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*Teaching
the Simple Principles
of Economics*



*For Normal and other
Teacher-Training Schools*



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TEACHING THE SIMPLE PRINCIPLES OF ECONOMICS.

Suggestions to Normal Schools and other Teacher-Training Schools to be used as the basis of a course of study in developing a larger knowledge of the principles of thrift on the part of the students in attendance, and a better understanding of how they, as teachers, may develop the subject in their classes.

The question of how thrift shall be taught in the school, the emphasis and time to be given to it, is first of all a question of the relative importance of this subject to the other subjects of the curriculum. In other words, of how much practical value to the life of the individual is the knowledge of the simple principles of economics—the value of money and how to use it intelligently; how to save a margin from the income above the current expenses; how to invest and use the margin so as to provide for future needs and future services; wisdom to spend money so as to get full value for every penny; ability to apply time, energy, and talent so as to make them count most—in short, to have such a knowledge of money, such an understanding of simple business practices, such a sane economic sense as to manage the personal resources to the best interest of the individual, of business, of society, and of the Nation.

If these facts mean as much in the permanent accounts of life and fortune as the average knowledge and power gained from the study of the other subjects of the school, then teachers should be trained to teach this subject, and schools should be equipped to apply it according to its relative value as an educational idea.

NEED FOR EDUCATIONAL THOUGHT.

Moreover, if thrift is to be regarded as a subject of permanent educational value, standards and methods of teaching, the time to be devoted, the elements of thrift to be discussed, and the facilities for the practice of these principles must be worked out by school authorities through the same methods of educational thought as the other subjects. If this subject has real educational value, it is the responsibility of school authorities to think it through, work it out in a practical and teachable form, and give it a normal place in the school, providing teachers with outlines and other facilities for the full and proper development of the entire idea. It is the intention of this pamphlet to merely outline in a general way the most salient points of the subject.

THE STARTING POINT.

Most people believe in thrift in all its sane angles and practices—thrift in money, thrift in time, thrift in energy, thrift in health,

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thrift in conservation of natural resources. The field is broad and inclusive, almost appalling in its scope. In working this subject out in the schools it is not so much a question primarily of how much of the entire field may be covered, as a question, first of all, of where to start. As in all other educational subjects, there must be a proper starting point and a tangible and practical line of pursuit in order that definite results may be attained.

The Savings Division of the Treasury Department has looked with some degree of care into the various elements of thrift, with this conclusion, that the logical starting point in teaching the subject, both from the standpoint of the teacher, from the standpoint of the school's facilities, and from the standpoint of the practical knowledge to be gained by the students, are the simple principles of the value and use of money—how to earn, how to save, how to spend, how to invest. With a proper knowledge of these elements of thrift and other elements, thrift in *time, energy, health, conservation*, will be understood much more readily and associated with the entire economic scheme of life much more easily.

Students should have it impressed upon their minds that every individual who works owes it to himself, to business, to society, to his Government, to earn a respectable living for himself and those dependent upon him, to provide for the modern comforts and pleasures of life, to lay aside something for the future when his earning power has declined. That means that they should understand the principles of—

1. Earning and saving money from honest work.
2. Saving money by careful management.
3. Conserving materials by thoughtful use.
4. Investing money where it will bear interest and be absolutely safe.
5. General economics as these principles apply to everyday transactions of life.
6. Common financial practice and financial terms.

The abstract teaching of the principles of thrift can not be effective unless facilities are provided for the practical application of these principles. We can not accomplish a great deal with children, or even with grown people, by moralizing about the importance of work, about the saving of money, or about the application of any other economic principle. The best way to learn the value of work is to work. The best way to learn the importance of saving is to save.

The success with which this subject is presented by teachers will depend, in large degree, upon how far the principles of the subject can be put into actual practice in the school. It is not the object to merely teach students how they may apply the principles of

simple economics after they leave the school, but to give them an opportunity to put these principles into practice while they are still in the school. It is not mere information that is desired, but experience. A student is not prepared to do a thing which he has only heard about.

The thing which is most desired by business enterprises from school graduates seeking positions is experience. The actual application of the simple principles of economics to real life problems in the school should be of great value to the student: (1) In the management of his or her private affairs during the school life; (2) in securing a situation upon leaving the school; (3) in helping to vitalize and practicalize the other subjects of the school.

It is not the intention in the promotion of thrift education to merely load up the school with an additional abstract subject. It is well recognized that school programs are crowded and that the efficient teacher is a very busy person. The teaching of these principles will be valuable only in proportion as they appeal to the teacher as an educational opportunity: (1) To enrich her program by the use of a very practical and much neglected element of American education; (2) as an opportunity to create new interest in other subjects which of necessity must be of a more abstract nature; and (3) as an opportunity to build up, through practice, a set of economic habits which will help the student to get started on the right track in his financial and other simple economic activities of life.

OUTLINE OF SOME PRACTICAL PRINCIPLES.

I. ABILITY TO WORK AND SAVE.

1. The Nation's economic and financial strength depends more upon the industry and the small savings of the people than upon anything else. Most of us will not be millionaires, but all of us can be small capitalists. To be a capitalist one need only to work consistently, to save some money, and invest it in some way in which it will be of public and personal advantage.

2. Financial success has its foundation in successful work. One can not hope to succeed financially unless he succeeds at his work. Hence, the first consideration in financial success is the proper attitude toward the proper preparation for and proper ambition in work.

3. Proper preparation for work does not consist merely in theoretical knowledge but in practical ability to apply ourselves to a definite job. It pays to be prepared for our work from the standpoint of dollars and cents.

- (a) All things being equal, the individual who is well prepared will command a larger income from his work than the one who is inadequately prepared.

- (b) The individual who is well prepared is more likely to have demand for his services than the one poorly prepared.
- (c) The individual who has ability to conserve materials, machinery, and property is a more valuable man to his own business or to the business of some one else.
- (d) The individual who has ability to get large results at a minimum cost is an efficient individual. The world is seeking efficiency.

4. Everyone who has an income owes his opportunity to earn that income to the consuming public. He would have no job save for the demand for goods and services. Hence it is one's duty to the public to render service commensurate with his income.

- (a) Produce a good quality of goods or services.
- (b) Give a fair day's work and to ask for only a fair day's work from others.
- (c) Demand only fair wages or profits.
- (d) Practice economy in his work or in the conduct of his business.

5. Importance and value of leisure.

Leisure is not time to be *wasted*, or *dissipated*, but time to *recreate*, to *enjoy* and to *improve health*, to *enlarge our education* and *social relationship*.

II. SAVING MONEY BY CAREFUL MANAGEMENT.

1. Application of simple business principles:

(a) Management of personal affairs—

- (1) Live within our means.
- (2) Save some part of the income for future needs.
- (3) Plan our obligations and our expenditures by keeping a personal budget.
- (4) Practice sane economy but not stinginess.
- (5) Spend money only after due consideration.
- (6) Pay our bills promptly.

(b) Management of household affairs—

- (1) Systematize the household buying and use of materials as if the household were a business enterprise.
- (2) Keep a household budget.
- (3) Acquire knowledge of values and a sense of fitness of materials so as to buy appropriate articles.
- (4) Do our own marketing and shopping, if possible.
- (5) Provide for proper care of materials.
- (6) Waste nothing of value.

(c) Management of private business affairs—

- (1) If you can manage your private affairs wisely, you will be able to apply the same principles to business.

- (2) Watch for small leaks to prevent waste.
- (3) In business one must learn to buy wisely, to conduct the business economically, and to sell at a reasonable profit.
- (4) Treat employees fairly.
- (5) Treat the public fairly.
- (6) Be honest to the last penny.
- (d) Management of public affairs—
 - (1) Most private individuals have no direct part in administering the public funds.
 - (2) We can, however, make public waste a disgrace and impossible if we as private individuals apply proper economy to all personal, household, and business practices. Public waste can not continue indefinitely in the light of public sentiment for universal economy.
 - (3) If one holds a public office one should apply the same principles of businesslike management to public affairs as his personal affairs deserve.

2. Purpose of saving.

- (a) Immediate obligations.
- (b) Future obligations.
- (c) Education.
- (d) Investment in property, business, Government securities, and in other safe ways.
- (e) Personal independence gained.
- (f) Conveniences and comforts of life which are not possible without something ahead.
- (g) Opportunity for larger service.
- (h) Opportunities which come to those who have capital.
- (i) Provision for—
 - (1) Old age.
 - (2) Emergencies—sickness, death, etc.

3. How to save.

- (a) Spend less than we earn.
- (b) Make it a practice to lay aside the savings before spending any part of the income.
- (c) Decide on a definite amount to be saved each week.
- (d) Keep a budget.
 - (1) Prepare simple budget forms in the classroom.
 - (2) Practice making out budgets.
 - (3) Keep actual accounts of expenditures during the school life.

SAMPLE BUDGET FOR SCHOOL STUDENTS.

Total income,

Budget.....	\$.....	\$.....	\$.....	\$.....	\$.....	\$.....
Date.	Thrift Stamps and other savings.	Lunch.	School supplies.	Dress accessories.	Recreation.	Car fare.
1.....						
2.....						
3.....						
4.....						
5.....						
6.....						
7.....						
8.....						
9.....						
10.....						
11.....						
12.....						
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19.....						
20.....						
21.....						
22.....						
23.....						
24.....						
25.....						
26.....						
27.....						
28.....						
29.....						
30.....						
31.....						
Total.....						\$.....
Surplus.....						
Deficit.....						

NOTE.—This budget form is suggestive. Conditions will differ in different localities. The teacher will change the form of the budget to suit the particular types of expenditures of her students.

4. Savings through intelligent spending.

(a) How much one can afford to spend depends upon the size of the income.

- (1) If one spends more than he earns, he creates obligations he can not meet.
- (2) If he spends all he earns, he must work always for a mere living.
- (3) If he spends less than he earns, he acquires financial independence.

5. Wisdom with which one spends depends largely upon ability to buy intelligently.

- (a) Not always the highest-priced article.
- (b) Not always the lowest-priced article.
- (c) But the article appropriate to the need, and always within our means.
- (d) The test of wisdom in buying.
 - (1) Do I need the article?
 - (2) Can I afford to buy it?
 - (3) Is the dealer trustworthy?
 - (4) Is the quality good?
 - (5) Is the article appropriate?
 - (6) Is the price reasonable?
 - (7) Can I pay for it now?
 - (8) If I buy the article must I deprive myself of something I need and want worse?

6. Amount saved in buying depends largely upon knowledge of the value of commonly used goods.

- (a) The difference in actual value of certain qualities of food.
- (b) The names and comparative value of different cuts of meat.
- (c) The food value of most common foods.
- (d) How to make up a well-balanced menu at a nominal cost.
- (e) How to order a meal at a hotel or restaurant.

(It will be interesting practice to have menus in the hands of students to test their economic ability and their knowledge of food combinations.)

- (f) Some knowledge of how to judge the quality of fabrics.

III. SAVING THROUGH THOUGHTFUL USE OF MATERIALS.

1. General economy—keeps down current expenses.

- (a) Care in use of necessities decreases personal expenditures, and tends to increase the supply and reduce the cost of materials.

- (1) Food.
- (2) Clothing.
- (3) Furniture and books.
- (4) Other household equipment.
- (5) Light and fuel.
- (6) Property, whether private or public.

- (b) Moderation in the use of luxuries increases personal savings:

- (1) Novelties in food and clothing.
- (2) Jewelry.
- (3) Candy and soda water.
- (4) Amusements.

- (c) Care of property—saves repairs and protects the property.

- (d) Proper care and repair—saves money.

- (1) Machinery.
- (2) Farm implements.
- (3) Automobiles.
- (4) Buildings—roofs, gutters, paint, etc.

IV. INVESTING MONEY WHERE IT WILL BEAR INTEREST AND BE ABSOLUTELY SAFE.

1. Why invest.

- (a) To protect our savings.

Loose money is not safe; it is apt to be lost or stolen.

- (b) To increase our savings through interest on investment.

Investment is a practical way to make money work for us.

- (c) To help promote legitimate industries.

Money invested is usually converted into working capital, and thus helps to make more and better business.

(d) To use for some specific purpose in the future.

One may have a definite ambition in the future—a college education, a business, travel, household equipment—for which he or she can protect savings and have them multiplied through the accumulation of interest.

2. How to invest.

(a) Have a plan.

(b) Invest promptly what we save from the pay check or other income, regardless of how small the amount.

(c) Invest in nothing which does not show good evidence of safety.

3. How to know what is safe.

(a) Consult a banker before investing. (This is the surest safeguard.)

(b) Absolute safety and high rates of interest usually do not go together.

(c) Fake and get-rich-quick schemes of investment are usually sold on the argument of high rates of interest. Old-established enterprises argue for their securities on the basis of safety and reasonable interest.

(d) An understanding of the safety of Government securities is a good protection against unsafe investment.

4. Government savings securities.

(a) The Treasury Department has continued to promote the sale of Government securities—25-cent Thrift Stamps, \$5 War Savings Stamps, Treasury Savings Certificates in denominations of \$100 and \$1,000—

(1) Because these sales provide revenue which helps meet the Government's obligations.

(2) Because they provide a practical method of keeping the people interested in their Government.

(3) Because they provide a means of teaching safety in investment.

(4) Because they provide a way to practicalize the lessons of economy, saving, and the wise use of money which the Savings Division is endeavoring to teach.

(5) Because they provide a safe and convenient method of investing small savings.

(b) The Treasury Department regards the purchase of Government securities as a high type of financial education.

(c) Thrift Stamps and War Savings Stamps are best suited to the investment possibilities of school students.

(d) Schools should work out in cooperation with the district savings organization practical and simplified facilities for the regular purchase of stamps in the school.

(e) United States Government securities now on the market:

(1) *Thrift Stamps*.—They are the practical first step of investment in Government securities. Cost 25 cents. Bear no interest. Must be pasted on a thrift card, which can be secured free of cost at any post office. When the card bears 16 stamps, it may be exchanged, when accompanied by 12 cents in January, and 1 additional cent for each succeeding month, for a War Savings Stamp.

(2) *War Savings Stamps*.—They are the smallest interest-bearing securities issued by the Treasury Department. The War Savings Stamp costs \$4.12 in January, increasing in cost by 1 cent a month, thus costing \$4.23 in December. They pay \$5 at maturity and mature in five years. War Savings Stamps never decrease in value, but increase regularly each month. If redeemed before maturity, they pay 3 per cent interest at the time of redemption. If held to maturity, they pay 4 per cent compound interest. The interest is paid the holder at the time of redemption. These stamps can be registered at the post office, making the investment safe in case of loss or destruction. The largest amount of War Savings Stamps that any one individual can buy in one year is \$1,000. War Savings Stamps should always be pasted on a War Savings Certificate, issued free on application to the post office or other Government sales agency. The 1919 War Savings Stamps must be pasted on a 1919 War Savings Certificate, 1920 stamps must be pasted on a 1920 War Savings Certificate, etc. A War Savings Certificate containing 20 War Savings Stamps may be exchanged for a Treasury Savings Certificate of the maturity value of \$100 on application to a first or second class post office or at a Federal Reserve Bank. Ten such War Savings Certificates may be exchanged for a Treasury Savings

Certificate of the maturity value of \$1,000 at a Federal Reserve Bank or at any bank acting as a War Savings Agent.

- (3) *Treasury Savings Certificates*.—They are of \$100 and \$1,000 denomination. The \$100 and \$1,000 Treasury Savings Certificates cost, respectively, 20 times and 200 times the cost of a War Savings Stamp in any given month and are redeemed for \$100 and \$1,000, respectively, five years hence. The \$100 Treasury Savings Certificates cost \$82.40 in January, increasing in cost by 20 cents a month, thus costing \$84.60 in December; \$1,000 Treasury Savings Certificates cost \$824 in January, increasing in cost by \$2 a month, thus costing \$846 in December. They bear 4 per cent interest, compounded quarterly, the same as War Savings Stamps, and mature in the same time. These certificates are registered at the Treasury Department in Washington.
- (4) *Liberty Bonds and Victory Notes*.—*Liberty Bonds* of the four different loans and *Victory Notes* of the fifth loan can be purchased through banks. The current prices of Liberty Bonds and Victory Notes vary slightly from day to day; hence it is not possible to state the exact purchasing price of these securities. A bank can give this information. The rates of interest at which these bonds and notes are issued are easily obtainable. Many daily papers carry this information. The fact should be impressed upon the students that the Government will redeem Liberty Bonds and Victory Notes at par value on the date of maturity, paying dollar for dollar on the original investment, and that meanwhile the Government will pay interest on the par value of the securities.

V. GENERAL PRINCIPLES OF ECONOMICS:

1. Production and distribution—

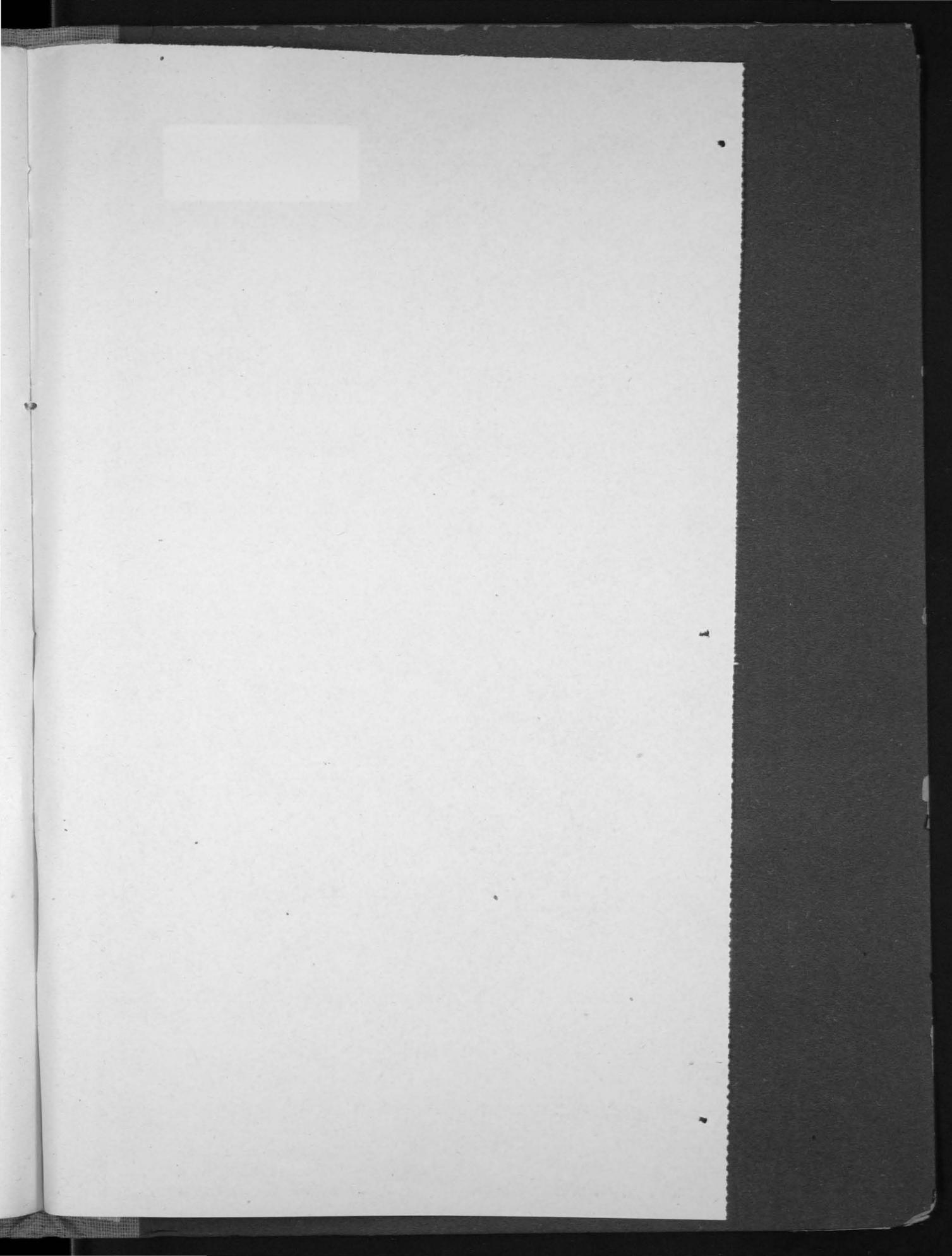
- (a) What are the general forms of production? (This has been studied in geography.)
- (b) What are the methods of distribution from producers to consumers—
- (1) Through jobbers, wholesalers, and retailers? What is the function of each?
 - (2) Through transportation system? (This has been studied in geography.)

- (c) Effect of production and distribution on prices of goods.
- (d) Effect of demand on prices of goods.
- (e) What is the law of supply and demand?
- (f) Effect of economy on prices.
- (g) Effect of extravagance on prices.
- (h) What are the chief factors in fixing the price of goods?
- (i) Who fixes prices?
- (j) Effect of thrift upon the individual, upon business, and upon the community.
- (k) Effect of extravagance upon the individual, upon business, and upon the community.
- (l) Effect of stinginess upon the individual, upon business, and upon the community.

VI. COMMON FINANCIAL PRACTICE AND FINANCIAL TERMS:

1. What is a bond?
2. What is a Government Bond?
3. What is a Coupon Bond?
4. What is a Registered Bond?
5. What is a Thrift Stamp?
6. What is a War Savings Stamp?
7. What is a Treasury Savings Certificate?
8. What is a share of stock?
9. What is a note?
10. What is a draft?
11. What is a money order?
12. What is a checking account at a bank?
13. What is a savings account?
14. What is an overdraft at bank?
15. What do we mean by protest of note or check?
16. What do we mean by the terms "negotiable," "transferable," "collateral?"
17. What is the protection back of Government Bonds?
18. Who authorizes the issue of Government Bonds?
19. How does one collect the interest on a Government Bond?
20. When do we receive the interest on War Savings Stamps?
21. What do we mean by maturity?
22. What do we mean by refunding loans?
23. What do we mean by par value?
24. What do we mean by market value?
25. What do we mean by inflation?
26. What is the protection back of a commercial bond or stock in a corporation or company?
27. What protection does a bank usually ask in loaning money?

What is the purpose of the study?
What are the objectives?
What is the scope of the study?
What are the limitations?
What is the significance of the study?
What are the research questions?
What are the hypotheses?
What is the theoretical framework?
What are the variables?
What is the research design?
What are the data sources?
What are the data collection methods?
What are the data analysis methods?
What are the results?
What are the conclusions?
What are the implications?
What are the recommendations?
What are the future research directions?



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