

Is War Good for the Economy?

IMPORTANT: You can have several activities in 1 lesson. If you identify a resource (URL, File, Ed Tech Tool) in the procedure section, be sure to name the file or URL name within the Materials and Preparation section the same name as seen in the Activities section. Otherwise, we will not understand where the file or URL needs to be linked/uploaded. If we do not understand what you would like us to do, we will send the lesson plan back for clarification.

Objectives

Students will be able to:

- Describe how military spending affects a nation's GDP
- Identify the opportunity costs associated with military spending

Time

60-90 minutes

National Standards in Economics or Personal Finance

Economic Fluctuations 8-1:1. GDP is a basic measure of a nation's economic output and income. It is the total market value, measured in dollars, of all final goods and services produced in the economy in one year.

Allocation 3-12: 1. Comparing the benefits and costs of different allocation methods in order to choose the method that is most appropriate for some specific problem can result in more effective allocations and a more effective overall allocation system.

Materials and Preparation

- Visual 8.1—GDP Graph
- Visual 8.2—Activity directions
- Handout 8.1—War Era Story I
- Handout 8.2—War Era Story II
- Handout 8.3—*Seen and Unseen* Reading
- Handout 8.4— *Seen and Unseen* Questions

The following materials are needed per group:

- Handout 8.5 --- Roles card
- One (1) sheet of green construction paper
- Glue or glue stick
- 2 newspaper pages
- Scissors
- 10 large marshmallows (or clay if you have access)
- 12-24 popsicle sticks
- One (1) 5" X 5" piece of Styrofoam board or green plant foam (dimensions don't need to be precise)
- Fake money (four \$5 bills works well)

Activities

1. Ask the students: Can war help the economy? Why or why not?

(Possible answers: Yes, the government needs to hire more troops, which would decrease unemployment. Guns, bombs, bullets, and other military equipment must be produced which creates jobs.

No, people die and things get destroyed; both of those things hurt the economy. It could harm trade or diplomatic relationships.)

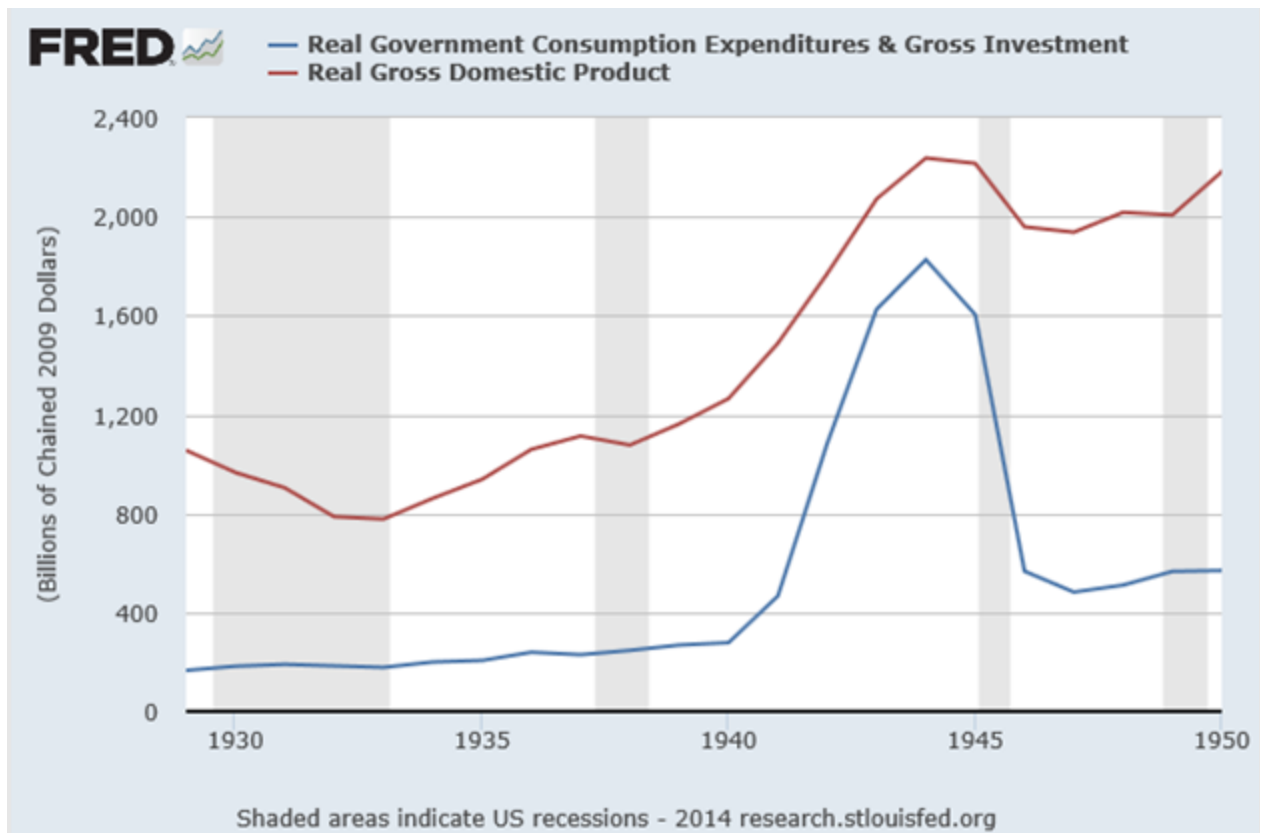
2. Show the class the graph of U.S. government spending and real GDP (visual 8.1).
 - What is the connection between war and GDP? *(Possible answers: military expenditures are a part of government spending which makes up a portion of GDP)*
 - What does GDP measure? *Value of all final goods and services produced in an economy; (GDP = $C+I+G+N_x$)*
 - Does the graph provide evidence that the economy is improving? *Possibly. Real GDP is often used as a measurement of wealth, and GDP is rising.*
 - If the red line in the graph is Real GDP and the blue line is Government Spending, what does the gap between the two represent? *The gap between Real GDP and Government Spending represents consumer spending and investment spending (C+I).*
 - What is happening to consumer spending? *Since the gap is getting smaller, it shows that private spending is decreasing.*
 - What could that lead us to infer about the state of the economy during World War II? *The increase in GDP was caused primarily by government war spending and the spending of people and businesses for their own good has decreased, therefore people are worse off economically.*
3. Have students read the accounts of people living in America during the war (Handouts 8.1 & 8.2)
 - What were the people forced to give up during the war? *(Possible answers: electricity, food gasoline)*
 - What goods were in short supply? *(Possible answers: gas, sugar, shoes, coffee, nylons)*
 - Does it sound like their lives are improving? Why or why not? *(Possible answer: No, the everyday goods that people want are rationed so they can get as much stuff as they want.*
4. Show the class the rationing posters on the overhead. Discuss why each good was being rationed and what messages the posters are meant to convey.
<https://www.nal.usda.gov/exhibits/speccoll/collections/show/6>
5. Have the students read Bastiat's *What is Seen and What is Unseen* and *The Broken Window* (Handout 8.3). When the students have finished reading, put them into groups of four and give each student a copy of the reading questions (Handout 8.4). The groups should discuss the reading and answer the questions.
 - Give the students 10-15 minutes and then discuss the answers as a class.
6. Keep the students in their groups of four and do the "Seen and Unseen effects of war Activity" (directions are on visual 8.2).
 - Divide the class into groups of four students each.
 - In each group have the students each choose one of four roles to play; building owner, construction worker, lumberjack, and "war." (Each student in the group must play a different role).
 - While the students are figuring out their roles, pass out the materials to each group.
 - The students should cut out the card with the name of the role that they selected, fold it in half and place it like a tent in front of them.
 - When the students have their other materials, have them work as a team to produce "trees." One student should cut out tree tops from the green construction paper, another should glue the tops to a popsicle stick, and other can create a "forest" by placing the trees in the foam block. The block of forest should be given to the lumberjack when it is complete.
 - Have the building owner and construction worker spread out newspaper to cover their desk (marshmallows can get messy).
 - Tell the class that the building owner wants a building. Who should he contact about having a building built? *Construction worker*
 - The construction worker will build the building for \$10, but will need to spend \$5 on lumber, which will be provided by the lumberjack. Have the students make the payments.

- The lumberjack should provide half of the “trees” (finished lumber with paper removed) to the construction worker, who will then build the building using the lumber and the marshmallows as connection points to attach the lumber.
- Discuss with the students what just happened in the first part of the activity. *The building owner wants a building, so he pays the construction worker to build it. The construction worker needs the building materials, so he contacts the lumberjack to provide the lumber (specialization/division of labor could be referenced here). Everyone is happy.*
- Tell the class that the building owner is satisfied with his building, but now wants to buy a car, but before he has a chance to purchase a car, his country is attacked during a war.
- Now war comes. Have “war” destroy the building. The students can smash and break up the building into pieces representing the destruction that could be caused by bombing during a war.
- The building owner needs to replace the building. Repeat the construction procedure.
- After building two is complete, discuss what has happened.
 - Who was made better off? Why?
 - Who was made worse off? Why?
 - Is the economy better off due to the war? Why or why not?

(Possible answers: The building owner needs to pay for another building to be constructed. He is made worse off. The construction worker and lumberjack are happy because they have more work, but the building owner would have spent his money on a car had there been no war. Car manufacturers and car salesmen would have a reduced demand for their skills, so overall, the economy is no better off in terms of labor. Society is made worse off because now more tree had to be used to bring the owner back to the same level of satisfaction, so there are fewer trees for everyone else.)

Assessment

The students will complete the “Seen and Unseen” reading questions and participate in class and group discussions.



https://research.stlouisfed.org/fred2/graph/?graph_id=186403&category_id=#

Submitted by: Patricia Stephens Combs Current home town: Cincinnati, Ohio Age: 77

I was seven years old when WWII began. I remember hearing the news on our radio and hearing President Roosevelt speak. I am not sure I really understood the magnitude of what had happened at that time. My father went into the Navy, but he was only in the service a short time. He got a medical discharge and soon returned home.

My uncle was an air raid warden, and I can remember him showing us his equipment: a hard hat and a flashlight is really all I can remember now. I remember the blackouts. All the lights in the city were turned out, and lights from our apartment had to be turned off or you had to have blackout curtains at your window. I remember coming home from the movies one night and I barely got there when all the lights went out. It was a little frightening.

There were shortages on many things, so lots of things were rationed during that time. Gasoline, sugar and shoes are the things that I recall. We had ration stamp books; you needed these stamps in order to buy these items. We occasionally would run out of sugar and would need to borrow some from our aunt who lived close by. I also recall that we bought margarine, which was in a plastic bag. It had a yellow coloring capsule inside and you had to break that and then mix it until it became all yellow. I'm not sure if butter was rationed or not, or if it was too expensive and that's why we bought the "new margarine."

We had drills at school to help us know what we should do in case of an attack. We could also buy savings stamps to help with the war effort. I used to buy these and we had a booklet that we would paste them in. If you got enough stamps, you could buy a savings bond.

One summer I went to Elyria, Ohio to visit my aunt. I went on the train and it was filled with military personnel: men and women in the Army, Navy, and other branches of the service. I think every seat in the train was filled.

My uncle enlisted in the Army when he was about 18. One day, we got a telegram that he had been injured. He was in Europe and had been shot in his leg and was in serious condition. He had surgery and sometime later he returned home to recuperate. He received the purple heart and never returned to active duty again. He passed away at the age of 79.

I remember some of the signs, such as "Loose lips sink ships," and "Uncle Sam wants you." I remember VE Day and VJ day and all the celebrations. It was a time of caring and sharing and our family became very close. Things changed quite a bit after the war. Life went on and people seemed to adjust to the post-war era.

War Era Story Project 2012

www.aging.ohio.gov

Submitted by: Ida Fackler Current home town: Dayton, Ohio Age: 95

World War II

The thing I recall during W.W.II for us at home was the shortage of food and other items. Coffee and sugar were two items that were rationed. I lived at home with my parents and sister and since my sister and I didn't drink coffee, my parents didn't notice the shortage of coffee. Whenever there was a shortage of other items, you would notice a line in the stores when they had an item that was in short supply. I would always get in line even if I didn't want the item because I would know of someone who would want it. I didn't smoke but there was a short supply of cigarettes, so I got them for my friends.

Liquor was rationed, but not rum, so rum became a popular drink with cola. Someone wrote a song – "Rum & Cola". One day on my lunch hour I noticed a line in front of the Liquor Store it was a week before Christmas, so I got in line. While waiting, who should come by but my boss and his wife and they teased me about being in line. After I purchased the liquor and came out of the store, who was in line but my boss and his wife.

There was also a shortage of nylon hose, so women in warm weather painted their legs with makeup. Those day women wore dresses or skirts, no trousers.

I was only in my 20's so most of the men my age were in service, so I wrote quite a few letters on "V Mail, (short messages). To pass the time while most male friends were gone, we played golf or bowled. Luckily, most of my friends returned home and only one was injured. When the war was declared over, many people gathered downtown to celebrate. It was a "great day".

During the war President Roosevelt made a visit to Dayton. He visited Wright Field and the Veterans Hospital and I saw him again on his return. I had no other choice, as I rode the Street Car and there were none running until he returned to the Field. I was happy to wait because he has always been my favorite President. He did so much for our country. Sorry to say he didn't survive World War II

What Is Seen and What Is Not Seen**1

1.1

In the economic sphere an act, a habit, an institution, a law produces not only one effect, but a series of effects. Of these effects, the first alone is immediate; it appears simultaneously with its cause; *it is seen*. The other effects emerge only subsequently; *they are not seen*; we are fortunate if we *foresee* them.

1.2

There is only one difference between a bad economist and a good one: the bad economist confines himself to the *visible* effect; the good economist takes into account both the effect that can be seen and those effects that must be *foreseen*.

1.3

Yet this difference is tremendous; for it almost always happens that when the immediate consequence is favorable, the later consequences are disastrous, and vice versa. Whence it follows that the bad economist pursues a small present good that will be followed by a great evil to come, while the good economist pursues a great good to come, at the risk of a small present evil.

1.4

The same thing, of course, is true of health and morals. Often, the sweeter the first fruit of a habit, the more bitter are its later fruits: for example, debauchery, sloth, prodigality. When a man is impressed by the effect *that is seen* and has not yet learned to discern the effects *that are not seen*, he indulges in deplorable habits, not only through natural inclination, but deliberately.

1.5

This explains man's necessarily painful evolution. Ignorance surrounds him at his cradle; therefore, he regulates his acts according to their first consequences, the only ones that, in his infancy, he can see. It is only after a long time that he learns to take account of the others.**2 Two very different masters teach him this lesson: experience and foresight. Experience teaches efficaciously but brutally. It instructs us in all the effects of an act by making us feel them, and we cannot fail to learn eventually, from having been burned ourselves, that fire burns. I should prefer, in so far as possible, to replace this rude teacher with one more gentle: foresight. For that reason I shall investigate the consequences of several economic phenomena, contrasting those *that are seen* with those *that are not seen*.

1. The Broken Window

1.6

Have you ever been witness to the fury of that solid citizen, James Goodfellow,*1 when his incorrigible son has happened to break a pane of glass? If you have been present at this spectacle, certainly you must also have observed that the onlookers, even if there are as many as thirty of them, seem with one accord to offer the unfortunate owner the selfsame

consolation: "It's an ill wind that blows nobody some good. Such accidents keep industry going. Everybody has to make a living. What would become of the glaziers if no one ever broke a window?"

1.7

Now, this formula of condolence contains a whole theory that it is a good idea for us to expose, *flagrante delicto*, in this very simple case, since it is exactly the same as that which, unfortunately, underlies most of our economic institutions.

1.8

Suppose that it will cost six francs to repair the damage. If you mean that the accident gives six francs' worth of encouragement to the aforesaid industry, I agree. I do not contest it in any way; your reasoning is correct. The glazier will come, do his job, receive six francs, congratulate himself, and bless in his heart the careless child. *That is what is seen.*

1.9

But if, by way of deduction, you conclude, as happens only too often, that it is good to break windows, that it helps to circulate money, that it results in encouraging industry in general, I am obliged to cry out: That will never do! Your theory stops at *what is seen*. It does not take account of *what is not seen*.

1.10

It is not seen that, since our citizen has spent six francs for one thing, he will not be able to spend them for another. *It is not seen* that if he had not had a windowpane to replace, he would have replaced, for example, his worn-out shoes or added another book to his library. In brief, he would have put his six francs to some use or other for which he will not now have them.

1.11

Let us next consider industry *in general*. The window having been broken, the glass industry gets six francs' worth of encouragement; *that is what is seen*.

1.12

If the window had not been broken, the shoe industry (or some other) would have received six francs' worth of encouragement; *that is what is not seen*.

1.13

And if we were to take into consideration *what is not seen*, because it is a negative factor, as well as *what is seen*, because it is a positive factor, we should understand that there is no benefit to industry *in general* or to *national employment* as a whole, whether windows are broken or not broken.

1.14

Now let us consider James Goodfellow.

1.15

On the first hypothesis, that of the broken window, he spends six francs and has, neither more nor less than before, the enjoyment of one window.

1.16

On the second, that in which the accident did not happen, he would have spent six francs for new shoes and would have had the enjoyment of a pair of shoes as well as of a window.

1.17

Now, if James Goodfellow is part of society, we must conclude that society, considering its labors and its enjoyments, has lost the value of the broken window.

1.18

From which, by generalizing, we arrive at this unexpected conclusion: "Society loses the value of objects unnecessarily destroyed," and at this aphorism, which will make the hair of the protectionists stand on end: "To break, to destroy, to dissipate is not to encourage national employment," or more briefly: "Destruction is not profitable."

1.19

What will the *Moniteur industriel**2 say to this, or the disciples of the estimable M. de Saint-Chamans,*3 who has calculated with such precision what industry would gain from the burning of Paris, because of the houses that would have to be rebuilt?

1.20

I am sorry to upset his ingenious calculations, especially since their spirit has passed into our legislation. But I beg him to begin them again, entering *what is not seen* in the ledger beside *what is seen*.

1.21

The reader must apply himself to observe that there are not only two people, but three, in the little drama that I have presented. The one, James Goodfellow, represents the consumer, reduced by destruction to one enjoyment instead of two. The other, under the figure of the glazier, shows us the producer whose industry the accident encourages. The third is the shoemaker (or any other manufacturer) whose industry is correspondingly discouraged by the same cause. It is this third person who is always in the shadow, and who, personifying *what is not seen*, is an essential element of the problem. It is he who makes us understand how absurd it is to see a profit in destruction. It is he who will soon teach us that it is equally absurd to see a profit in trade restriction, which is, after all, nothing more nor less than partial destruction. So, if you get to the bottom of all the arguments advanced in favor of restrictionist measures, you will find only a paraphrase of that common cliché: "*What would become of the glaziers if no one ever broke any windows?*"

Handout 8.4

The Seen and Unseen

1. What does Bastiat mean by “What is Seen and What is not Seen?”
2. What is “seen” and “unseen” in *The Broken Window*?
3. Was it good that the window was broken? Why or why not?
4. How can this lesson be applied to warfare? What is the “seen” and the “unseen” in war?

KEY

The Seen and Unseen

1. What does Bastiat mean by “What is Seen and What is not Seen?”

The “seen” outcomes of an action are those that are directly observable, the “unseen” are those outcomes that would have happened had the initial action not taken place.

2. What is “seen” and “unseen” in *The Broken Window*?

The “seen” outcome of the window being broken was the glazier having more work, therefore employment appears to have increased. The “unseen” was the employment that would have increased had the homeowner spent his money on shoes rather than a new window.

3. Was it good that the window was broken? Why or why not?

No, the homeowner is made worse off because he spends more money to get back to the same level of satisfaction, while society is also made worse off because now additional glass and labor resources have been used when they wouldn’t have if the window was not broken.

4. How can this lesson be applied to warfare? What is the “seen” and the “unseen” in war?

Although it may appear that war is good for the economy when it reduces unemployment and creates an increase in production; that is only what we “see.” The “unseen” part of war is the wasted resources that do not directly improve our lives (killed soldiers, bombs and bullets, airplanes, tanks, etc.).

Visual 8.2

Seen and Unseen effects of war Activity Instructions

- Divide the class into groups of four students each.

- In each group have the students each choose one of four roles to play ; building owner, construction worker, lumberjack, and “war.” (Each student in the group must play a different role).
- While the students are figuring out their roles, pass out the following materials to each group.
 - Roles card
 - One (1) sheet of green construction paper
 - Glue or glue stick
 - 2 newspaper pages
 - Scissors
 - 10 large marshmallows (or clay if you have access)
 - 12-24 popsicle sticks
 - One (1) 5” X 5” piece of Styrofoam board or green plant foam(dimensions don’t need to be precise)
 - Fake money (four \$5 bills works well)
- The students should cut out the card with the name of the role that they selected, fold it in half and place it like a tent in front of them. When the students have their other materials, have them work as a team to produce “trees.” One student should cut out tree tops from the green construction paper, another should glue the tops to a popsicle stick, and other can create a “forest” by placing the trees in the foam block. The block of forest should be given to the lumberjack when it is complete.
- Have the building owner and construction worker spread out newspaper to cover their desk (marshmallows can get messy).
- Tell the class that the building owner wants a building. Who should he contact about having a building built? *Construction worker*
- The construction worker will build the building for \$10, but will need to spend \$5 on lumber, which will be provided by the lumberjack. Have the students make the payments.
- The lumberjack should provide half of the “trees” (finished lumber with paper removed) to the construction worker, who will then build the building using the lumber and the marshmallows as connection points to attach the lumber.

- Discuss with the students what just happened in the first part of the activity. *The building owner wants a building, so he pays the construction worker to build it. The construction worker needs the building materials, so he contacts the lumberjack to provide the lumber (specialization/division of labor could be referenced here). Everyone is happy.*
- Tell the class that the building owner is satisfied with his building, but now wants to buy a car, but before he has a chance to purchase a car, his country is attacked during a war.
- Now war comes. Have “war” destroy the building. The students can smash and break up the building into pieces representing the destruction that could be caused by bombing during a war.
- The building owner needs to replace the building. Repeat the construction procedure.
- After building two is complete, discuss what has happened.
 - Who was made better off? Why?
 - Who was made worse off? Why?
 - Is the economy better off due to the war? Why or why not?

(Possible answers: The building owner needs to pay for another building to be constructed. He is made worse off. The construction worker and lumberjack are happy because they have more work, but the building owner would have spent his money on a car had there been no war. Car manufacturers and car salesmen would have a reduced demand for their skills, so overall, the economy is no better off in terms of labor. Society is made worse off because now more tree had to be used to bring the owner back to the same level of satisfaction, so there are fewer trees for everyone else.)

Handout 8.5

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<div>Building Owner</div> <div>Has \$20</div>	<div>Lumberjack</div> <div>Will cut lumber for \$5</div>
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<div>War</div>	<div>Construction Worker</div> <div>Will build a structure for \$10</div>