a small portion of us  
with their story. Many times the story one tells contradicts that told by  
another.

So far the great number of farmers, workers, fathers, mothers and  
children have a confused picture of what is real and what is visionary in  
so far as they personally are concerned.

If a considerable number of us understand a clear simple story about how  
our system operates successfully and can tell others why, we all will be  
better able to judge more clearly what is good for us, or what is bad.

[ State that the group who have not been heard from are the employed  
people like ourselves. ]

[ Surely we cannot easily leave to our children, wives, and associates the  
task of sifting out the good from the bad all by themselves. ]

[ If we do not help to straighten out the thinking, someone else will  
continue to mislead. ]

[ Write in column 4: ]

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What Else Can Be Done?

We can develop a simple clear story of how our system really works, that will carry conviction to those who hear it.

It must be correct and easy to tell or explain.

Spread it where possible through:

Supervisors

Interested employees

Families

Acquaintances

Friends

“If I understand I can explain.”

---

30 min. to here [ Do we agree? Discuss briefly. ]

---

Allow 1 hr. The Basic Story

(5 min.) Let us look at it this way:

Your own child or an interested adult may ask, “Why is it that we have so much more here, than other countries have?”

What would be your answer, Mr. \_\_\_\_\_?

Does the group agree that the answer is clear?

[Try out this question with two or three in the group. Ask the group if the answers satisfy them. Without too much discussion state: ]

\*Obviously at this stage we are not too well satisfied with our answers.

\*This is natural enough, probably, because we have not had time to

\*work out a satisfactory one.

[ Do not press for specific details at this stage. Discuss enough to get agreement that we should have a clear simple explanation. Ask such questions as:

\*Do you see any situations where having such an answer would be advantageous?

\*Should the answer given by each of us be based on the same factors?

\*Will it be worth while for us to try to develop one for our use?

Let us begin to set up our answers with basic simple facts that apply to any economy.

We are thinking about material welfare only – not spiritual or ethical or social problems.

We know that these other features are important, but taking one step at a time we are seeking an answer to:

By what combination do we have in the United States

The standard of living we have?

The wide variety of goods and services available?

The luxury items available to so many people?

Interest in this subject has been growing in the past several years and some very clear thinking has come out of this interest.

Probably the easiest to understand and the soundest has come out of the work done by Mr. Fred G. Clark of the American Economic Foundation and his associates.

He puts forward a formula with which most of you are familiar, which is stated in this fashion:

$$MMW = NR + HE \times T$$

[ Put Clark Formula on top left side of board. While writing, explain it. ]

This simply means that all our material needs come from or are equal to the available natural resources, plus human energy, applied to changing their location, form, or condition, multiplied by the availability of tools to make the work easier to do.

This was true in primitive times – is true now – and will remain true as long as man has to live by the sweat of his own brow.

[ Draw out interpretations by questions. ]

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MMW	=	NR	+	HE	x	T
Food		<u>Raw</u>		<u>Work:</u>		Machinery
Clothing		<u>Materials</u>		manual		Hand tools
Shelter		forests		mental		Buildings
Comfort		minerals				Equipment
		oil				Transportation
		water power				Farm land,
		air				etc.
		land				
		etc.				

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[ Discuss and define tools until a time comes for a definition. Write on board when accepted. ]

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Tools are all the things used by man in changing the form, condition, or location of resources to aid in improving material wealth.

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\*We make use of tools to a much greater extent than do the people in any  
\*other form of economy.

Do you agree?

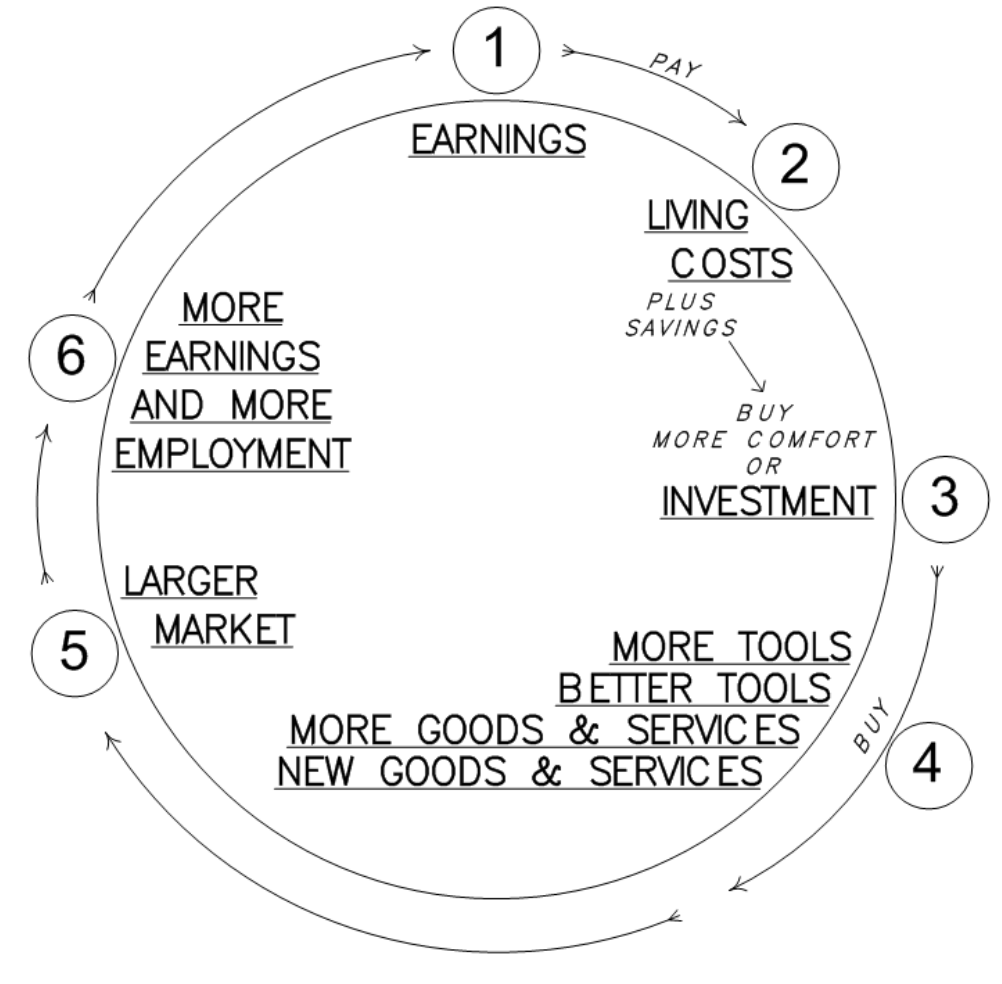
Can you give some examples?

[ Get a few illustrations and stress that this part is important because it is the  
basis of our economy. ]

Well, how does that formula relate to my work and to my needs? Basically, I  
work to provide shelter, food, and clothing and comfort for myself and my  
family. We do realize that we must work to get them, and having got them,  
must work to hang onto them or improve them.

[ Develop Cycle Diagram on board, and present fully. ]

# Cycle of Our Expanding Economy



## Cycle of Our Expanding Economy

1. Our system is based on high earnings – higher for individuals than any other system offers.
2. Out of our earnings must come the cost of living. Each of us sets the standard for ourselves and there is no limitation on it except as our earnings limit it.

We are not content with paying only for living costs. We want more than a subsistence.

Our earnings must also provide for some savings.

These savings can be used for buying more comfort, better housing, clothing comfort, etc. – or for –

3. Investment. Whether I personally buy insurance, put cash into property or a bank, buy industrial bonds or stock, the intention is to add to my total earnings.
4. This invested money is used to buy or build better tools – more of the same kind, newer equipment, etc. in order to produce:  
More and better goods and services.  
Develop and market entirely new goods and services.
5. These new products or services plus the increased amount of established goods and services result in more and more goods and services available in the market, wider distribution, quicker delivery, better servicing and improved quality – hence a larger market.
6. A larger market means more people put to work both in plants and stores and transportation and servicing – hence more new earning power, as well as sustained earning power of those previously working. And back to the expanding cycle.

This expanding cycle is why we have in the United States a constantly growing economy. Why we have available and can buy things which make our standard of living the envy of the world.

This is not true of many other economic systems in other countries. Many countries have high income or earnings for a few. Our system is based on high earnings for all, proportionate to personal capacity, opportunity, and ability and willingness to invest in the system.

In our system there are only two place where earnings may be spent: improved living conditions or investment.

This is true of individuals, of partnerships, or of corporations.

We have all seen the improvement in working conditions in industry over the years. We now expect as a matter of course, surroundings, equipment and facilities which fifty years ago were unheard of. We confidently expect this “improved living condition” for workers to continue. We also expect to enjoy a continuing high standard of living for our families.

Earnings “plowed” back into the business, just like “plowing” back our own earnings individually, make it possible not only to hold what we have buy also to expand.

We have set down then as one foundation of our system, that of individual freedom of choice. This means more to our cycle than the words by themselves would imply.

In our economy I, as an individual, can within some limits, and depending on my own ability, determine what I shall do with what I earn.

Of course, I am aware that the working of our whole economic system has something to do with what I get, how and when I get it, and for how long a period these may be assured for me.

I think most of us will also agree that an understanding of what these basic features are can well be the key to continuing the material prosperity of all of us.

We have seen that investment buys more tools. Who pays for them eventually?

[ Discuss briefly. ]

Knowledge that the customer will pay for the use and the wearing out of better tools induces men to acquire better tools.

What will result if the customer refuses to pay?

Are we all customers of each other?

When the tool situation has reached a point where all workers are nearly equal in productive capacity, man's own ingenuity devises either better tools or different goods or services in order to make better exchanges for these things which he requires but cannot supply for himself.

This is competition, which, as we said, is a basic feature in our economy.

\*The competition among those who produce goods and services, if on a free basis, is a regulator of price, quality and of availability.

[ OPTIONAL MATERIAL ]

[ The Inter-relation of the Basic Features ]

[ Use only if necessary to clarify. If this is not found necessary, omit. Take up at "Let us make a pattern" page XX if omitted. ]

The economic system under which we work is made up of inter-related features. We find it running something like this:

We all look at the system as it affects us as individuals, and as individuals we work as part of the system.

We know that human effort is multiplied and made much more effective through the use of tools.

We know that where there are many tool users there is more production of goods and services.

We know that the different goods and services produced must be exchanged. Thus, we have a market which can be changed by the customers' willingness or ability to buy or exchange.

We know that in the market there is competition based on quality, price, and availability of goods and services.

We know that the availability of tools does provide employment for many others besides the tool owners.

Earnings from employment must buy necessities and comforts and leave a margin for savings.

We realize that ownership means investment of savings on somebody's part.

We are equally certain that those who invest in tools expect to profit by providing the tools.

(30 min.)

\* Let us make a little pattern for ourselves to follow.

- Realize that we have in the cycle a simple story to tell;
- One which is easy to understand and does not call for exceptional skill, learning, or study to grasp.

[ Check with group. ]

All the ideas, claims, and dreams of a material Utopia are a nothing compared to the effective use of tools – the willingness to produce abundant goods and services for which there is a market, or for which a market can be created.

When considering any circumstances, proposals, or criticisms of our system remember:

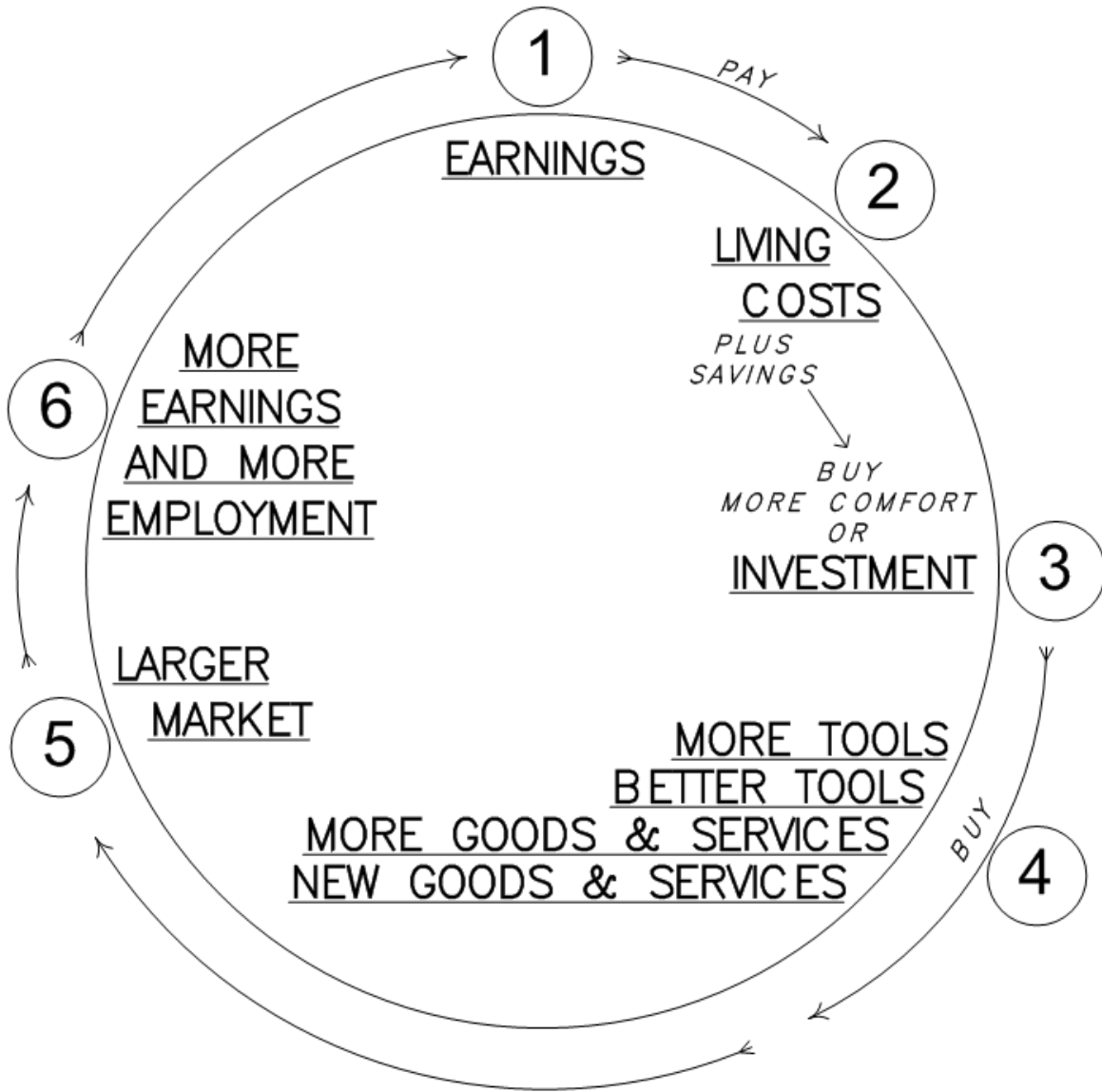
- A. Our system is one of individual freedom to choose.
  - B. We have a wide choice in goods and services because:
    1. We use tools to a greater degree than others, thereby:
      - a. Increasing volume of goods and services.
      - b. Lowering price plus raising quality.
      - c. Providing more work opportunities.
    2. Open competition in the market does regulate:
      - a. Quantity.
      - b. Quality.
      - c. Price of these goods and services.
    3. The customer, who pays for everything, is willing and able to pay for maintaining constantly improved tools.
    4. There are private savings over and above individual needs which will be risked in tooling up to produce newer or more effective goods and services at a profit.
- We must remember that the American system is the exact opposite of collectivistic arguments which are always put forth as involving the “welfare” of the people.
  - Our statements must be so simple that they up-root whatever may be claimed for collectivism or any other ism as it effects the welfare of all of us here in the United States.

- Have we a good beginning in our cycle to explain our system?
- We must remember that most of us are very apt to accept and follow bad practices if they are carefully enough concealed with what appear at least to be good intentions. Let us begin to look beyond stated intentions, and measure any proposal against a basic consideration of what our system achieves.
- Now let us practice telling this story.

[ Have each tell the story in answer to the question: "What makes us so successful in having material things." ]

[ Pass out cards for Session I. ]

[ Close. ]



Job Economics Training  
Session II  
What the Profit Motive is and How it Works

Allow 10 min.

Review

[ Quickly put the Cycle Diagram on board and stress the features which characterize the American economic way of life. ]

[ Make sure the group realizes:

That these factors are basic:

- a) Individual freedom of choice.
- b) Increased production through the effective use of tools.
- c) Wide range development of goods and services on a competitive basis.
- d) Free competition as a regulator of price and quality.
- e) Venture capital to invest in industry with some expectation to profit by its earnings.

That the development and effective use of new or better tools is the key to our economic welfare.

That open competition for the customer's dollar assures a wide range of goods from which to choose and regulates both price and quantity. ]

10 min. to here.

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Allow 20 min.

Ownership of tools

(5 min.)

Ownership of tools offers an opportunity to provide work for other individuals as well as the owner, but some exchange value in other goods or services is expected by the individual.

[ Give examples ]

As tools improve both in number and complexity, the cost increases and ownership is often shared.

In order to procure these tools, several individuals go without some goods or services in order to secure the necessary tools.

[ Write on board, discussing each as written: ]

[ Individual owners ]

(Illustrations and examples)

[ Partnerships ]

(Illustrations and examples)

[ Corporations – Stock Ownership ]

(Crystallize illustrations and examples as being ownership, with risks and possible profit)

Since tools can only be acquired by someone sacrificing to accumulate them, those who own or provide tools have a legitimate claim to some benefit from their use. Tools wear out or become obsolete and their upkeep and replacement are a basic factor in the operation of a business.

Is this true?

[ Get brief examples. ]

Joint ownership of tools, regardless of the amount, is a capital investment and as such can be used wisely or unwisely, as determined by the owners.

(5 min.)

There is, in our system, a surprising ratio of number of owners to those who are given work through this ownership.

There are roughly 50 to 75 million owners who provided work for 20 to 25 million others who are not owners, as well as for themselves.

In this presentation there is no bias for or against any system of ownership either public or private. The attempt to make such a distinction is often a bone of contention when discussing ownership.

[ Discuss briefly. ]

Ownership involves risks. Money or other values which are put into improved tools can be looked at as venture capital.

[ Ask for a few examples. ]

Our economic system rests on the foundation that private ownership either by individuals or groups of individuals does four important things which other kinds of systems do not do as well.

[Write on board, discussing briefly point 1 and getting examples of points 2 and 3. ]

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### Private Ownership

1. Stimulates competition for exchange values in the market.
2. Stimulates initiative for innovations and research in production of new goods and services.
3. Demands better management within the group and an even balance in exchange values as between various goods and services.
4. Insures the survival of only properly integrated groups, and the discontinuance of those not properly integrated.

But – ownership by itself confers no short cuts, no magic formula in any system. The possibilities of different forms of ownership have been tried out. All prove that only by balancing the values of goods and services produced can any system live.

Anyone who has bought industrial stocks or bonds, who has paid life insurance premiums, or has money in the bank is a co-owner of tools for producing goods and services. Hence, he shares in the advantage of ownership and in the risks of ownership as part of the United States economic system.

The accumulation of tools and their constant improvement and the widened scope of their use, have to that degree opened still wider the field for employment on the part of those who do not own tools, as we see by our Cycle Diagram.

[ Stress: ]

- \* Employment depends on the availability of tools, the availability
- \* of some form of natural resource, and the fact that the goods
- \* and services when produced can be successfully marketed.

(10 min.)

[ In raising the following questions, do not prolong discussion. Make the presentation yourself up to the point of asking, "Do we agree?" ]

We might raise the question, "Where does employment come from?" Again, there is much confusion that has resulted from the fact that managers of businesses are loosely referred to as employers.

This mistake leads to incorrect conclusions that, first, such business managers create employment, and second, they fix labor payments. This mistake also hides the fact that it is the customer who first creates and maintains employment through his purchases, and second, the customer fixes the labor payment by the amount he is willing and able to pay for goods and services.

Do we agree?

Sumner Slichter, the Harvard Economist, recently made these pointed observations:

"Decentralization of 'decision making' is the chief characteristic of our American economy. It means that the amount of product and the kind are determined by millions of consumers – not by any Government officials (or by any individual business executives). This gives opportunity to small minorities, often a minority of one. One man who develops an idea has only persuade one enterprise in the industry that his idea is worth trying out, and that idea will be tested. If it works, the entire industry will soon be using it."

Can we think of some ideas of such an individual?

[ Get answers like: frozen foods, nylon, diesel engines, television, Laundromats, etc. ]

Why were these new products developed? Obviously someone expected to gain.

[ Discuss briefly to open the subject: What is PROFIT? ]

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Allow 1 hr.  
(10 min.)

## WHAT IS PROFIT?

Probably the most misunderstood and misused word in our economic system is the meaning that is generally applied to the term "profit."

Let us say to begin with we can safely consider that "profit" is the payment made to tool owners for the use of the owners' tools. The tools themselves have been provided by the owners' self-denial through not using income entirely on shelter, food, clothes, comfort or amusement.

[ Ask for examples. ]

\* Can you think of someone who did deny himself to get tools?

When the costs of the tools and the cost of using them are considered on an individual basis, it is easy to see the legitimate claim that can be had for the owner benefiting through his sacrifice in securing the tools.

When we look at the profit in a small area, it is not hard to realize that there is a motive of personal gain that induces people to make the necessary sacrifice, and take the risk.

Many people who agree with this explanation refuse to accept it as being the complete answer. The claim is made that either the production itself, or the return on the tools of production is improperly distributed. The claim is often made that there is such unequal distribution of earnings that our system is in need of drastic adjustment.

[ Discuss to get the feeling of members. ]

What do we think about this?

Some figures taken from a study of such distribution, made by the Bureau of Economic Research of the University of Notre Dame, indicated:

[ Stress: ]

They separated all incomes into two groups:

- a) Those getting below \$5000 a year.
- b) Those getting \$5000 and above a year.

The distribution was as follows:

[ Read the items in the table, Do not put on board. ]

[ State that figures are tricky, and due allowance must be made for the difference of number in each group. ]

(5 min.)

Incomes of \$5000 & below	87%	84%	69%	83%	90%
On a national basis	% of national income	Wages & salaries paid	Interest & dividends reserved	Rents collected	% of national income after taxes
Incomes above \$5000	13%	16%	31%	17%	10%

Some of these figures we might well expect to show these percentages, others may be a surprise.

The percentage of national income going to the lower income group is not surprising – 87%.

The percentage of wages and salaries is also not surprising – 84%.

But, the percentage of interest and dividends – 69% - is surprising. Most of us think that the higher income group get the interest and dividends.

Also the percentage of rents collected – 83% - is a distinct surprise. Most of us think of the landlord as being a large income person.

(5 min.)

If viewed from this angle, there is fair evidence that the distribution is not as one-sided as would appear.

[ Discuss briefly. ]

If we stick to the definition of “profit” being “that part of the selling price used to pay the owners of the tools for the use of the tools.” we can successfully maintain that it is a cost that can never be eliminated by any tool using society.

(10 min.)

The question which seems to bother us most is whether or not the large corporations make too large a profit, and generally this is accompanied with a parallel thought that if they do make great profits, they must be taking something from me and others who should get more benefit from the system.

So let's take a look at the factors which make corporation profits necessary.

One of the needs that a corporation must provide for is having the means which permit them to get the tools that they need to use.

Another is to actually produce and market a product or service which customers will buy.

As a result, a corporation to accomplish these, offers individuals who have savings to invest, securities, and in exchange for these values, the corporation will pay dividends for the use of these savings.

[ Write on board: ]

---

PROFIT IS THAT PART OF THE SELLING PRICE USED TO PAY FOR THE USE OF THE TOOLS, AND THIS PAYMENT MUST BE MADE TO THE OWNERS OF THE TOOLS.

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In the minds of most people, the dividends so paid are not considered to high because over a long period of time the returns on such investments are generally known to have been about 4% to 6% a year. I don't think anyone claims this to be excessive.

Even if the tools are owned by a government or by a community-sharing of ownership, the cost of using these tools must be paid for and is paid for in the price paid for the goods and services.

Let's set down a little pattern for comparison.

[ Display chart No. 1 – The Family Financial Statement – leaving space to the right for putting in items on page 33. Explain that no figures were included because of the wide difference in financial circumstances among families. Suggest that each pick out the figures that seem best to him, either as applied to his own situation or to someone of whom he has definite knowledge. Point out the limited source of income and the number of items of which it must take care. ]

In your family accounting, you have to come out with a balanced accounting. Even if you are in the red, you have accounted for everything, but the financial condition is out of balance. You may deplore it, but you do understand the situation. If it turns out that you are in the red, you are the final judge of what course to follow to get back into the black. You will determine what to do about it:

whether to make an attempt to increase the income, to decrease the outlay, or both.

[ Discuss briefly. ]

If you come out in the black, that is, with something left over, you immediately begin to plan what to do about it – whether to: increase the savings account (which is deferred spending); put it into bettering the living standards, better housing, new equipment, etc.

[ Discuss briefly. ]

If you happen to be an employed worker for an industrial company, most of the income you have must come from your work with that company.

Is this true?

Is this vital?

Have you a stake in that company?

Is there any source on which you can rely for your income other than good business conditions and a prosperous economy?

[ Not too much discussion on this, but enough to make certain by crystallizing it, that the family statement represents the basis on which the determination of how much to spend and on what to spend it, must rest. Also, that the source of income is primarily what the worker's time is worth in money value as evidenced by the contribution he makes to the industrial company. ]

So we see that as a wage earner we are vitally concerned with:

[ Write on board at side of Household Budget: ]

---

1. The maximum income we can get.
  2. Some assurance of continuity in getting this regularly to meet expenses that are plainly foreseen.
  3. Opportunity to put some savings into a form of investment.
  4. Some assurance that future emergencies which may be faced will be successfully met without our going completely broke.
  5. Some assurance that at the time of retirement from active work there will be some kind of income, and we will not be objects of charity.
- 

Assuming that these are sound views for most of us, do we find that some families of equal income get more from that income than others do?

[ Ask for examples and illustrations. ]

To what do we ascribe this faculty of making a dollar go farther or of buying more profitable items in running a home?

MANAGEMENT.

Is there anything fundamentally wrong with good management?

[ Permit discussion enough to make certain that good management is in itself advantageous to everybody in industry. ]

Now let us look at a corporation.

(10 min.)

[Display chart No. 2, which is a simplified account of a company. Again leave space to right of it for items on next page. Point out the comparative income and outgo.

In the case of the group or corporation ownership, if the accounting comes out in the red, several somebodies want to know why, including its employees. They want to understand what makes the balance a minus one.

Several people have to determine what to do, whether to increase the income through some means or other, or to decrease

the outgo by some means or other, or to do both. Just the same as in a family.

Again, if the company comes out in the black, it must plan on what to do with the favorable balance: whether to increase the investment fund, improve the property or equipment, improve the operating standards, improve wages and working conditions, get more business by new products or services, etc. Just the same as in a family.

Since good results in business are due to having people able to pay the market price for the products, the company must think of you, its employees, and all others, as customers. It must give you, as a customer, as much value for the dollar as is possible and still remain solvent.

What a company is concerned with:

[ Put on board at side of Chart #2: ]

- 
1. Getting its full share of purchasers for its products.
  2. Some assurance that this share of the public will continue to buy from them in the future.
  3. Some opportunity to make some forms of investment or carry on research which will give a satisfactory return.
  4. Assurances that the company will be prepared to meet future changes or emergencies without going completely broke.
  5. Some assurance that the company will be able to continue its activity well beyond the life span of any of its owners or employees.

(20 min.)

---

As in the case of the family, we find some companies which have the same income as others, who go broke.

[ Ask for examples and illustrations of such companies. ]

Doesn't the same managing skill which worked in the family apply in business companies?

[ Discuss why some business companies go to the wall and why some others continue to operate successfully decade after decade. ]

[ State as a conclusion and crystallize on board: ]

---

There is no basic difference economically between the things that work well for a family and those that work well for a company.

---

If according to Notre Dame figures, everyone is now receiving a fair share of the national income, how may those not receiving enough get more?

Would leveling off incomes until everyone got the same amount satisfy you?

Where do the huge sums shown in financial statements as surplus really go? Does our Cycle Diagram give us a lead to the answer?

[ Discuss. ]

Do we really believe there is a wad of money being held by corporations that should be divided?

If we do not believe this, what can we do about helping cure the widely accepted idea that there is such a pot of money?

[ Use board and list viewpoints of individuals. List all that are offered. ]

[ Then ask: "Of all these, which can be really used by us in our daily activities? ]

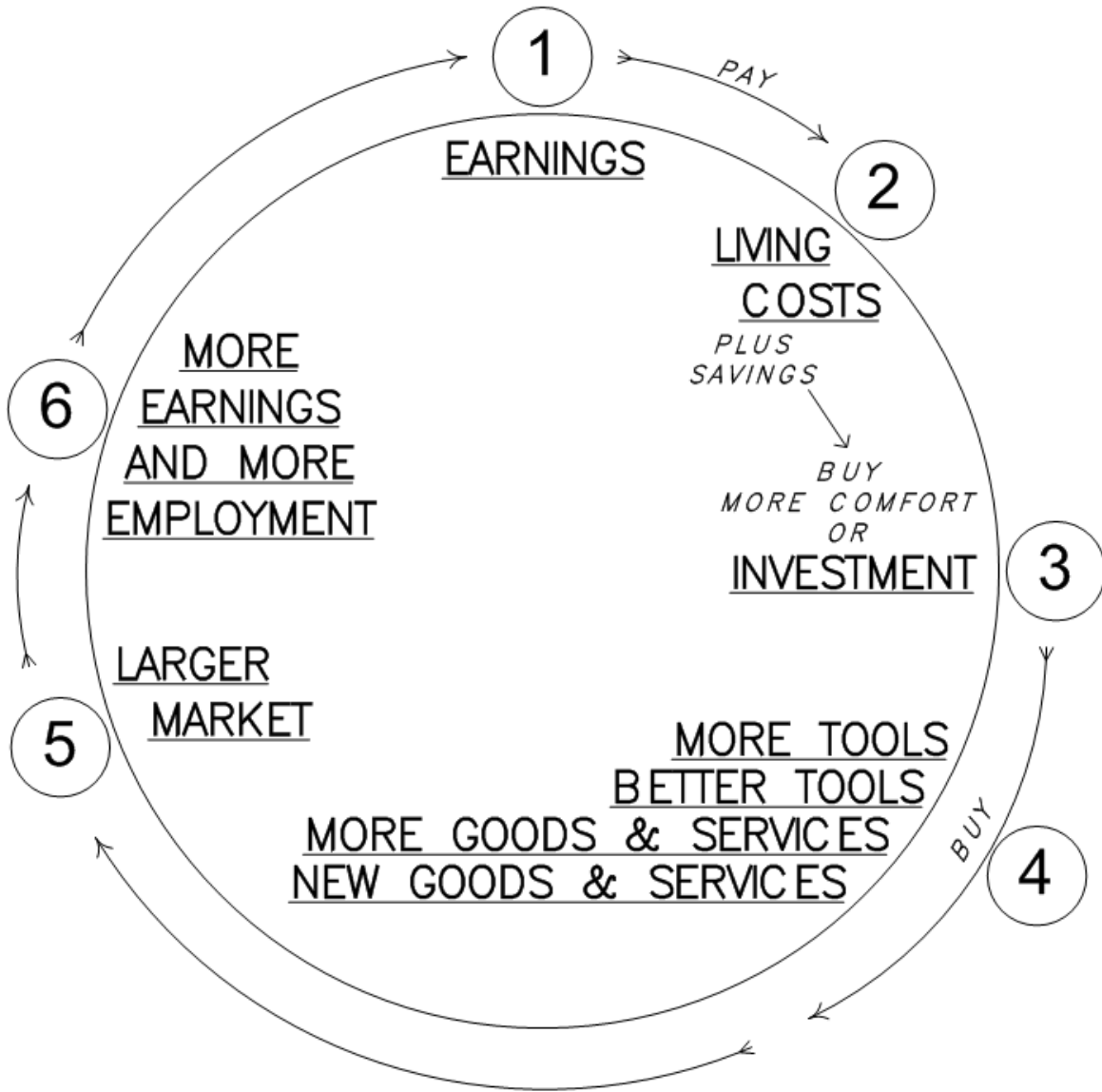
Can we use the cycle and household comparison?

[ Distribute cards for Session II. ]

[ Crystallize into agreement to try this thinking out, beginning now. ]

1 hr. 30 min. to here

[ Close. ]



## Job Economics Training

### Session III

#### What Buying Power Is and How it Works

---

Allow 5 min.      REVIEW

[ Quickly present the Cycle Diagram on blackboard. ]

[ Select the area which covers buying power as an opening for this session. ]

Allow 5 min. to here [ LIVING COSTS – INVESTMENTS – MARKET ]

---

Allow 25 min.      EXCHANGING GOODS AND SERVICES

Our present system came from the need to meet individual demands for goods and services, by exchanging our goods or services for goods and services produced by other individuals.

We know that the development and use of better tools produced more and more goods and services at a lower cost and improved quality.

This encourages individuals and groups to specialize in work. Knowing that other specialists will provide those goods or services the individual cannot produce for himself, makes us customers of each other.

What specialists can we name? Check briefly.

All of us are specialists.

Of necessity there must be a reasonably stable balance between the goods and services produced by all specialists to make this work out well.

To continue this balance of production, this exchange of goods and services must be carried out easily.

If these exchanges are not carried out and the balance is disturbed, then some specialists will lose the chance to produce their special products. This lack of opportunity to produce can be called unemployment – a break in the cycle.

[ Put on blackboard: ]

---

There are only two causes for this unbalance:

- a) Customers are UNWILLING to trade or exchange.
  - b) Customer are UNABLE to trade or exchange.
- 

When customers are able and willing to trade, it means plenty of goods and services in reasonable balance. This permits a wider choice being made between the goods and services available and underlies the so-called law of supply and demand.

Let us use a diagram published in 1948 by William Johnson:

[ Develop diagram on following pages as you proceed. Cover the block – SUPPLY first – then DEMAND – before drawing – BALANCE LINE. ]

Supply is the amount of goods and services in the market.

It is possible for the supply to:

Increase

Or

Decrease

Or

Stay the same,

Demand is the amount of buying power in the market.

It is possible for the purchasing power to:

Increase

Or

Decrease

Or

Stay the same.

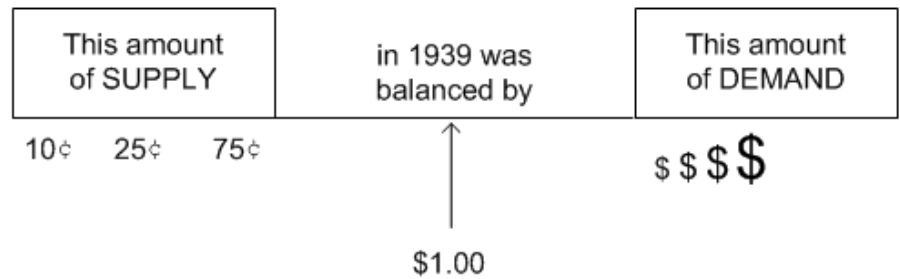
Together, supply and demand determine prices.

Price is the amount of buying power to be traded for goods and services.

[ Begin putting in price figures as shown. ]

In 1939 (when hardly anyone was talking about high prices):

[Put on blackboard. ]

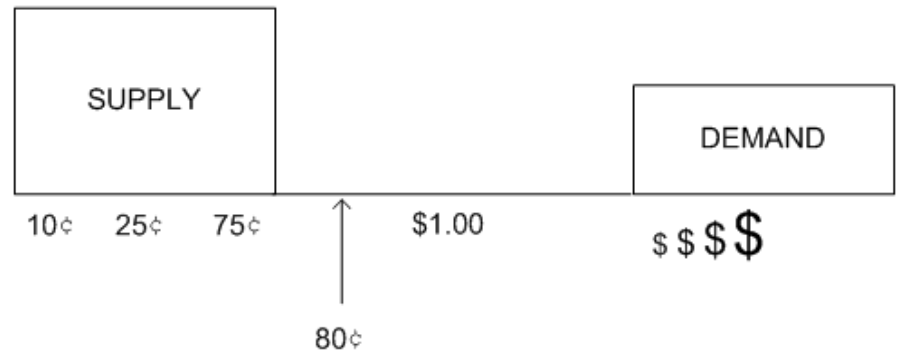


Let us say the price of \$1.00

---

In later years the picture could be the same. However, if supply had increased more than demand:

[Put on blackboard.]

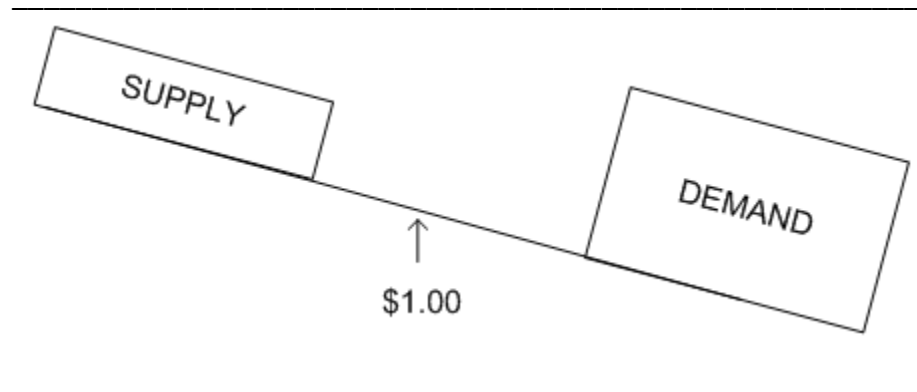


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This would make the prices drop down the scale to keep a balance.

If demand increased more than supply, without a change in price (as in price control):

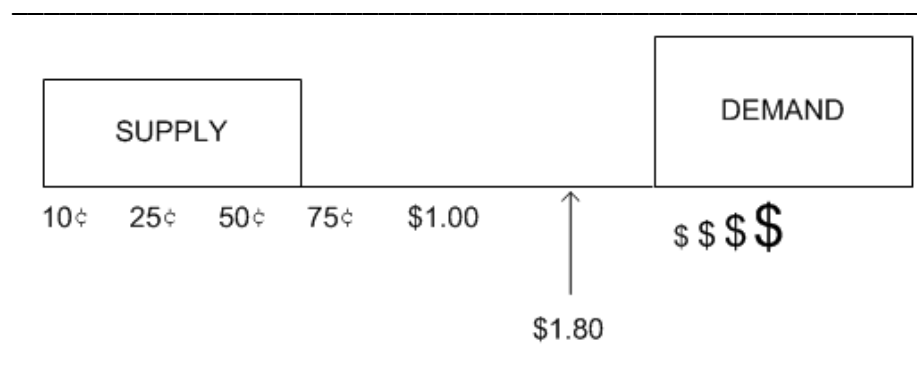
[ Put on blackboard. ]



This puts the exchange out of balance and upsets the market.

In 1949 none of these things happened. Instead, supply had grown by two-fifths, but demand increased by 2 ½ times its 1939 size.

[ Put on blackboard. ]



To balance the market, prices moved up from \$1.00 to \$1.80. Thus, we have higher prices.

If prices are to back down to a point where no one (hardly ever) talks about them:

This amount of goods and services must catch up with the amount of purchasing power (money) in the market.

[ Put on blackboard. ]



Or

The amount of purchasing power (money) must be reduced to equal the amount of goods and services.

The amount of goods and services on the market is regulated by America's workers and the tools they use.

We are now at the highest production for peacetime period.

Supply can be increased further by producing more during a working day – America's way to offset increased demand (purchasing power).

[ Discuss situations where this applies. ]

- \* Goods short in supply or in very great demand may take a higher
- \* price level than those in great supply or with little demand.

[ Discuss briefly, Get examples. ]

When there is a choice among the goods or services produced by several specialized groups, there is competition between these groups to better meet the demand of customers.

[ Examples and illustrations. ]

Those who have secured some advantage in this exchange through quality, location, or price can expect a more satisfactory share in the exchange.

Those who have not such advantage either must secure the equivalent; induce exchange on some other basis, or seek for other goods or services to offer.

Competition is the natural climate of our system and is the chief factor in making better use of present tools, developing new tools, innovating uses for changed material products, increasing quality in goods, and offering even more specialized services.

\* The end result of competition is: to maintain or to increase the

\* exchange between these specialized groups – the customers.

As more and more specialized groups compete for their own share of the market, the owners of the tools recognize the need for sustained and consistent management to coordinate and direct the activities of those who produce goods; those who sell; and those who develop, safeguard, and replace the tools of production.

30 min to here

Thus, the further specialized manager becomes a factor in our system, in addition to other specialties.

---

Allow 30 min.

#### WHAT MANAGMENTS HAVE LEARNED

[ Present each separately and discuss briefly ]

\* They have learned that:

1. Human energy directed to getting better tools to use will decrease the unit cost of goods or services.

Is this true? Why?

2. Distinctive products or services can be trade-marked for identify, helping in exchange or selling market.

Can we name some?

3. Special tools, ideas or processes can be protected by patent, giving a competitive advantage.

Do we recognize what patents protect? How long they hold?

4. The good will of those who seek goods or services is a valuable advantage. This must be earned. It can be lost with a

corresponding loss in the number of those who want goods or services.

Can we recall circumstances where it was lost?

Where it was built up?

5. In order to continue in competition, some of the value – after exchange – must be used to maintain and replace tools, to develop newer uses for goods produced, to explore newer markets and to insure continuance of the group enterprise, as well as paying all the costs incurred.

Does this add to the purchasing power? How?

Does our Cycle Diagram point this out?

[ Discuss. ]

- \* Is profit as we define it part of the cost of operating?

[ Again define profit as payment for use of savings. ]

- \* Why do we compete?

[ Refer to comparison of budgets. Discuss. ]

6. When the balance of exchange is seriously disturbed, even the best managed group can become unemployed during the period of such disturbance.

- \* How about 1930?

[ Discuss briefly ]

- \* How about the future? Can it happen again?

Hence, all of use are constantly concerned with:

- a. COST OF PRODUCTION – which means the values put into producing goods and services.
- b. PRICE – which is the exchange value of goods and services in the market.
- c. STEADY WORK – assured earnings which even the flow of goods and services through the year.
- d. REPAIRS AND REPLACEMENTS - upkeep and safeguarding its tools.
- e. INNOVATIONS – search for better methods and processes.
- f. PROFIT – assuring the means to continue producing – covering (c), (d) and (e) above.
- g. PLANNING – foreseeing possible conditions both good and bad and getting ready for them.

1 hour to here

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Allow 30 min.

## WHAT WE ALL SHOULD KNOW

[ Find out what the group experiences are on some of these economic factors. Ask: ]

How many products can you recall that are not now being offered?

[ Discuss briefly. ]

How many new ventures can you name which were unheard of ten years ago?

[ Get list from group. ]

How did these get into our present picture?

[ Discuss the basic factors covered so far, and the application made of them. ]

Business management is a natural outgrowth where many specialized workers form the whole. It is not a fancy or frill – but a necessity.

Management did not develop the economic system.

It showed up as a need for keeping in balance the exchange of goods and services when unbalances or unemployment seriously threatened the over-all welfare.

Do we agree with these statements?

Let us consider a few factors which disturb many people:

\* Does a big corporation mean higher prices for its products?

[ Examples and illustrations. ]

Not size, but monopolistic action threatens purchasing power.

Monopolies are inherently against our system.

Why?

Because monopoly tends to stifle competition, to hold prices up, to protect itself rather than the economy.

[ Discuss each of the following questions briefly to crystallize. ]

Why do some say that if we save all our money, the economy will shrink?

Why do others say if we spend all we get on food, shelter, comfort and amusement, we will have a shrinking economy?

Is there a real need for having wages which permit a high living standard and yet allow something left over after the necessities of food, shelter, and clothing are bought?

Do we have individual freedom to use our income as we see fit?

Can we, by good management, make our income purchase more?

Can we do anything about correcting wrong impressions on these points?

What?

[ List on board the actions suggested – without too much discussion. ]

[ Write conclusion on blackboard. ]

---

Buying power is stimulated by these factors:

Steady employment

Acceptable prices

No scarcity of goods

Buying power in action is decreased by:

Uncertainty of employment

High prices for goods

Lack of faith in possible improvement of conditions

---

Every producer of goods and services is actively interested in stimulating buying power.

Do we agree?

Likewise, each producer fears a decrease in buying power.

Do we agree?

Providing more ready money does not always help.

[ Discuss. ]

Lack of understanding of how purchasing power operates often decreases it; sometimes throws it entirely out of gear.

[ Write on board: ]

---

Faith in ourselves and in our system can and does have a steadying effect on purchasing power.

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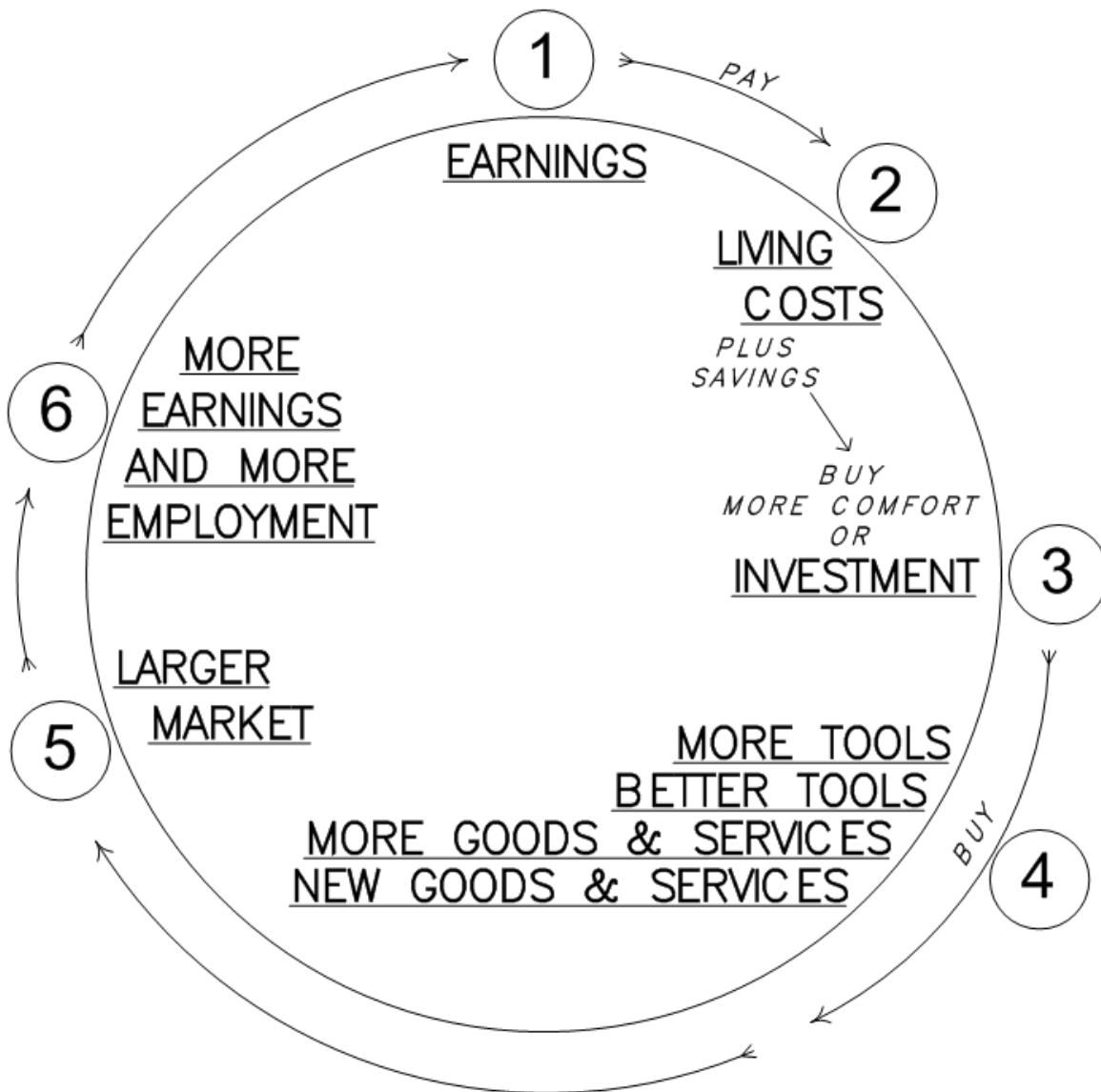
[ Distribute cards for Session III. ]

[ Ask several in the group how they will explain buying power and where it comes from, to others. ]

[ Close. ]

1 hr. 30 min to here

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## Job Economics Training

### Session IV

#### MONEY AS SUCH VS MATERIAL GOODS

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Allow 5 min.

#### REVIEW

[ Use Cycle Diagram and quickly indicate on it the fact that money as such does not appear.

#### BASIC EXCHANGE OF GOODS AND SERVICES

Without changing the natural state of things about him, man could not live.

He provides himself with food, shelter, and comfort by changing the form, condition, or placement of natural resources (forests, minerals, land).

He applies human energy (muscular or mental) to available natural resources with the aid of tools.

The quality and quantity of his human energy, his natural resources, and his tools determine the quality and quantity of goods and services man can produce.

These three things – human energy, natural resources, and tools – are the only things that determine the quality and quantity of goods and services man can produce.

\* You will notice particularly that money is not one of them.

The hundreds of technical, accounting, and legal terms applied to these three essentials of resources, energy, and tools do not alter the fact that they are the only things involved in producing goods and services – hence, they in combination, constitute wealth.

5 min. to here

Gold and money have been associated with wealth for so long that they are often mistaken for each other.

Allow 5 min.

#### MONEY INSTEAD OF BARTER

A man who lived his economic life by himself would have no need for money because he would not have to exchange anything with anybody. He would use or consume everything he produced.

Under any group system a man must exchange the things he produces with other men who produce goods or services which he needs, but does not produce.

\* If this exchange could be direct (that is, if a shoemaker could

\* exchange a pair of shoes for a hat), there would be no need for money.

Such a direct exchange is not practical in our present system, so there is need for some means of indirect exchange in order that actual goods and services can change hands without barrier.

[ Make sure that the group realizes that barter means physical transfer of goods. ]

- To make this indirect exchange, each man receives so much money
- (numbers labeled dollars on paper or coins) which serves as a receipt
- for his contribution to production.

[ Discuss briefly ]

These numbers on paper or coins, or figures in the form of written checks, pass from hand to hand in exchange for goods and services.

It must be remembered always that the paper or coin numbers and the checks are not the goods and services.

Allow 10 min. to here

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Allow 5 min.

#### LET US TAKE A LOOK AT GOLD AND MONEY

Gold in itself is not money. It is an attractive, durable, non-tarnishable metal, easily stored; and it is in such limited supply that it can be exchanged for almost anything its owner desires.

Over the years, man has sought to buy gold:

1. When he fears for the current or future value of his paper or coined money.

[ Ask for examples. ]

2. When he wants to buy goods from a country where his money is not acceptable, but gold is.

[ Ask for examples. ]

Over the years gold has had a unique position in relation to the goods and services desired by man. As a result, man wants a stock of gold as a guarantee held in trust by the institution that issues his coined or paper money.

There is only one "economic" difference between gold and other precious metals: in order to enable the holder of money to buy gold at a predetermined price (the gold standard), this price is fixed by law and does not change except by changes in the law. Gold is a sort of

15 min. to here

"sacred cow" among the world's goods and only partially subjected to

The price changes that normally affect other goods.

---

Allow 5 min.

#### WHAT MONEY OR GOLD IS NOT

[ Discuss each item briefly. ]

Money is not wealth. It cannot feed, clothe, or shelter mankind. In itself it brings no physical comfort.

Do we agree?

Money is not capital. The things used by man in the production of goods and services are capital – such things as land, buildings, machinery and tools, plus materials – not money.

[ Any examples? ]

Money has no fixed future value in terms of the goods and services it will buy. Money not spent at the time it is received may bring either more or less goods and services when spent for these later.

[ Examples ]

Money is not a fixed measure of quantity or quality in goods and services: a \$5,000 automobile in 1910 was inferior in all ways to an automobile at \$1,400 in 1940. Conversely, a house built for \$10,000 in 1910 was superior to the \$10,000 house of 1940 or 1950.

Do we agree?

Money is not a fixed claim against goods or services because the exchange depends upon the “willingness to exchange” by the owners of the goods and services with the holders of the money. Sometimes all the money in the world will not buy some specific article.

[ Examples ]

- \* Money in the United States is, since 1933, no longer a claim
- \* against gold when a claim is made for gold to protect the value
- \* of the money.

Modern money is only a receipt we hold between the time we give up something and the time we receive some other thing in its place.

20 min to here

[ Get agreement ]

---

Allow 10 min.

## THE AMOUNT OF MONEY NEEDED

The supply of printed pieces of paper or coined metal is not a measure of the well-being of a people in material welfare.

If dimes or quarters or nickels were used instead of dollars, there would be no change at all in the quantity or quality of the goods and services produced and exchanged.

The only change would be in the price tags put on the production. If a dime was used instead of a dollar, the price would be about 1/10 of the present price. If a quarter, then it would be ¼ of the present price, etc. On the other hand, if dollars were used instead of dimes, the price level would be ten times the present level.

[ Discuss briefly. ]

- \* All of us are aware of this, but not enough of us stop to think that any
- \* substantial increase or decrease in the money seeking goods and
- \* services makes a tremendous difference to every individual in the
- \* economy.

[ Discuss briefly ]

- \* If there is a decrease in the money supply, and the supply of goods
- \* and services remains unchanged – the money remaining GAINS in
- \* purchasing power (from the balance used in buying power).
- \* If the supply of money increases and the supply of goods and services
- \* remains the same – all money LOSES its purchasing power.

The attempt, never yet successful, to keep any form of government which issues money, from adding to the supply of money with no corresponding increase in goods and services is the age-old problem of thrifty people throughout the centuries.

## DOLLAR INCOME IS MEANINGLESS. LET US SEE WHY.

For centuries, many political leaders who make capital of social discontent to gain political influence, have convinced many people that more money means more goods. The honest politician who attempts to preserve the value of money is always at a disadvantage when competing with a “something for nothing” opponent.

Let us look at some figures which show that there is no relation between the dollar income and the physical income received by workers – all of us!

[ Do not put figures on blackboard. Use the table by reading the figure by year to stress by comparison the dollar income per individual in 1900 with dollar income in 1922 and 1945. ]

[ The unit of comfort goods is a measurement for comparison only, and indicates a growing living standard. Hence it is not as definite as pounds used in clothing and food. ]

[ Point out in presenting the figures by years that in 1917 changes in law permitted bank credit to be issued to government.

[ This is an important factor in thinking about later variations of the purchasing power of the dollar. ]

[ Stress particularly the difference between purchasing power in 1932 and 1945 against the year 1900. Call attention to the 1933 gold-standard abolition. ]

Year	Pounds of Food	Pounds of Clothing	Other Comfort Goods	Dollar Income
1900	3998	194	9456	555
1904	3710	182	12163	627
1912	3367	168	14223	890
1917	Law changed to permit bank credit to be issued to government			
1922	3917	166	17500	1328
1932	3911	156	10507	934
1933	The United States went off the gold standard.			
1940	3923	138	16531	1435
1945	3787	128	12084	2593

In 1900 we received more food and clothes for ourselves and family than we did in 1945, when our dollar income was five times as great, even though variety was limited.

We as workers did make progress between 1900 and 1945 in the amount of comfort goods, due to newer products, but as we can see, there is no relation between the amount of comfort goods and the dollar changes.

[ Discuss until sure group accepts the basic thought. ]

A complete consideration of the gold standard and its place in the economy is not within the time limits for these meetings, but as far as we citizens of the United States are concerned, its purpose is easy to comprehend.

- \* It is (or was) a device designed specifically to prevent the
- \* government and the banks from arbitrarily increasing the supply of
- \* money.

[ Discuss, to make sure that the group is not mistaking money for goods and services. ]

Under the gold standard, the supply of money is limited by the supply of gold, and if the people suspect that there is any “cheating” about this supply, they can (or could) present paper money and demand gold.

This is the best method yet devised to prevent a government from increasing, of and by itself, the supply of money.

Without the gold standard, money is worth whatever the government wants it to be worth, thus giving a government powerful control over the lives of its people through being able to control the “exchange value” of their labor and savings.

History shows that every dictator had first to abolish the gold standard before he could completely control the people.

- \* WHEN THE MONEY SUPPLY OF ANY NATION IS CONSTITUTIONALLY
- \* CONTROLLED BY THE PEOPLE, GOVERNMENT MUST REMAIN THE
- \* SERVANT OF THE PEOPLE.

30 min. to here

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Allow 10 min.      INFLATION – WHAT IS IT?

We hear much about this condition, most of which is true, but a lot of which is misleading. Since inflation (which means higher prices) is a very complex economic process and all of us feel its effect, it would seem that we must become students of economic science to understand fully where it starts, what feeds it, and how far it can go without wrecking us.

However, complicated as it is, it rests on a very simple principle.

For our purpose, let us try to deal only with the simple principle, which is:

- \* Any increase in the supply of money asking for goods and services
- \* without a corresponding increase in the supply of such goods and
- \* services always results in higher prices.

[ Refer back to the diagrams in Session III on purchasing power. ]

If this gap between the increase of money and the failure to increase goods and services is permanent, then the “inflation is permanent.”

If this gap is temporary, then the “inflation is temporary.”

Inflation is an inconvenience, but not a hardship to those who can promptly command higher wages or salaries to offset the higher prices.

[ Discuss briefly. Ask for examples. ]

Inflation is always a hardship to those not in the labor market and whose income is fixed, whether this income is from pension, bonds, savings, or life insurance.

[ Discuss briefly. Ask for examples. ]

It (inflation) is the Enemy # 1 of thrift and security.

When there is increasingly more money in circulation than goods and services for sale, no one can foretell what his savings will be able to buy.

40 min. to here [Ask for examples. ]

---

Allow 50 min. WHERE DOES MONEY COME FROM

(20 min.)

There are only two sources from which money with which to buy goods comes:

- A. Government, by regulation and direction, creates currency – paper and metal monies.
  
- B. Banks issue bank credit money.

The government, as we all know, makes paper and metal currency in such a way that attempts at counterfeiting or imitating it are extremely difficult.

All of us can appreciate what would happen if any great amount of currency was counterfeited. Such money would represent goods and services not produced, and hence would, as a result, make all money “worth” less.

As a result, we are concerned about having genuine currency and stamping and counterfeiting.

Paper and metal money only represents a small part of the total money supply of our nation. The bulk of it is made up of what we call bank credit.

Bank credit, which is seen only in the form of checks is created by checking account banks – not by the government.

In the year 1950, the supply of metal of bank credit money was about 154 billion dollars (more than five times the amount of currency.)

- \* Since bank credit overshadows all other forms of money, it is
- \* important that we understand how it comes into existence.

## CREDIT MONEY FOR INDIVIDUALS WITH COLLATERAL

At particular times business men, farmers, and others have a temporary need for funds to carry on their activities. Checking account banks are given the power to create new temporary money supplies.

The borrower usually pledges saleable property in excess of the value of the amount of the loan.

- \* The bank writes out and issues to the borrower a “deposit”
- \* which allows him to write checks which circulate as money.
- \* Thus, a stroke of the pen provides money with which to buy
- \* goods and services.

This bank credit issued to individual or to corporation adds to the money supply, but also adds to the volume of goods for sale since, if necessary, the bank can seize and sell the property pledged.

## BANK CREDIT TO THE GOVERNMENT

Bank credit is also created for the use of the government, but in this case the process is reversed. Instead of borrowing against something it owns, as in the case of an individual, the government borrows against other people's property.

When an individual places with the bank evidence of assets, the government places with the bank evidence of debt – BONDS.

- \* Bank credit issued to government is not balanced by any
- \* exchangeable property. It adds to the money supply without adding
- \* even remotely to the supply of marketable goods for sale.
- \* The creation of bank credit money on behalf of the government
- \* gets around the restriction of the gold standard, even when in
- \* operation, because the gold standard only prevents additions to
- \* currency, and bank credit money, although convertible into
- \* currency, is not in itself currency.

The extent of bank credit money issued on behalf of the government, compared with that issued to individuals or corporations, is self-explanatory:

In 1915, bank credit issued to government on a covered loan basis was 2.4 billion dollars.

In 1915, bank credit issued to individuals and corporations was 12.5 billion.

In 1944, bank credit to government was 119.2 billion.

In 1944, bank credit to individuals and corporations was 20.1 billion.

Bank credit money is supposed to have been created to meet temporary needs, for a special purpose, and is to be destroyed when the purpose has been accomplished.

This bank credit is destroyed by a stroke of a pen on the records of the bank, the same way it was created.

In the case of individuals or corporations, it is destroyed usually in a few months or within a year, certainly at some fixed time. This is generally true even if the borrower is unable or unwilling to repay the loan because the bank can usually recover the money by selling the property pledged as security.

- \* Thus, the bank credit issued to individuals or corporations is not a
- \* permanent addition to the money supply.
- \* However, bank credit issued to the government is seldom destroyed when
- \* the due date occurs because government is seldom willing to tax or borrow
- \* the equivalent amount of money from the people.
- \* Because government owns no property that can be seized and sold when \*
- \* the due date comes around, the bank has only a choice of two actions:
  1. Accept new bonds for the old ones.
  2. Accept paper money printed for the purpose.
- \* In choosing either of these courses of action, whether accepting new bonds
- \* or new paper money, the money supply of the nation retains all the added
- \* money represented by the original loan.
- \* The kind of bank credit becomes a permanent addition to the money
- \* supply.
- \* It is not equalized by additional goods and services, hence, cheapens the
- \* value of currency.

The foregoing statements as to government bank credit apply to any government, and have no bearing on the particular party in power.

Government secures its income from four sources:

[ Write on board: ]

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1. Taxing incomes, or goods and services.
  2. Persuading people to buy its bonds.
  3. Adding to the supply of bank credit money.
  4. Adding to the supply of currency.
- 

These are used in the order in which they are listed. As long as taxes cover the governmental budget, no bonds need to be sold; as long as taxes and bond purchases cover the budget, no bank credit money need be created.

Traditionally, the government does not add to the money supply until it is no longer able or willing to tax or borrow from the people a sufficient amount of the existing money to cover its budget.

A fact which may well have a bearing on the changed purchasing power of the dollar is that from the year 1787 until 1917 the issuance of bank credit money to the government was prohibited by law.

(30 min.) [ Carry on distributed discussion to crystallize by such questions as: ]

1. Just what is bank credit anyway?
2. Did the granting of permission for banks to issue credit to government have any effect on our buying power? Why?
3. What, in your judgment, was the effect of going off the gold standard in 1933?
4. What significance has the ratio of bank credit to the amount of currency in circulation?
5. How can you explain in simple terms why our dollar does not buy as much as it did even a few years ago?
6. How can we express in simple terms what causes inflation?
7. Does the money spent by rich people or corporations help or hinder our economic cycle?
8. What can you do to offset the belief that some industrial or labor leaders or the rich people purposely cause inflation?

[ Summarize on blackboard using short statements. Include such things as: ]



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Money or gold is not wealth; only tangible goods and services are real worth.

Money is only a receipt for services or goods produced, to be exchanged later for goods and services others produced.

When there is a decrease of money supply and the amount of goods and services remains unchanged, money gains in purchasing power.

When the supply of money is increased and the amount of goods and services remains unchanged, all money loses purchasing power.

Inflation means a gap in the balance between the amount of money asking for goods without a corresponding increase in the supply of goods and services.

Bank credit money issued to government adds to the amount of money asking for goods, without adding to the amount of goods and services; and this additional money is a permanent addition, regardless of the purpose for which it is used.

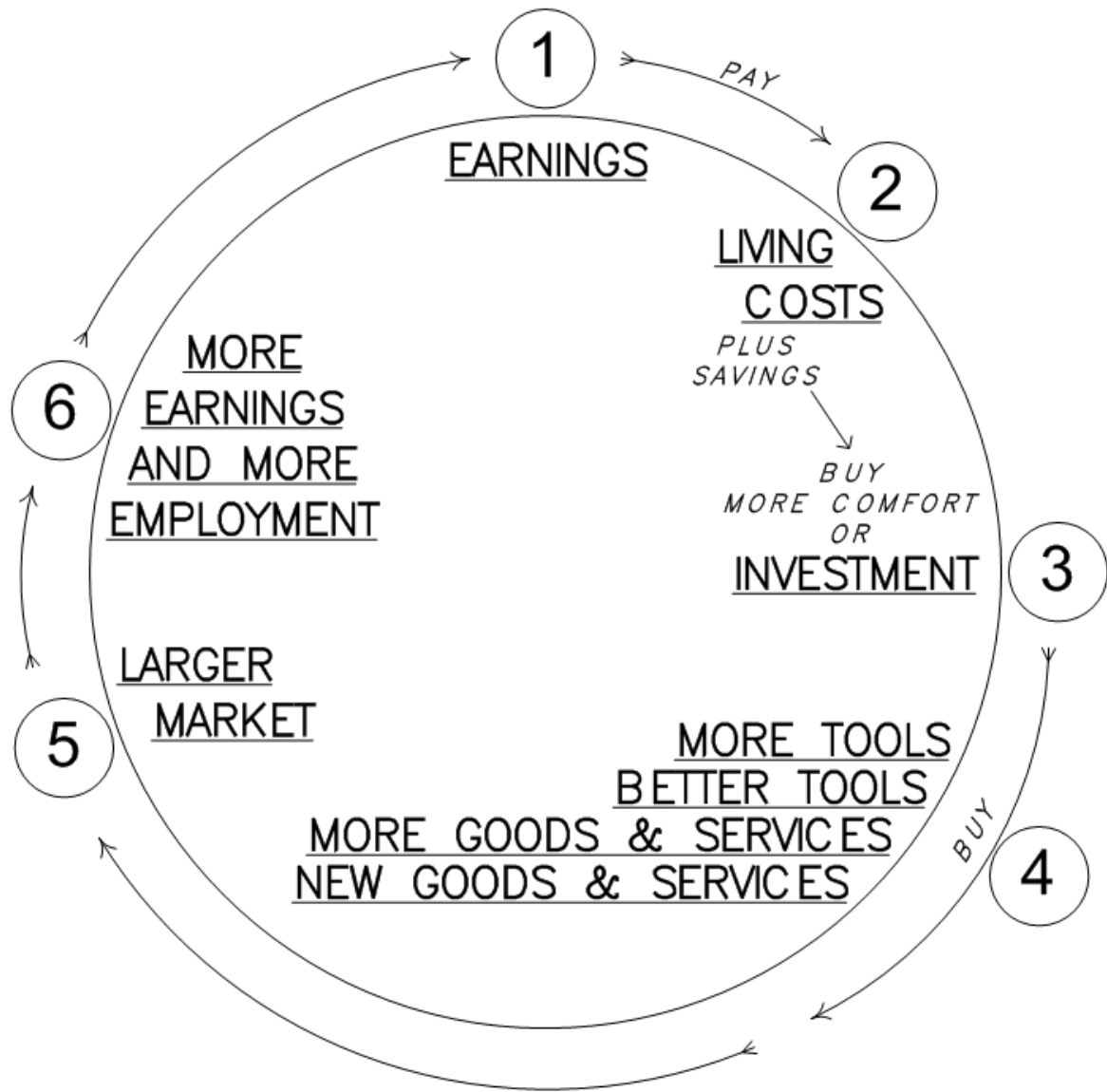
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[ Distribute cards for Session IV. ]

1hr. 30

min. here [ close. ]

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## Job Economics Training

### Session V

#### GOVERNMENT

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Allow 5 min.

#### REVIEW

[ Use cycle diagram. Review quickly. Indicate that there is no part of the cycle devoted to government action, even though we know that its activity is a factor. Hence, we must consider it. ]

5 min. to here

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Allow 25 min.

#### WHAT IS OUR GOVERNMENT?

(5 min.)

In many respects the use of the term “government” is as vague as the mysterious “they” which is applied to business management. So many of us in industrial life have been told, or assume, that “they” don’t want this, that, or the other; that “they” will only allow this or that amount of initiative on anyone’s part; that “they” keep a lot of secret information about future plans, and most of the profits from the rest of us.

In our own experience in industry we meet individuals, one at a time, whom we do recognize as having important positions – but these people are not the “they” so commonly referred to! Actually, few of us can say with any certainty, “There stand the people who are the ‘they’ in industry.”

[ Discuss briefly to reach agreement that such references are common and the persons referred to are hard to identify with certainty.]

Similarly, we frequently refer to or hear reference made in a like manner to government activity. The “government” should stop this, that, or the other kind of happenings. The “government” should provide this, that, or the other for the citizens. The “government” won’t let anyone do this, that, or the other; or, “let the government” do this, that, or the other.

- \* Do people often stop to think of just what they mean by “the government” when they make or consider statements like those mentioned?
- \* Probably few of us are, or ever will be, students of governmental procedures, organization, or administration.

- \* Yet, all of us know that somehow there is a force of government which does affect our economy, our social life, and our exercise of citizenship.
- \* Only a little thinking uncovers the fact that our “government” is made up of a great number of branches, bureaus, departments, and committees.
- \* These try to carry out, as representatives of the people, the activities necessary to safeguard our social, economic, and civic life as they see them and as the citizens as a whole support their efforts.
- \* In many specific situations conflicting orders, directions, and plans coming from separate branches will be found.

[ Ask for illustrations or examples. ]

- \* While this condition is confusing, irritating, and cumbersome, the founders of the government set it up in this manner by intentional design. The very way this setup operates is to provide checks and balances which prevent any agency seizing power or any group becoming a self-perpetuating dictatorship.
- \* When we say glibly, “The government should take some action,” just what branch do we mean? The Executive? The Legislative? The Judicial? Do we mean the Treasury Department? The Labor of the Commerce Department? The Interior? The State Department? Do we mean the Internal Revenue? The FBI? The MSA, or the AEC, or some combination of them?
- \* It is just as difficult to put our finger on the “government” as it is on the elusive “they” in industrial management.

[ Discuss for comparison with the “they” in industry. ]

We must remember that each department and branch has a functional area in which to work and they are not expected to be concerned in matters outside that function. This situation is in part the cause of the so-called “Washington run-around” about which so many complain.

It is not our intention to accuse or excuse the manner in which our government functions. It is our government and it has been set up in a way which leaves the people, and its representatives, freedom of expression, permits joint agreement in compromising differences, and offers opportunity to institute changes or even to amend the Constitution itself.

[ Ask for illustrative examples from group. ]

(20 min.)

The amount of time we can devote here to government activities will not permit any thorough study. All we can cover will be some basic considerations. Among these are a few facts which do have a bearing on our economic life.

[ Put on blackboard. ]

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The government is primarily a “service” organization – not a “producer of goods.”

Services cover:

Protection

Large scale conveniences

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[ Ask for and list on blackboard, examples of each, looking for such items as:

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Army, Navy, Air Force

Public Buildings

River and Harbor Work

National Highways

Reforestation

Bridges

Soil Conservation

Postal Service, etc.

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In providing such services as are required of them, the government agencies are consumers of goods produced by non-government workers.

All the materials and equipment for constructing roads, bridges, harbors, buildings, and armaments, as well as the uniforms and food for the armed forces, come out of the market maintained by the producers who must exchange their specific goods and services for other goods and services to maintain our economy.

This withdrawal of goods and services by government is not replaced by any comparable goods which can be exchanged because the government

produces nothing of marketable nature. It uses these goods in providing services which assure the continuance of our basic economic, social and civic life.

The fact remains, however, that goods and services supplied to government are not available for the normal customers in our market; hence the amount of goods and services available for the rest of the buyers is diminished to that degree.

[ Use the balance between supply and demand on board. ]

This line of thought is not usually recognized by all of us. We do not seem to realize that the goods used up by government operations come out of the general market supply and that no balancing goods are put back.

We seem to realize readily that producers of such things as clothing, food stuffs, and building materials put these on the market in exchange for such things as refrigerators, automobiles, and comfort goods. We also realize that the consumer's market is controlled by the willingness or ability to exchange as customers of each other.

While we can actually see physical evidences of government activity in such things as firefighting equipment, water systems, through highways, public buildings, etc., we do not seem to realize that these is little or no exchange values of these as physical goods, even though the service values are clear.

[ Give several examples. ]

[ At this stage, discuss briefly to insure that the group is in reasonable agreement on the differences in producing between government and industry.]

In like manner, the people who are employed in government activity are not producing goods for exchange. Hence this number is taken out of the labor market which is engage in producing goods and services in our economic cycle. By just that number of people the productive effort is reduced. Again these statement are not made in a spirit of criticism but as matters of fact, and then only because they do have a bearing on the successful operation of our economic system.

[ Show on the balance that the reduced number of people reduces the amount of goods and services. ]

[ Discuss until an understanding of these facts and the effect they have on individuals in our economy is evident. ]

Since everything the government uses must first be taken from the individuals in our system, either in goods or services, and in addition does reduce the supply of productive workers, let us look at th way such goods

and services are secured and paid for. Let us not think of dollars, which are not goods or services, even though most of us may think in terms of dollars when considering government.

Government, just like an individual, has no use for money as such. It has use only for the goods and services the money will buy.

30 min

To here

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Allow 5 min. WHAT THE GOVERNMENT HAS TO BUY

1. Services of civilian employees, which in turn are represented by the food, clothing, shelter, and comfort goods they require. These goods and services of course come out of the goods and services produced primarily for exchange among producers.
2. Office equipment and supplies, which must come out of the exchange market. If used by the government, they are not available for individual use.
3. Public works of many kinds. The building materials, equipment, and land so used are not available for producing marketable production.
4. Services of the Armed Forces. Each of these is removed from the regular labor market; yet their food, clothing, shelter, and comfort goods for self and family must come out of the exchange market provided by those who do produce them.
5. Military supplies and equipment. These are physical, material goods. This amount of material goods is taken out of the available goods produced for exchange.

[ Discuss each briefly. Then check to be certain that consideration of facts is the purpose of this discussion, not that of objecting to them. ]

35 min. to here

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Allow 10 min.

## HOW GOVERNMENT GETS THIS MONEY

As we discussed in Session IV, the government gets its dollar income from four sources:

1. Taxation.
2. Sale of bonds.
3. Adding to bank credit.
4. Adding to supply of paper money.

The cost of taxes is not money. In earlier days when there was no such thing as money, there were taxes. Then, the tax collector personally gathered up the produce required. People then could measure the cost of their taxes by counting up the things they were forced to give up. It was possible to see the government make use of what it took to feed, clothe, and shelter its workers, as well as to provide the tools used in government work.

Ever since a medium of exchange (money) was introduced as a means for collecting taxes, the nature of the tax became confused. The confusion will clear up some when we realize that the process itself has not changed. Government still must take from the people the things needed to clothe, feed, and shelter its workers, and to provide the necessary tools to perform the work it does.

The chief difference, and it is an important one, is that the government instead of taking the goods directly takes part of the people's money.

This money the individuals could use themselves to buy goods or services.

By spending it the government gets a part of the same volume of goods produced for exchange by those producing them.

One new factor in the tax process comes as a result of using money instead of goods: when government can no longer get money from the people directly, it can continue to increase the money supply it needs through the creation of bank credit, or by additional paper money. In either case there is no increase of goods for exchange in the market.

### Where Government got its money in 1940

From taxes	\$19,210,000,000
Bond sales	908,000,000
Adding to money supply (through bank credit)	<u>2,542,000,000</u>
	\$22,660,000,000

As an example, the government took from the people in 1940, just prior to the way, about 30% of the privately produced goods and services, through the process of spending the above amounts.

The economic cost of the way is not money even if we do measure it in dollars. It uses up goods and services. When these are needed by the armed forces they must be taken from the people, and the nation suffers a "lower scale of living." We have to go without in order to provide them.

During World War II, about 50% of the national production was purchased by the government.

Taxes were not 50%, but only 30%, leaving about 70% of the national income with which people purchased only 50% of the production.

[ Use balance again to show increased demand. ]

Under these conditions (inflation) where an increased supply of money seeking goods and services has no corresponding increase in goods and services, the results is always higher prices.

Between July 1, 1941, and June 30, 19446 ( a period of five years), the federal government raised and spent 383 billion by:

Taxes	169 billion
Borrowing	128 billion
Adding to money supply	86 billion

This added 214 billion (128 plus 86) to the national debt.

It has been said that if the people and the government had been willing to face up to the real cost of the war and had taken by taxation 50% of the national income during that time instead of 30%, we would have been on a pay-as-you-go basis and there would be no war debt.

[ Discuss enough to be sure that the group realizes that we are not supporting or opposing anything. We are simply looking at facts. Each must form his own conclusions. ]

45 min

To here

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Allow 10 min.

## REVIEW

Now let us review the significant factors covered in our five meetings.

[ Put briefly on blackboard. Do not try to develop. ]

Session I. OUR SYSTEM and CYCLE OF ECONOMY.

Session II. PROFIT in its true sense is payment for use of tools – dividends.

As a general usage, all earnings above the cost of making and marketing a product are called profit.

When such values either as earnings or dividends are re-invested in more or better tools or in developing new products, the expanding cycle is aided.

The same economic laws govern the home and corporation.

Session III. BUYING POWER in dollars and the amount of goods and services in the market have to balance.

More goods than money means prices down.

More money than goods means prices up.

Session IV MONEY

Increasing the amount of money in circulation without a corresponding increase of goods and services produced increases prices and causes inflation.

Bank credit is not money but circulates as such and is an increase in the supply of money.

Issuance of bank credit to government adds to the supply of money and reduces the value of the dollar. There are about six government bank credit dollars in circulation against one in currency.

Session V GOVERNMENT

Government provides service, not goods.

The government can give nothing it does not first take from somebody.

Materials and manpower used in government work come out of the productive part of our system.

Since government puts back in the market no exchangeable goods, the goods and services left in the market for exchange are less.

Government checks issued against money not collected as taxes are a permanent increase in the money supply, hence inflationary.

55 min to here

[ Distribute cards for Session V. ]

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Allow 5 min.

## CONCLUSION

Material welfare, which we have discussed exclusively here, is not the only feature to consider in the United States.

There come times or conditions when patriotism or a sense of outrage will cause us to throw material advantages overboard.

We willingly do things we know to be unsound from an economic viewpoint.

In the case of wars, major disasters, or other emotional urges, we will give our last dollar and last ounce of strength to combat such situations as a matter of principle.

What most of us are afraid of is that many of the so-called "matters of principle" put up to us do not measure up to the kind of situation that warrants real sacrifice. Many proposals are presented to us as being beneficial to our material welfare. On examination, these benefit only a small portion of our people, and at the expense of the others.

In such situations it is necessary for each of us to examine such proposals to determine whether or not to support them.

These proposals are not as definitely recognized as are those where the great majority are of one mind supporting them.

They do not offer major changes but rather modifications of present material welfare activity.

Each individual must exercise his best judgment in deciding in favor of or against such proposals.

- \* Judgment is better exercised when factual considerations are used instead of hear-say or opinion.
- \* We have been trying to increase our facts and judgment.

1 hr to here

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Allow 30 min

#### APPLICATION OF THESE FACTS

One of the reasons we spent the time to examine our way of life was to secure understanding of basic facts on which our economy rests.

Let us see how we might use this information in understanding some of the following current conditions.

1. If a general increase in wages is granted to all workers, what result would you expect to come from it? Why?
2. What purpose was intended when credit or installment buying was restricted? Why?
3. Why is it necessary to have a materials control plan in government?
4. If all wages were cut 50%, what effect would we find on our economy? Why?
5. What in your opinion will best increase the buying power of your dollar? Why?

These are simple examples of the use you can make of a better understanding of what makes our way of life expand and benefit the most people, as well as what might cause it to shrink and lose benefits for us.

Can you find situations where they apply?

Will you use it?

[ Close. ]

1 hr 30 min to here

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