LESSON 1: REAGAN’S OPENING ACT
Combatting High Inflation, High Unemployment and a Stagnating Economy

SNAPSHOT
Newly elected President Ronald Reagan confronts the nation about the most challenging economic conditions since the Great Depression. Unemployment was at 7.5%, 8 million people were looking for jobs. Inflation had hit 15% in March of 1980. Marginal tax rates were as high as 70%. Faced with these conditions, President Reagan outlines the policy responses he intends his administration to take to address high unemployment, high inflation and stagnating economic growth. Students will learn about these events in context and be introduced to the three major economic indicators: unemployment, inflation and GDP.

KEY CONCEPTS
inflation, unemployment, stagflation, gross domestic product (GDP)

STUDENTS WILL BE ABLE TO:
• Define unemployment and inflation
• Use inflation calculators to convert 1981 prices to current prices.
• Compare real-time economic data with data from 1981
• Describe the impact of high inflation and high unemployment on economic well-being

STANDARDS
CA H-SS Content Standards: 12.3.2 & 12.3.3
12.3 Students analyze the influence of the federal government on the American economy.
   2. Identify the factors that may cause the costs of government actions to outweigh the benefits.
   3. Describe the aims of government fiscal policies (taxation, borrowing, spending) and their influence on production, employment, and price levels.

CA H-SS Content Standards: 12.5.1 & 12.5.2
12.5 Students analyze the aggregate economic behavior of the U.S. economy.
   1. Distinguish between nominal and real data.
   2. Define, calculate, and explain the significance of an unemployment rate, the number of new jobs created monthly, an inflation or deflation rate, and a rate of economic growth.
LESSON PROCEDURE

Module #1 – this provides students with an overview of the major challenges facing President Reagan as he began his administration. It begins with a video of the President’s Address to the Nation on the State of the Economy and there is a handout that goes with it to get students to begin finding information about the state of the economy.

Time needed:
Module #1 Videos & Discussion – 20 min
Module #1 Worksheet – 20 min

1. The day before beginning the lesson, assign Video 1 and its accompanying transcript, “Address to the Nation on the State of the Economy February 5, 1981” along with Exercise 1.0 as homework.
2. Provide students with Exercise 1.0 President Reagan’s “Address to the Nation Worksheet” to complete throughout the class as we move through the videos and the simulations. Also provide students with a copy of the transcript of Video 1.
3. To conclude the lesson, share with students that the joint problems of high unemployment and high inflation together created a unique situation which economists have come to call "Stagflation."
4. Show Video 7 “Recession, Hyperinflation, and Stagflation” to students using the time-stamps of 7:16 to begin and 8:13 to end.
5. Help students come to the conclusion that this unique situation in the U.S. economy at the beginning of Reagan’s term in office was a major priority, and that a critical part of the solution required addressing structural policy changes and deficiencies on the supply side of the economy. Inform students that the next lesson will outline the specific policies that the Reagan administration would pursue to remedy the inflation, unemployment and stagnating growth problems facing the U.S. economy.

VIDEOS

Module #1 – The Dual Problem of 1981 Economy
1. Video 1 (21 min) - President Reagan's “Address to the Nation on the Economy,” February 5, 1981
   https://youtu.be/A8cF2S4Q0w
2. Video 7 (10 min) – Crash Course “Recession, Hyperinflation, and Stagflation: Crash Course Econ [time stamp 7:16 – 8:13] #13”
   https://www.youtube.com/watch?v=BHw4NStQsT8

SUPPLEMENTAL VIDEOS

• Supplemental Video 1 (5 min) – Marginal Revolution University “Costs of Inflation: Price Confusion and Money Illusion”
  https://www.youtube.com/watch?v=Q_C3whhH2gc
• Supplemental Video 2 (9 min) – Crash Course “Inflation and Bubbles and Tulips: Crash Course Economics #7”
  https://www.youtube.com/watch?v=T8-85cZRI9o
• Interview(s) with Art Laffer, Gortney, etc.

ARTICLES/DOCUMENTS

• Transcript of "Address to the Nation on the State of the Economy February 5, 1981":
MODULE #1

EXERCISE 1.0 (WORKSHEET)

Ronald Reagan Address to the Nation on the Economy: February 5, 1981

(TEACHER VERSION)
(May be given as homework or as a group, in-class worksheet)

Read or listen to “Ronald Reagan’s Address to the Nation on the Economy” and answer the following questions after reading and/or watching the videos and by doing an internet search.
What unemployment rate did President Reagan cite in his address? (refer to line 35)
___________________________________________________________________________________

Do a web search to find the unemployment rate in 1960 and the most current rate of unemployment. (a good source is https://fred.stlouisfed.org/series/UNRATE)
1960: ____________________________ Current: ____________________________

Do a web search to find the most current rate of unemployment in your county. (a good source is https://geofred.stlouisfed.org/map/?th=pubugn&cc=5&rc=false&im=fractile&sh&lng=-94.614&lat=38.479&zm=5&sl&sv&rt=county&sti=1224&at=Not%20Seasonally%20Adjusted,%20Monthly,%20Percent&fq=Monthly&am=Average&un=lin&dt=2020-02-01
______________________________________________________________

Using a purchasing power calculator, what is a 1960 dollar worth today? What is a 1981 dollar worth today (refer to line 42; a good source is https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=1.00&year1=202001&year2=198102)
1960 dollar today: ____________________________ 1981 dollar today: ____________________________

Do a web search to find the annualized inflation rate in 1960? In 1981? (a good search term is “annual inflation rate over time; a good source is https://inflationdata.com/Inflation/Inflation_Rate/Long_Term_Inflation.asp)
1960: ____________________________ 1981: ____________________________

Do a web search to find the current annualized inflation rate. (a good source is above)
______________________________________________________________

Economists use the term stagflation to describe the economic conditions the U.S. economy experienced in the years prior to President Reagan’s speech. (refer to lines 182 to line 188) Do a web search to find a definition and causes of stagflation. Try not to use Wikipedia! (there are many good non-Wikipedia sources, a good one is https://www.investopedia.com/terms/s/stagflation.asp)
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The “misery index” was invented by economist Arthur Okun in the 1970’s. (see https://www.brookings.edu/opinions/the-brookings-institutions-arthur-okun-father-of-the-misery-index/)
President Carter used the misery index in his successful campaign against President Ford. Do a web search to find the definition of the misery index. Try not to use Wikipedia! (there are many good non-Wikipedia sources, a good one is https://www.investopedia.com/terms/m/miseryindex.asp)

Use the unemployment rate and inflation rate you reported above to compute the misery index for each of the following years:
EXERCISE 1.0 (WORKSHEET):
Ronald Reagan Address to the Nation on the Economy: February 5, 1981

Read or listen to “Ronald Reagan's Address to the Nation on the Economy” (https://youtu.be/A8cF2S4QO_w) and answer the following questions after reading and/or watching the videos and by doing an internet search.

1) What unemployment rate did President Reagan cite in his address? (refer to line 35 of the transcript)

2) Do a web search to find the unemployment rate in 1960 and the most current rate of unemployment.
   1960: ________________________________ Current: ________________________________

3) Do a web search to find the most current rate of unemployment in your county. Write it below.

4) Using a purchasing power calculator, what is a 1960 dollar worth today? What is a 1981 dollar worth today (refer to line 42 of the transcript)
   1960 dollar today: ____________________________ 1981 dollar today: ____________________________

5) Do a web search to find the annualized inflation rate in 1960? In 1981? (a good search term is “annual inflation rate over time)
   1960: ________________________________ 1981: ________________________________

6) Do a web search to find the current annualized inflation rate. Write it below.

7) Economists use the term stagflation to describe the economic conditions the U.S. economy experienced in the years prior to President Reagan’s speech. (refer to lines 182 to line 188 of the transcript) Do a web search to find a definition and causes of stagflation. Try not to use Wikipedia! Write the definition and causes below.
8) The “misery index” was invented by economist Arthur Okun in the 1970’s. (see https://www.brookings.edu/opinions/the-brookings-institutions-arthur-okun-father-of-the-misery-index/) President Carter used the misery index in his successful campaign against President Ford. Do a web search to find the definition of the misery index. Try not to use Wikipedia!

9) Use the unemployment rate and inflation rate you reported above to compute the misery index for each of the following years:

LESSON PROCEDURE
Module #2 – this module goes into more detail about inflation. Students will watch two videos and discuss with the teacher what was causing the high inflation rates of the late 1970’s and early 1980’s. After the discussion students will take part in an activity that demonstrates these concepts. There are also extension materials after the directions for the inflation activity.

Time needed:
Module #2 Videos & Discussion – 30 min
Module #2 Activity & Worksheet – 30 min

1. Explain to students that inflation was a significant challenge facing the economy when President Reagan took office. The rate of price increases across the entire economy was driving inflation to levels that were well beyond the typical experience of the US economy up to that time.
2. Inform students that before discussing inflation that you will be introducing them to the concept of Quantity Theory of Money and show Video 4 “Quantity Theory of Money.”
3. After showing Video 4, explain to students that there are other causes of inflation, and then show Video 5 “Causes of Inflation.”
4. GROUP WORK OPTION: Alternatively, you could divide students into groups and assign one set of groups to watch Video 4, and the other set of groups to watch Video 5, and then have each set of groups explain the videos they watched to the other groups.
5. After students have watched these two videos, inform students that they are going to participate in an activity to demonstrate these concepts at work in real-time.
6. Proceed by following the instructions for Activity 1.0 – Inflation Simulation.
7. After concluding Activity 1.0 or as part of its Variations & Extensions, you may want to show Video 6 “Measuring Inflation.”
8. Time permitting, after concluding Activity 1.0, let students know (and remind them of President Reagan’s remarks in his address) that inflation alone wasn’t the only problem facing the U.S. economy at the beginning of Reagan’s term in office.

VIDEOS
Module #2 - Inflation
1. Video 4 (4 min) – Marginal Revolution University “Quantity Theory of Money”
   https://www.youtube.com/watch?v=q59tZKP0HME
2. Video 5 (7 min) - Marginal Revolution University “Causes of Inflation”
   https://www.youtube.com/watch?v=gi7x5I1tik
3. Video 6 (5 min) – Marginal Revolution University “Measuring Inflation”
   https://www.youtube.com/watch?v=0jJKjgE3qFE
MODULE #2

ACTIVITY 1.0 - INFLATION SIMULATION

Brief Description
In this simulation, students will demonstrate what happens to prices and to the value of a dollar when the quantity of money in circulation increases.

Concepts
- Increasing the quantity of money when the quantity of goods available to sell doesn’t change results in an increase in the price of those goods
- Inflation is an increase in the overall price level in an economy.

Students will:
- determine the effect of increasing the amount of money in circulation on prices.
- determine what happens to the value of money when prices of goods and services increase.

Materials
- 6-8 cans of soda/juice and 6-8 small candy bars and/or 6-8 of any other desirable item.
- Sufficient copies of simulated money, preferably Reagan Bucks

Procedure
1. Divide the class into three groups. One third will be sellers and the other two thirds will be buyers.
2. Give each seller one can of soda or one candy bar or any other desirable item. Give the two groups of buyers five Reagan Bucks (see Handout 2.1) each.
3. Tell your students that this exercise will consist of two rounds and that they may use Reagan Bucks to purchase cans of soda/juice, or candy bars, or extra credit points (or some other intangible item that you choose). (Don’t make the extra credit points so valuable that your students will not want to purchase the cans or candy bars.) Also tell them that at the end of the exercise they will only be able to keep a can or candy bar or the extra credit points but no combination.
4. Tell the class that our classroom represents the country called Macroeconomia or some other name that you prefer; that Macroeconomia only produces two goods, that the price of each is one Reagan Buck and that the GDP in Macroeconomia is X cans of soda/juice plus Y candy bars (X and Y represent the number of each that you’ve distributed).
5. Post the following chart on the whiteboard, flip chart or overhead:

<table>
<thead>
<tr>
<th>Round</th>
<th>Price of Can Times Number of Cans Available for Sale</th>
<th>Price of Candy Bar Times Number of Candy Bars Available for Sale</th>
<th>Nominal Class GDP (Column Two plus Column Three)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round Zero</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Round One</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Round Two</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. In Round Zero the price of cans and of candy bars is one Reagan Buck. Have your students compute Macroeconomia’s Round Zero nominal GDP (or demonstrate to your students how to compute it) and enter it in the appropriate cell on the chart above.
**Round One (Ten minutes or less)**

7. Allow your students to interact in the classroom market: buyers are allowed to exchange Reagan Bucks for the tangible goods. Tell your students that Macroeconomia is a free market and that buyers and sellers are free to accept whatever price they agree upon. Have each seller record the price at which they sold their cans or candy bars.

8. Have sellers compute the average price of cans and of candy bars. Have them use those prices to compute nominal class GDP and post in the appropriate cell in the chart above.

9. Ask your class what happened to prices between Round Zero and Round One and what happened to nominal GDP between Round Zero and Round One.

**Round Two (Ten minutes or less)**

10. Give each seller another can or candy bar. Some seller will have one or two tangible goods to sell. Tell your class that by doing so, you have simulated the production of the same amount of real output (class real GDP) as in Round One.

11. Give each of your buyers an additional fifteen Reagan Bucks. Remind your students that at the end of the exercise they will be keeping whatever is purchased but that they cannot keep more than one item.

12. Allow your students to interact in the classroom market again: buyers are allowed to exchange Reagan Bucks for cans and candy bars. Have each seller record the price at which they sold their cans or candy bars.

13. Have sellers compute the average price of cans and of candy bars and use those prices to compute Round Two nominal class GDP and post in the appropriate cell in the chart above.

14. Ask your class what happened to real GDP between Round One and Round Two; what happened to prices between Round One and Round Two and what happened to nominal GDP between Round One and Round Two.

15. Help your class come to the conclusion that the increase in nominal GDP between Round One and Round Two resulted from the increase in the quantity supplied of money in Macroeconomania. The quantity supplied of money was tripled but real output didn’t change.

16. Help your class conclude that, when the money supply grows at a faster rate than the growth in output, prices rise and inflation results.
HANDOUT 2.1: Reagan Bucks
**EXTENSIONS (optional)**

**Extension A - Financial Literacy; pose the following questions to the class:**
1. If you had a spending plan, how would inflation affect that plan?
2. What effect would inflation have on the buying power of your savings?
3. What needs to happen to the interest rate you receive on your savings in order to preserve the buying power of your savings?
4. What changes might people make in their saving and investing plans in order to deal with inflation?
5. If you have loaned money at a fixed rate during a period of inflation what is happening to the purchasing power of the monthly payments?

**Extension B: Computing the price index and the rate of inflation:**

1. Post the following chart on the whiteboard, flip chart or overhead:

<table>
<thead>
<tr>
<th>Round</th>
<th>Base Year Market Basket Price</th>
<th>Current Year Market Price</th>
<th>Compute the Price Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round Zero</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Round One</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Round Two</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Have your students compute the class price index using the following process and formula:

\[
\left( \frac{\text{Current Year Market Basket}}{\text{Base Year Market Basket}} \right) \times 100
\]

3. Compute the class price index for Round Zero
   - Select a base year: Round Zero
   - Compute the value of the basket in the base year: The value the class computed for Round Zero in question 6.
   - Compute the price index and enter in the appropriate cell:

\[
\left( \frac{\text{Round Zero Market Basket}}{\text{Round Zero Market Basket}} \right) \times 100
\]

4. Compute the class price index for Round One:
   - Base year remains Round Zero: The value computed in question 6
   - Compute the value of the basket in the Round One: The value the class computed in question 8.
   - Compute the price index and enter in the appropriate cell:

\[
\left( \frac{\text{Round One Market Basket}}{\text{Round Zero Market Basket}} \right) \times 100
\]

5. Compute the class price index for Round Two:
   - Base year remains Round Zero: The value computed in question 6
   - Compute the value of the basket in the Round Two: The value the class computed in question 13.
   - Compute the price index and enter in the appropriate cell:

\[
\left( \frac{\text{Round Two Market Basket}}{\text{Round Zero Market Basket}} \right) \times 100
\]

6. Post the following chart on the whiteboard, flip chart or overhead:

<table>
<thead>
<tr>
<th>Round</th>
<th>Class Price Index</th>
<th>Inflation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round Zero</td>
<td></td>
<td>***********</td>
</tr>
<tr>
<td>Round One</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Round Two</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7. Have your students compute the inflation rate using the following formula:

\[
\left( \frac{\text{Year 1 Index} - \text{Year 0 Index}}{\text{Year 0 Index}} \right) \times 100
\]

8. Compute the inflation rate between Round Zero and Round One:
   - Year 0 Index: The value computed in question 3 above
   - Year 1 Index: The value the class in question 4 above
   - Compute the inflation rate and enter in the appropriate cell:

\[
\left( \frac{\text{Round Zero Index} - \text{Round One Index}}{\text{Round Zero Index}} \right) \times 100
\]

9. Compute the inflation rate between Round One and Round Two:
   - Year 1 Index: The value computed in question 4 above
   - Year 2 Index: The value the class in question 5 above
   - Compute the inflation rate and enter in the appropriate cell:

\[
\left( \frac{\text{Round One Index} - \text{Round Two Index}}{\text{Round One Index}} \right) \times 100
\]

Extension C: Illustrating how inflation affects income tax liability

1. Tell your students that they will be paying 10 percent tax on the amount of money they possess at the end of Round One. Have them compute the amount of tax each would pay and the sum of all taxes paid.

2. Tell your students that because of the increase in income resulting from the tripling of the quantity of money in the class economy in Round Two, tax rates have increased to 20 percent. Have your students compute the amount of tax each would pay and the sum of all taxes paid.

3. Remind your students that real class output didn’t increase between Round One and Round Two. Ask them whether they were now worse off because of being moved to a higher tax rate.

4. Help your class conclude that although their nominal income increased, their real income didn’t increase so that they are now worse off because of the way inflation affected the tax rate they paid.
LESSON PROCEDURE
Module #3 – this module will focus on unemployment. Students will watch a video then go over questions and with teacher led prompts discuss the unemployment situation and take part in an unemployment simulation. There are additional enhancements at the end of the module that can be used with the simulation.

Time needed:
Module #3 Videos & Discussion – 20 min
Module #3 Activity & Worksheet – 30 min

1. Share with students that unemployment was another difficult problem facing the U.S. economy. You may want to begin by showing the students Video 2 “Defining the Unemployment Rate.”
2. After showing the video, offer students an opportunity to review their answers regarding unemployment on Exercise 1.0. Direct them to correct their answers if necessary.
3. Once students have corrected their answers, begin discussion with students using the following prompts:
   a. How did President Reagan describe the unemployment situation?
   b. What comparisons or analogies did he draw to illustrate the severity of the problem that American's were facing at that time?
4. After students have shared various responses to these prompts, inform the class that they will participate in a classroom activity simulation to recreate a labor market experiencing unemployment.
5. Use Activity 2.0 and its instructions to guide students through the unemployment simulation.
6. After concluding Activity 2.0, you may wish to show Video 3 “Types of Unemployment.”

VIDEOS
Module #3 - Unemployment
6. Video 2 (4 min) - Marginal Revolution University “Defining the Unemployment Rate”:
   https://www.youtube.com/watch?v=uPRQnQxsL3E
7. Video 3 (4 min) - (Macro) Episode 19: Types of Unemployment:
   https://www.youtube.com/watch?v=ZckAN1KYB5I
ACTIVITY 2.0 - UNEMPLOYMENT SIMULATION

Brief Description
In this simulation will experience unemployment through a labor market simulation.

Concepts
• Unemployment happens when the economy is in a recession and when it is growing
• The unemployment rate can go down even if the labor market hasn’t improved and therefore, labor force participation is also needed to assess the health of the labor market.

Students will:
• Compute the unemployment rate and labor participation rate.
• Differentiate between structural, frictional and cyclical unemployment.

Materials
Note: This simulation is for a class of 30 students, and the computations will be approximations. Some scaling or adjustments may need to be made for larger or smaller classes.
• Two standard decks of playing cards prepared as follows
  ▪ Remove cards from each deck so that you are left with only Ace through 10 for the suit of Spades (shovels), Clubs (clovers) and Hearts.
  ▪ One of these prepared decks will be passed out, one card per student. One deck the teacher will retain for their use.

Procedure
1. Begin by asking students (or explain to them) how the Bureau of Labor Statistics (BLS) determines whether someone is employed or unemployed, how the BLS determines whether someone is or is not part of the civilian labor force and how it computes the unemployment rate.
2. Tell the class that the classroom represents the country called Macroeconomia or some other name that you prefer and that they will be experiencing several rounds representing several different time periods.
3. Distribute playing cards from the deck, one card per student.
4. Tell the class that holding a playing card means they are part of the labor force and that students standing in the front of the class are unemployed.

Round One
5. Once the playing cards have been distributed, using your teacher deck, randomly draw two cards and ask the two students with the matching cards to come to the front of the class, stand a couple of feet apart, and begin swimming in place.
6. While these students are swimming in place, ask the class to calculate (or you show them how to calculate) their class-wide unemployment rate. Remind students that all students with a card are in the labor force and that those at the front of the class are unemployed. Help your students come to the conclusion that the rate is 6.7% (2/30) and that this rate is slightly higher than the average rate of unemployment for 20 years preceding President Reagan’s first presidential term.
7. At this point, one or both of the students may begin to tire of swimming in place. Tell them to return to their seats, keep their cards, and tell them that they have received new jobs.

Round Two
8. Randomly draw two cards from your deck and ask the students with those matching cards to come to the front of the class, stand a couple of feet apart and begin swimming in place, replacing the two students who had previously been doing so.

9. Once the initial two students have returned to their seats, and two new students have replaced them at the front of the class, ask the class if the unemployment rate has changed. (It has not)

**Round Three**

10. Tell the class that Macroeconomia is going to experience a severe recession.

11. Randomly select 3-4 more students by drawing from your deck, to join the other two at the front of the class and to begin swimming in place. Invite the seated students to calculate the new rate of unemployment (16.7 – 20% unemployment rate, either 5/30 or 6/30).

12. Remind your students that this new situation represents a severe recession. Have the students at the front of the class continue swimming for another minute or so.

**Round Four**

13. Randomly choose one of the students who has been swimming longest to give you their card and return to their seat. Tell your class that that student has become a discouraged worker and has left the labor force.

14. Ask the seated students to calculate the new rate of unemployment. (if you had 5/30 [16.7%] before it will now be 4/29, or 13.8%)

15. Ask the class if the unemployment rate went down (it did)

16. Ask the class if the labor market has improved (it has not)

17. Ask the students still swimming if being unemployed is a pleasant experience (answers will vary, but likely are uncomfortable or possibly mildly painful)

**Conclusion and wrap-up**

18. Invite all students to sit down. Thank those who were swimming in place.

19. Explain that from a financial standpoint, people who are unemployed feel like they are swimming in place - doing all they can just to stay afloat, steadily losing ground as they drain whatever savings they have, exhaust credit options, and do the difficult work of trying to find work in a bad economic climate.

20. Remind students that unemployment had steadily worsened in the years leading up to Reagan’s first term in office.

21. Invite students to recall the vivid descriptions of unemployment that President Reagan listed in his address and to consider why addressing unemployment was such a pressing priority for his administration.
ENHANCEMENTS (optional)
Identify types of unemployment – *Use during main simulation*

1. In Rounds One and Two, rather than randomly draw cards from the teacher deck, instead, draw one number from the suit of spades, and one number from the suit of clubs. Tell students that in normal economic times, there is still some unemployment occurring in the economy. Share with students that *structural unemployment* (represented by the suit of spades) and *frictional unemployment* (represented by the suit of clubs) represent unemployment that occurs due to the dynamic nature of the economy, even when it is growing.

2. Before inviting these students to sit down, ask them to give an appropriate reason for them to be unemployed (or have the entire class come up with the reason). Examples: A student with a spade card is *structurally unemployed* because he/she used to work in a distribution center retrieving packages for shipment and that a robot now performs that function. A student with a club card could be a marketing professional who recently completed a Master's degree and is looking for a new job is *frictionally unemployed*.

3. In Round 3, rather than randomly calling up students, only call up 3-4 students who have a Heart suit card. Help students to come to the conclusion that a recession is a downturn in the business cycle, and that the unemployment caused by a recession is known as cyclical unemployment.

4. Before inviting these cyclically unemployed students to sit down, ask them to give an appropriate reason for them to be unemployed (or have the entire class come up with the reason). Example: A student with a heart suit used to work in a hotel in Hawaii and was laid off because of a recession.
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