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National Council on Economic Education

WHAT DOES THE NATION CONSUME?

INTRODUCTION

Gross domestic product (GDP) is a basic measure of national economic output. GDP is the value, expressed in dollars, of all final goods and services produced in an economy in a given year. In the United States, goods and services produced for household consumption account for approximately two-thirds of this total output.

ECONOMIC CONCEPTS

Gross domestic product
Intermediate goods
Final goods
Durables
Nondurables
Consumer spending

RELATED CONTENT AREAS

Language arts (writing and interpreting charts)
Mathematics

OBJECTIVES

- ◆ Define gross domestic product as the value, expressed in dollars, of all final goods and services produced in a year.
- ◆ Explain the difference between intermediate and final goods.
- ◆ Categorize consumer spending as durables, nondurables, or services.

LESSON DESCRIPTION

Students look at their consumption of goods and services in a day. Then, they consider household spending for the nation as a portion of Gross Domestic Product.

TIME REQUIRED

- ◆ Two class periods

MATERIALS

Visual 1, *What Does Our Nation Consume*
3 index cards per group

PROCEDURE

1. Write “Gross Domestic Product” (GDP) on the board and define as the value, expressed in dollars, of all final goods and services produced in a year.
2. Explain that what the economy produces is what is available for consumption, investment, and government spending.
3. Discuss:
 - What are goods? (Things we can use, touch, and see.)
 - What are services? (Activities people do for us.)
4. Explain that the production of these goods and services provide jobs for people in the economy. The income people earn is then used to consume goods and services.
5. Explain that final goods are goods and services sold to consumers. Intermediate goods are things that are produced and then used up in the production of other goods and services. For example, the denim produced in mills is used up in the production of jeans. Denim is an intermediate good and the jeans are a final good.
6. Ask for other examples of intermediate and final goods. (Steel in automobiles, flour in muffins, thread in a shirt, screws in a machine, wood in a table.)
7. Write, \$6,400,000,000,000 (\$6.4 trillion) on the board. Explain that this was the current dollar value of all the final goods and services produced in the U.S. in 1993. This is what economists call GDP.
8. Explain that we can learn more about GDP figures by looking at GDP data

UNIT 4: LESSON 12

- collected by the Department of Commerce and the Bureau of Economic Analysis.
9. Divide class into groups of three or four. Explain that they are going to study the types of goods and services that make up a large part of the \$6.4 trillion GDP.
 10. Ask students, working in groups, to make a list of all the final goods and services they used from the time they woke up yesterday until they went to bed last night. Explain that each member of the group should “walk through” a typical day and then group members should combine information to create a group list. Items should not be listed more than once.
 11. Ask one member from each group to report their list. As items are reported, record them on the board. Instruct a member of each group to cross items off the group’s list as they are mentioned by other groups. This will help avoid repetition.
 12. After recording group responses, ask students to consider items that might have been overlooked. For example, discuss:
 - How was breakfast prepared? (Microwave, toaster, refrigerator.)
 - Did you turn on the light in the bathroom to shower? (electricity) Did you use soap, shampoo, toothbrush, toothpaste?
 13. Ask students to look over the list and reflect on the large number of goods and services they rely on to satisfy their wants each day. Point out several goods or services produced by businesses (CD, bread, bicycle repair). Discuss:
 - Who buys these items and activities produced by businesses? (Households, family members, consumers.)
 - How does your family obtain most of the goods and services it wants? (purchases them)
 14. Explain that spending by households is called consumption or consumer spending because the products provide direct satisfaction to consumers. Emphasize that when we measure GDP, consumer spending represents the largest category. Spending for consumer goods and services makes up approximately two-thirds of all spending.
 15. Write “durables” on the board and ask students what they think it means. Explain that in GDP, durables refers to a consumer good that will last longer than three years. Ask students for examples. (Bike, CD player, hockey stick.)
 16. Explain that “nondurables” are consumer goods expected to last less than three years. Ask students for examples. (Hamburger, soda, shoes.)
 17. Remind students that services are activities people do for us.
 18. Distribute three index cards to each group. Instruct students to write “D” (durable) on one index card, “ND” (nondurable) on another, and “S” (service) on the third.
 19. Explain that you will point to the items listed on the board one at a time. Each group should decide whether the item is a durable good, a nondurable good, or a service; and a member of the group should hold up the correct card.
 20. As students hold up cards, record responses next to the item on the board. Note and discuss any differences among group responses.
 21. Display Visual 1: *What Does Our Nation Consume?* Allow time to discuss differences between the list on the board and the visual.
 22. Instruct students, working in pairs, to write four complete sentences about the table in Visual 1. For example:
 - We spent a greater percentage on services in 1993 than we did in 1963.
-

UNIT 4: LESSON 12

- Toys are nondurable goods.
- Restaurant meals are counted as nondurable goods and not services.

23. Encourage students to draw conclusions from the table about how consumer spending patterns have changed.

CLOSURE

1. Review the following:
 - What is Gross Domestic Product?
 - What are final goods?
 - What are intermediate goods?
 - What are durable goods?
 - What are nondurable goods?

EVALUATION

1. Ask each student to write “A Day in My Life as a Consumer,” outlining his or her consumption of goods and services for the day.
2. Ask students, as a group, to create a GDP Consumption Collage. They may draw pictures or cut them out of newspapers and magazines. They must include examples of durable goods, nondurable goods, and services.
3. Ask students to create a visual representation of the information found in Visual 1. (Pie chart, bar graph, and so on.)

4. Instruct each group to develop a game that reviews the information they’ve learned in this lesson. Allow groups to trade games and play.

EXTENSION

1. Ask students to select one character from a book they are currently reading and develop a spending table for that character. The table should have durable, nondurable, and service categories.
2. Consumption figures in dollars for each year are listed in the table that follows. Instruct students, using the percentages from the table, to calculate the dollar amount of spending in each major category (durable goods, nondurable goods, services) for each year.

<u>Year</u>	<u>Total Consumption (Billions of Dollars)</u>
1963	384.1
1973	848.1
1983	2,257.5
1993	4,390.6

3. Use Lesson 13, *An Island Economy* for further information on gross domestic product.

VISUAL 1

WHAT DOES OUR NATION CONSUME? DURABLES, NONDURABLES, AND SERVICES*

	Percent of Total Consumption			
	1963	1973	1983	1993
Durable goods	13	15	12	12
Motor vehicles and parts	6	7	5	5
Furniture and household equipment (appliances, china, quilts, video and computing equipment, musical instruments, tools)	5	6	5	5
Other (jewelry, watches, books, sports and photographic equipment, boats, pleasure aircraft)	2	2	2	2
Nondurable goods	44	40	39	31
Food and beverage (includes groceries and restaurant meals)	23	21	19	15
Clothing and shoes	7	7	6	5
Gasoline and oil	3	3	4	2
Other (medicines, toiletries, cleaning products, magazines and newspapers, stationery, flowers, toys, fuel oil, tobacco products, and coal)	11	9	9	9
Services	42	45	52	57
Housing	15	14	15	14
Household operation (utilities telephone, repair and miscellaneous, services, others)	6	6	7	6
Transportation (auto repair, leasing, parking, tolls, insurance, taxi, rail, bus, airlines)	3	4	4	4
Medical care (physicians, dentist, other professionals, hospitals, and nursing homes, health insurance)	6	8	12	15
Other (personal services, personal business, recreation)	12	13	13	18

*Source: Economic Report of the President. February 1994, p.286



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