

ECONOMIC GROWTH FACTORS

Performance Standard 15A.J

Identify in newspaper articles examples of investments that can contribute to real economic growth accordingly:

- *Knowledge:* Define “*real economic growth*,” identify one or more examples of factors that contribute to real economic growth, including at least one investment each in human capital, physical capital, and technology.
- *Reasoning:* Explain how investments in human capital, physical capital and technological change can result in real economic growth.
- *Communication:* Underline in at least three newspaper articles text factors contributing to real economic growth; provide a written explanation for the factors in each article that is well-focused, well-organized and well-detailed; express all ideas in a way that provides evidence of knowledge and reasoning processes.

Procedures

1. *In order to understand economic systems, with an emphasis on the United States (15A)*, students should experience sufficient learning opportunities to develop the following skill:
 - Explain the concept of real economic growth.
 - Identify the factors contributing to real economic growth in a nation (e.g., investments in human/physical capital, research and development, technological change).
 - Explain how the factors can contribute to real economic growth.
2. Have students review and discuss the assessment task and how the rubric will be used to evaluate their work.
3. Ask students to identify and explain factors contributing to real economic growth as follows:
 - Cut out at least three articles that represent examples real economic growth. The examples must include at least one investment in each of the following: human capital, physical capital, and technological change. (Students may include other examples that are included in their own definition.)
 - Attach each article to the left side of one or more 8 ½” x 11’ sheets of paper. Underline all parts of each article that clearly describe the factors that contribute to real economic growth.
 - On the right side of the paper, write an explanation. First, characterize each example of real economic growth as an investment in human capital, physical capital, or technological change. Be sure to relate each example to your own understanding of real economic growth. Next, write a complete explanation of how the factors described in the article result in or can result in to real economic growth. The explanation must demonstrate understanding of the type of example selected, the concept of real economic growth, and use appropriate terminology correctly.
4. Evaluate each student’s work using the Social Science Rubric as follows and add the scores to determine the performance level:
 - *Knowledge:* The understanding of “*real economic growth*” was complete, accurate and documented; the identification of human-capital, physical-capital, and technology factors that contribute to real economic growth was complete and correct.
 - *Reasoning:* The explanation of how investments in human capital, physical capital and technology can result in real economic growth was thorough and well-reasoned.
 - *Communication:* The written explanation was well-focused, well-organized, and well-detailed; the knowledge and reasoning were completely and effectively communicated.

Examples of Student Work follow

Time Requirements

- One class period

Resources

- Large quantity of newspapers that include a business section or emphasize economic activity
- Sources for definitions and explanations of economic terminology
- Social Science Rubric

Interest rates are lowered... This can lead to more money for citizens. When you aren't paying extra for rates, you have more money to spend elsewhere. The cutting of interest rates don't necessarily lead to economic growth.

With people shifting toward home purchasing, mortgage rates could come down. The more people purchase, the more the economy speeds up. For our economy to grow, consumers must buy and/or loan.

- human capital source of growth.

Means of a non-growth however, but you must take 7 step back to take 2 forward at times.

With interest rates being lowered, you loosen the monetary policy. That is a formidable way to get out of a recession like the one we've been in for the last 6 months. Give the people money to spend and give the investors some confidence in the market.

Refinancing cools down as rates rise

By ERIC FREEHLING
Pantagraph staff

BLOOMINGTON — Call it the Theory of Refinancing Relativity.

While the Federal Reserve has lowered interest rates five times since January, mortgage interest rates have risen slightly and refinancing activity has declined. But compared with a year ago, mortgage rates are much lower and refinancing activity decidedly higher.

That's what a survey of Twin City financial institutions showed Monday.

"Refinancing activity is significantly less than it was at the beginning of the year. Things have slowed down," said Dave Usiak, mortgage officer for Mortgage Services of Illinois in Bloomington.

"Mostly what we're seeing is stragglers who thought rates would go lower and those who just didn't pay attention to the rates. It's the tail end of a major refinancing boom," Usiak said.

Ann Ulitzsch, mortgage lender with Commerce Bank in Bloomington, agreed refinancing activity is "a little bit slower now."

"Rate calls are still coming in, people are still hoping that the rates are still going to come down a little," Ulitzsch said, but business "is shifting toward home purchases right now."

"The volume remains steady, but it really hasn't picked up any. It peaked early this year in February," added Mark Seyller, loan officer at Busey Bank in Bloomington.

Dick Luedke, a State Farm Insurance Cos. spokesman, said State Farm Bank had noticed a five-fold increase in telephone refinancing inquiries since the first of the year and that mortgage activity was "10 times what it was a year ago."

Luedke added that those figures are slightly misleading because mortgage activity is "growing rapidly as we roll this bank out. We're becoming more and more known as a source for mortgages."

Through April, said Rich Becker, executive vice president of Cit-

An increase in the Index of Leading Economic Indicators is why the stock market is seemingly rising. The lower interest rates have helped the growth of the stock market and people's confidence on spending money.

It is beginning to turn-around for the nation in the months to come. People are going to spend and invest money because they have the money to do so and they are confident that their money is safe.

This is a ~~physical~~^{human} change in the market... Changing the rates have altered the ideas of 6-year old people are trusting the system once again.

With five interest rate cuts, the consumer should feel good about what is being done about the lack of money. Now, money is available and hopefully money will circulate quickly. Lending will go back to what it was before the stock market was steadily dropping.

Rate cut keeps market rally going

NEW YORK (AP) — Investors maintained their enthusiasm over lower interest rates Thursday, extending the big rally that allowed the Dow Industrials to close above 11,000 for the first time since September.

A small increase in the Index of Leading Economic Indicators helped the stock market widen its large advance of Wednesday, when investors bought up shares in response to the Federal Reserve's decision Tuesday to lower interest rates by 0.5 percentage point.

The Dow Jones industrial average finished Thursday's session up 32.66 at 11,248.58. The Dow's moderate gain followed the 342-point climb it made Wednesday, when the blue chip average closed above 11,000 for the first time since Sept. 14.

The broader market also ended higher. The Nasdaq composite index advanced 27.24 to 2,193.68, and the Standard & Poor's 500 index moved up 3.50 to 1,288.49.

With five interest rate cuts so far

this year, investors and market analysts are increasingly hopeful that the economy and earnings will turn around in the second half of 2001.

"The good news is the consumer, and ultimately business investors, are going to be in the mood to spend and invest money," said Kevin Caron, associate strategist at Gruntal & Co.

The gain in the Conference Board's Index of Leading Economic Indicators raised Wall Street's optimism that the economy is starting to recover. The index, an important gauge of future economic activity, rose 0.1 percent in April, gaining after two consecutive monthly declines.

Among Thursday's winners were companies that surpassed or met earnings expectations, stand-outs in what has been a disappointing earnings season. Kmart advanced 45 cents at \$10.58 after announcing it lost 2 cents a share in

See RALLY, next page



AP

Stephen McAuley, center, of Spear, Leads and Kellogg, conducted a trade on the floor of the New York Stock Exchange Thursday. Investors maintained their enthusiasm over lower interest rates in early trading Thursday, extending Wednesday's big rally that allowed the Dow to close above 11,000 for the first time since September.

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Small investors power recovery

NEW YORK (AP) — After eight long, painful months, the Dow Jones Industrials finally are back at the level they were in September, and every indication is that small investors — however cautiously — are helping it happen.

From Wall Street to Main Street, optimism is growing that the days of incessant sell-offs and how-low-can-they-go stock prices are coming to an end. The reason: some recent encouraging economic data, a more stable stock market and five interest rate cuts by the Federal Reserve this year. But the enthusiasm is restrained and euphoria is nowhere to be found.

"I think the worst is over, but that

See DOW, next page

Cutting taxes can sometimes stimulate an economy. If consumers have more money to spend, the economy can be fixed and people will purchase goods normally they would not. It can be a risky call because it is never guaranteed that the consumers will spend like they could.

Cutting a tax from 15% to 14% can lead to a lot of money being cut. Can also lead to inflation, but not if the reserve requirements or other Fed operations can be used.

This is a human capital of economic growth - Cutting taxes is a human operation to stimulate the economy.

Giving the consumer an edge is a good thing at times. When the consumer buys, the market rises and everyone wins. So the legislation may be doing something it doesn't wish to do all the time (cut taxes, interest rates), it can lead to great things in the market.

Senate near final approval of tax-cut bill

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WASHINGTON, D.C. (AP) — The Senate turned back attempts Monday to change or derail a compromise tax bill, moving the 11-year, \$1.35 trillion package closer to passage and toward negotiations with the House on a final bill. But Senate approval was put off for at least a day.

"Let's give taxpayers relief," said Sen. Don Nickles, R-Okla. "It's long overdue."

But after five hours of roll-call votes on 16 amendments, Democrats urged that a final vote be put off until today. Republicans, who hope to get the bill to President Bush by week's end and had sought Monday passage, reluctantly agreed.

"We won't go to any other issue until we complete this important work of the people," said Majority Leader Trent Lott, R-Miss. "I hope it won't be delayed indefinitely."

Wading through amendments Monday night, the Senate voted 50-48 against an effort by Sen. Jean Carnahan, D-Mo., to cut the 15 percent tax rate to 14 percent, along with a one-point cut in all other existing rates.

The legislation as written leaves the 15 percent rate intact while cutting rates paid by higher-income people, although it does create a new 10 percent rate for a portion of everyone's taxable income.

On a 49-49 vote — by Senate rules, tie votes lose — senators defeated a bid by GOP Sen. John McCain of Arizona to limit the bill's reductions in the top income tax rate in favor of greater tax relief for people earning more modest incomes. McCain sharply criticized Bush's tax cut during his unsuccessful presidential run last year.

The Pantagraph

May 22, 2001

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Measure defeated

The Senate defeated, 51-47, a proposal by Sen. Judd Gregg, R-N.H., to temporarily cut capital gains taxes and voted 50-49 against a bipartisan "trigger" that would have tied future tax cuts or spending to specific debt-reduction targets.

The ultimate battle will be fought in a conference committee this week, where conservatives will push to accelerate the bill's income tax cuts, which aren't fully phased in until 2007, and to slash the top 39.6 percent income tax rate more deeply than the 36 percent called for in the measure.

Administration officials concede that Bush's proposed 33 percent top rate is unlikely to pass, but they want other core elements of his plan — estate tax repeal, doubling of the \$500 child credit and marriage penalty relief — to occur much sooner than under the Senate bill. An uncertain fate awaits tax breaks added by the Senate for education, retirement savings and other needs.

"To accommodate individual senators, additional items were added which dilute and delay some of the president's proposals," said Mark Weinberger, assistant treasury secretary for tax policy. "We hope the conference committee will address that."

Another key issue for the final negotiations is whether to provide \$100 billion in immediate economic stimulus through rebate checks, as the Bush administration wants, or by lowering withholding from paychecks.

While senators stayed late into the night to vote on amendments, House Ways and Means Committee Chairman Bill Thomas, R-Calif., was working the Senate floor in advance of this week's crucial final negotiations.

This whole article talks about passing a tax-cut bill that would allow many people to have more money than usual because they wouldn't have to pay so much for taxes. A tax-cut bill would cause an increase in the supply of money for people to spend. They would spend more than and since people would buy more, businesses would have to increase what they are producing, the physical capital. Then they would need more people to produce these goods so they would increase the human capital. With more people employed in these jobs, there would be yet more money going back out to the people. The cycle of spending, producing, and earning begins again and keeps going. As you can see, cutting taxes is definitely one way to stimulate economic growth and get the cycle moving.

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Mardi Gras celebrations are pumping millions of dollars into the economies of several cities besides New Orleans. **Above:** A rider in the Krewe of Mid-City parade threw trinkets to the crowd lining New Orleans' Canal Street Sunday.

Mardi Gras moola

Economies boosted by festivities

JACKSON, Miss. (AP) — New Orleans and Mobile may take the Kingcake when it comes to Mardi Gras longevity, but they're not the only places where the boisterous, pre-Lenten celebration has become a big-time attraction.

Not by a long string of beads.

Along the Gulf Coast — from Galveston to Pensacola — social groups called krewes stage elaborate parades that attract tens of thousands of visitors and pump millions of dollars into local economies.

And the bawdiness extends beyond the Deep South. Seattle, St. Louis and Snowmass Village, Colo., among others, are celebrating Carnival — from the Latin for "farewell to the flesh" in preparation for the privations of Lent.

This year Mardi Gras — French for "Fat Tuesday" — falls on Feb. 27, and that's when the parties reach their peak.

"It's definitely one of our top

events of the year," said Misty Velasquez, communications director for the Mississippi Gulf Coast Convention and Visitors Bureau. "It's more than an event — it's a season — and it starts as early as New Year's Eve with parties and balls."

In Biloxi, which celebrated its tricentennial in 1999, the oldest procession dates back to 1908. Last year, more than a dozen parades gave a \$6.3 million boost to the economy, according to figures from the tourism bureau.

Grand Casinos, which has resorts in Biloxi and Gulfport, Miss., uses the occasion to treat its top employees and gamblers to a little fun. The company has its own float that takes part in several parades, with riders tossing beads, cups and other promotional trinkets.

It also rents a balcony above a restaurant on Bourbon Street in New Orleans where some of the casino's top out-of-town players

can look down on one of the planet's wildest gatherings.

"It's a natural for us," said company executive Duncan McKenzie. "We're close enough to New Orleans to drive over."

And certainly, New Orleans boasts the biggest bash around. Last year's 12 days of parades brought more than \$1 billion to the city, where the festivities date back to the 1800s.

The economic activity set a record for the event, as did the 6.1 million people who attended Carnival 2000 in and around the Crescent City, according to an annual report prepared by the University of New Orleans.

"What makes Mardi Gras unique in New Orleans is that the people are not spectators — they're part of the parade," said Barry Kern, president of Kern Studios LLC, which has made Carnival floats for more than 50 years.

This article talks about the Mardi Gras celebrations bringing millions of tourists to cities such as New Orleans every year. All of these people bring along money to spend which increases the money supply around these areas. Because of all the added parties and parades, the human and physical capital must also be increased. More employees are needed to help with these activities. In addition to the increased

employment, there would also be an increased investment from some businesses who produce items used at Mardi Gras. Businesses that produce things such as parade floats or beaded necklaces would increase their capital good because of the increased spending that time of year. Special events such as Mardi Gras that bring people who spend money, increasing the amounts of both physical and human capital, and increasing the overall flow of money in the economy, really help with economic growth.

Clinton, DeWitt officials support pork plant

By EDITH BRADY-LUNNY
Pantagraph correspondent

CLINTON — If the reaction of the Clinton City Council and DeWitt County Board is representative of local residents, a pork-producing facility will be welcome in Clinton.

City and county officials met in joint session Monday night with executives of American Premium Foods to discuss the area's bid for a \$25 million pork-processing plant.

Clinton is among 12 communities vying for the plant, which takes hogs and converts them to meat products.

County board Chairman Roland Shumaker told company officials that the board supports the project.

"I like your presentation, and we're here to support you," he said.

Clinton Mayor Tom Edmunds echoed the county's board's remarks, saying the community has "a ready, willing and able work force."

The city and county met last Thursday to discuss an economic-development package for American Premium.

Clinton Economic Development Director Steve Vandiver said the county has agreed to support the efforts to lure the company to DeWitt County.

Jim Burke, chief operating officer of American Premium, told a full city council chamber Monday that the business venture to process pork began about two and a half years ago when pork producers in Central and Southern Illinois faced tough economic times.

"They were looking for a way to save the family farm," said Burke.

The handful of farm families in the consortium has grown to 240, with 95 percent of those coming from Illinois.

Burke addressed several issues that have been raised by residents in other communities.

Odor should not be a problem at the plant, he said, because hogs are trucked to the facility, taken indoors and slaughtered within two to three hours. Trucks will be routed to avoid a backup of hogs waiting to enter the facility.

Labor considerations could tip in the town's favor, Burke said. A startup labor force of 210 workers

will be needed, with that number growing to 300 when a second shift is added.

The average worker will earn more than \$10 per hour plus benefits, with supervisors earning more than \$14 per hour.

A community's ability to provide and dispose of water could prove a crucial and determining factor in the decision to select a site, said Burke.

Two shifts of production will require 400,000 gallons of water, he said.

The wastewater capacity necessary for the plant will equal the needs of a town about the size of Clinton, according to prelimi-

nary estimates.

Community acceptance of the project ranks among the top considerations for company officials, said Burke.

Once the plant is completed, said Burke, "We can't pack it up and move it somewhere else."

The list of communities will be narrowed within the next several weeks, said Burke, with a final decision expected by mid-June. Eureka, Pontiac, Gridley and Rantoul are among the other Central Illinois towns hoping to land the plant.

A public informational meeting will be at 7 p.m. May 29 at Clinton High School.

American Premium Foods is looking for a town such as Clinton to place a pork-producing facility. Any type of new business in a town tends to bring along at least a little economic growth. This particular business would definitely help increase the amount of human capital in bringing eventually 300 jobs to the town. With these new jobs help cause economic growth by people spending more money and putting it into other businesses, possibly even back into the pork business who in turn pay it back out to their employees or invest in other factories or new equipment and better technology. An improvement in technology could also stimulate economic growth by allowing businesses to produce more and faster getting their products out into the market faster. This pork plant would really benefit Clinton's economy by bringing the added

"Exceeds" (page 5)

boundaries and extends to the community
and increasing the exchange of
physical and capital goods.