

### Economic Recovery? A Comparison of Indicators for Utah and the United States Since March 2001

Research Report #664, February 2004

#### Lesson Summary

This lesson discusses key business and consumer indicators that are used to measure the health of the economy. In this report the indicators are used to compare the economic recovery (from the 2001 recession) of Utah and the United States. This report also discusses the benefits and hazards of federal government expenditures during economic downturns.

#### Related Websites

- National Bureau of Economic Research  
<http://www.nber.org/>
- Bureau of Labor Statistics  
<http://www.bls.gov/>
- Bureau of Economic Analysis  
<http://www.bea.gov/>

#### Utah Core Curriculum

U.S. Govt. and Citizenship

- Std 3, Obj 2: Analyze the role of local government in the United States federal system. Explore current issues affecting local governments.

Economics

- Std 5: Apply economic concepts and reasoning to social developments and issues. Identify and discuss major economic indicators.

*This lesson plan is provided by Utah Foundation to assist in using the accompanying Research Report in high school or middle school classes. Please feel free to copy the Research Report for your students.*

#### Vocabulary

Asset: Anything you own.

Deficit Spending: Spending more than is taken in.

Gross Domestic Product (GDP): The value of all goods and services produced in the nation during a specified period.

Inflation: An increase to in the average level of prices.

Infrastructure: The whole system of facilities, equipment, and services needed for a city or state.

Paradox: A true statement that sounds false or contradictory.

Robust: Strong, healthy, or sturdy.

Transfer Payments: Payments made by governments to individuals for economic support, such as welfare or unemployment benefits.

#### Quick Questions

1. What are some of the key indicators that the economy is in the recovery stage?

Answer: GDP has grown at greater rates, consumer spending is stronger, unemployment has declined and consumer confidence is up.

2. Which area of employment is causing the greatest area of concern?

Answer: Total non-farm employment, since very few new jobs have

been created in this sector.

3. What factors are used as indicators that businesses have long-term confidence in the economy?

Answer: Fixed investments in land, buildings computers and equipment.

4. Personal income growth is a strong indicator of the health of the economy. What are the major components of personal income?

Answer: Wages and salaries, dividends, interest and rents (abbreviated as DIR) and transfer payments.

5. How does the impact of fluctuations in wages and salaries in Utah compare to the impact in the rest of the United States?

Answer: Utah is more dependent on wage and salary income than the rest of the nation since 73% of personal income comes from wages and salaries compared to 69% for the rest of the U.S.

6. Describe the trend in job growth and losses in the state of Utah from January 2003 to January 2004.

Answer: Manufacturing lost 800 jobs and health and education gained 3,700. Health care gained the greatest number of jobs while durable goods suffered the greatest losses.

7. How have unemployment rates in Utah changed from 2001 to 2003?

Answer: December 2003 – 4.2%, similar to when the recession began. The high was 6.6%.

8. Which area of the state has had the most volatile unemployment rates?

Answer: Provo-Orem area, rates ranged from 3.2% to 7.0%

9. What important role does the government play in times of recession?

Answer: Provides income support to citizens, and funds public projects and programs that can stimulate the economy.

10. How can over-spending by the government damage the economy?

Answer: It can cause inflation and can inhibit future growth by burdening future generations with debt.

## Critical Thinking Activities

1. The article describes the concern over the lack of investment spending by businesses and the need for consumer confidence to recover from a recession. As a government consultant, what strategies would you use to regain the confidence of businesses?
2. Consumers have been refinancing homes and high rate credit cards as part of the increase in consumer spending. This increase in consumer spending has helped the recovery process; however, what problems may be caused by too much borrowing?
3. Government spending has been increasing by approximately 9% during 2002 and 2003. This includes both defense and non-defense spending amounts. Since the GDP is growing at a rate of about 3% per year, and government spending is normally a little over 2% of the GDP, analysts predict that government spending will be reduced in the near future. If government spending is reduced, what programs or areas do you think that they will cut back? How could those reductions affect the state? If spending is not reduced, government will have to raise taxes. What would a tax increase do to the state's recovery?

## Quiz Page

### Vocabulary

---

Asset	Infrastructure	Transfer Payments
Deficit Spending	Paradox	
Inflation	Robust	

### Quick Questions

---

1. What are some of the key indicators that the economy is in the recovery stage?
2. Which area of employment is causing the greatest area of concern?
3. What factors are used as indicators that businesses have long-term confidence in the economy?
4. Personal income growth is a strong indicator of the health of the economy. What are the major components of personal income?
5. How does the impact of fluctuations in wages and salaries in Utah compare to the impact in the rest of the United States?
6. Describe the trend in job growth and losses in the state of Utah from January 2003 to January 2004.
7. How have unemployment rates in Utah changed from 2001 to 2003?
8. Which area of the state has had the most volatile unemployment rates?
9. What important role does the government play in times of recession?
10. How can over-spending by the government damage the economy?