

# *Teaching Thrift: A Curriculum*

## **Unit 4: Frugality**

# Teaching Thrift >> Unit 4 >> Overview

## **Unit 4. Frugality**

### **Enduring Understandings**

- Many factors affect the availability of goods and services.
- Needs and wants must be measured and evaluated according to available resources.
- Individuals must consider many complex factors before making decisions about consumption.
- There is a difference between building good credit and accumulating consumer debt.

### **Content**

- Effect of the relationship between supply and demand on price and availability.
- How to make prudent individual consumer decisions based on price and availability.
- How to complete a cost-benefit analysis before making a major purchase.
- How to build good consumer credit without accumulating unnecessary and harmful debt.

# Teaching Thrift >> Unit 4 >> Overview

## **Essential Questions**

- What is the difference between wants and needs?
- What is the relationship between wants, needs, and resources?
- What is the difference between frugality and stinginess?
- What is the difference and/or relationship between credit and debt?
- How does the relationship between wants, needs, and resources affect decision making for individuals and for communities?
- How are choices made because of scarcity?
- What are the effects scarcity on an individual's credit and debt?
- What are the long-term effects on individuals and communities of decisions made based on scarcity?

## **Skills**

- Draw a supply and demand curve.
- Determine the price at which scarcity occurs.
- Evaluate the effect of scarcity on individual, business, and government decisions.
- Identify and evaluate government regulation.
- Define debt and credit.

# Teaching Thrift >> Unit 4 >> Overview

- Distinguish between debt and credit.
- Evaluate the effect of debt and credit on individual, business, and government decision.

## **Key Terms**

Frugality • savings • wants and needs • cost-benefit, supply & demand • free market • regulation • debt • credit • interest

# Teaching Thrift >> Unit 4 >> Overview

## **Standards**

### *Reading*

- R11.A.2.1.1 Identify and/or apply meaning of multiple-meaning words used in text.
- R11.A.2.1.2 Identify and/or apply meaning of content-specific words used in text.
- R11.A.2.2.1 Identify and apply how the meaning of a word is changed when an affix is added; identify the meaning of a word from the text with an affix.
- R11.A.2.2.2 Define and/or apply how the meaning of words or phrases changes when using context clues given in explanatory sentences.

### *Research*

- 1.8.9.B Conduct inquiry and research on self-selected or assigned topics, issues, or problems using information from a variety of sources and document sources by using a consistent format for citations. Organize information logically as it relates to research topic. Evaluate information sources for relevance and credibility.
- 1.8.9.C Create an organized and reasoned product that supports inferences and conclusions drawn from research.

# Teaching Thrift >> Unit 4 >> Overview

## *Information, Communication, and Technology Literacy*

- 1.9.9.A Use media and technology resources for research and problem solving in content learning.
- 1.9.9.B Analyze the techniques of media messages to evaluate how they influence society.

## *Math*

- 2.5.11.A Develop a plan to analyze a problem, identify the information needed to solve the problem, carry out the plan, check whether an answer makes sense, and explain how the problem was solved in grade-appropriate contexts.
- 2.8.11.B Evaluate and simplify algebraic expressions and solve and graph linear, quadratic, exponential, and logarithmic equations and inequalities, and solve and graph systems of equations and inequalities.
- M11.A.2.1.1 Solve problems using operations with rational numbers including rates and percents (single and multi-step and multiple procedure operations) (eg, distance, work and mixture problems, etc).
- M11.A.2.1.2 Solve problems using direct and inverse proportions.
- M11.A.2.1.3 Identify and/or use proportional relationships in problem solving settings.
- M11.D.2 Represent and/or analyze mathematical situations using numbers, symbols, words, tables and/or graphs.

# Teaching Thrift >> Unit 4 >> Overview

M11.D.2.1.3 Write, solve and/or apply a linear equation (including problem situations).

M11.D.2.1.4 Write and/or solve systems of equations using graphing, substitution and/or elimination (limit systems to 2 equations).

## *Economics*

6.1.9.A Analyze how choices are made because of scarcity.

6.1.9.B Identify the origin of resources and analyze the impact on the production of goods and services. Analyze how unlimited wants and limited resources affect decision making.

6.1.9.C Explain the opportunity cost associated with government policies.

6.1.9.D Explain how incentives cause people to change their behavior in predictable ways.

6.1.12.A Predict the long-term consequences of decisions made because of scarcity.

6.1.12.B Evaluate the economic reasoning behind a choice. Evaluate effective allocation of resources for the production of goods and services.

6.1.12.C Analyze the opportunity cost of decisions made by individuals, businesses, communities and nations.

6.1.12.D Predict how changes in incentives may affect the choices made by individuals, businesses, communities and nations.

# Teaching Thrift >> Unit 4 >> Lesson 1

## Lesson 4-1: Theory: Frugal vs. Cheap

Grade Level:	9-12
Timeframe:	1 class period, 45-60 minutes
Materials/Resources:	<ul style="list-style-type: none"><li>• Interest pamphlet <a href="http://www.americanvalues.org/search/item.php?id=2433">http://www.americanvalues.org/search/item.php?id=2433</a></li><li>• “Want silverware? Save for it.” (Bank ad) <a href="http://www.americanvalues.org/catalog/images/silverware-save-for-it-HR.jpg">http://www.americanvalues.org/catalog/images/silverware-save-for-it-HR.jpg</a></li><li>• “Do you believe in Thrift?” (Western Electric ad) <a href="http://www.americanvalues.org/catalog/images/thrift-catalog-156-HR.jpg">http://www.americanvalues.org/catalog/images/thrift-catalog-156-HR.jpg</a></li><li>• Thrift Hall Graduation Baby Bank <a href="http://www.americanvalues.org/search/item.php?id=606">http://www.americanvalues.org/search/item.php?id=606</a></li><li>• Food Economy recipe book <a href="http://www.americanvalues.org/search/item.php?id=667">http://www.americanvalues.org/search/item.php?id=667</a></li></ul>
Objective(s):	Student will generate definitions of frugality by examining savings artifacts from the Thrift Collection and by working with a Frayer chart to enumerate examples and non-examples.
Quick-write/hook:	What are specific reasons people save money? Do you think saving money instead of spending it improves or degrades the quality of a person’s life? Why?

# Teaching Thrift >> Unit 4 >> Lesson 1

## **Narrative**

- Ask for volunteers to share their responses to the quick-write.
- Share the following artifacts with students, either by displaying on a projector, distributing printouts, or sending the links to student devices:
  - » Interest pamphlet
  - » “Want silverware? Save for it.” Bank ad.
  - » “Do you believe in Thrift?” Western Electric ad
  - » Thrift Hall Graduation Baby Bank
  - » Food Economy recipe book
- Instruct students to work individually or in pairs to describe each artifact physically, to determine its purpose, and then to interpret and summarize its general message in a sentence or less.
- After students have examined all five artifacts, tell them to review all of their one-sentence descriptions and look for commonalities. Ask them to attempt to summarize all five sentences in one-three words. Students should be able to narrow down to “saving money” or something along these lines.
- Use a whip-around to allow each student or pair to share quickly his/her/their one-three word summary. Collect answers on the board.
- If necessary, allow a few minutes for students to comment on each other’s responses, draw general conclusions, and refer back to specific artifacts to clarify any objections or answer any questions.
- Returning to the quick-write question and connecting it to the artifacts, ask students if there is a reason given for saving money in each artifact. The first, second, and fourth artifacts give specific reasons: to earn interest (make more money), to buy something of a high quality, and to fund a college education (implied), respectively. Allow a few minutes for students to review and discuss again their responses to the quick-write. Highlight responses that demonstrate an understanding of balance in spending and saving.

# Teaching Thrift >> Unit 4 >> Lesson 1

- If the word “frugality” did not appear in the whip-around, bring it up now. Explain to students that the third pillar of thrift is frugality, which means careful planning in spending and saving, or in other words, wise use of money and resources.
- Using a Frayer model, have students work in pairs or groups of three to develop definitions, characteristics, examples and non-examples of frugality based on what they learned from the artifacts and discussion. Instruct them to leave room to revise or add examples and non-examples.
- Introduce several near-synonyms and non-examples of frugality, as listed below. Instruct students to work in their pairs or groups of three to examine and define each word and determine whether it is a near-synonym or a non-example of frugality, then to justify their responses for each word. Tell students to keep the quick-write question in mind as they review these words, noting that saving can improve the quality of life, but saving too much can degrade it.
  - » cheap (non-example)
  - » prudent (near-synonym)
  - » miserliness (non-example)
  - » stingy (non-example)
  - » unwasteful (near-synonym)
  - » penny-pinching (non-example)
  - » penny-wise (near-synonym)
- After reviewing responses, instruct students to add these words to their Frayer models, then to think of other words that could be similarly added.
- As an informal assessment, have students write a short persuasive paragraph arguing in favor of the practice of frugality. Make sure they include some explanation of how frugality means saving for future investments and spending wisely, and how it does not imply stinginess, but is one part of the larger thrift ethic.

# Teaching Thrift >> Unit 4 >> Lesson 2

## Lesson 4-2: Conspicuous Consumption across the Classes

- Grade Level: 9-12
- Timeframe: 2 class periods, 45-60 minutes each
- Materials/Resources:
- Veblen, Thorstein. *The Theory of the Leisure Class*. 1899. (excerpt) \*Note: in preparing to teach this lesson, the teacher should read a larger selection from this work, to familiarize him- or herself with Veblen's theory of the evolution of class structure. Chapters 1-4 of the book are suggested.
  - Postrel, Virginia. "Inconspicuous Consumption: A New Theory of the Leisure Class." *The Atlantic Monthly*. July/August 2008.  
<http://www.theatlantic.com/magazine/archive/2008/07/inconspicuous-consumption/306845/>
  - Turrell, Carter. "Luxury For The Masses." *Forbes*. July 13, 2004.  
<http://www.forbes.com/2004/07/13/0713findsvpluxury.html>
- Objective(s): Students will analyze the 19<sup>th</sup> century concept of "conspicuous consumption" and determine whether the theory can be applied to modern day by reading various primary texts and creating a collage or hashtag.

# Teaching Thrift >> Unit 4 >> Lesson 2

Quick-write/hook: In 2003, an article in the *Harvard Review* coined the term “masstige.” This term, a contraction of the terms “prestige” and “mass-market,” refers to products or brand names that are associated with luxury, but are available for widespread consumption. In other words, items and brands that are marketed as premium or exclusive, but are still affordable enough for most people to consume. One example might be Starbucks: luxury coffee that costs significantly more than regular coffee but is still consumed by a large portion of the population. Can you think of examples of other brands that might be considered “masstige” and the reasons people are willing to pay extra to consume them?

## **Narrative**

- Ask for volunteers to share out their responses to the quick-write. Some examples of “masstige” brands might include Sephora, Steve Madden, Coach, or Zara, but more important than the examples are the reasons students provide of what makes these brands desirable.
- Highlight responses that engender a discussion about whether these brands offer items that are higher quality than other products, or whether consumers pay the extra cost specifically for the brand name or label. If this discussion doesn't arise organically, introduce the idea and ask students for their opinions.
- Distribute the Thorstein Veblen reading.
- Because the text is rather dense, familiarize students with the text before reading it by performing a text rendering. Skimming through the passage without actually reading it too deeply, students should highlight one sen-

## Teaching Thrift >> Unit 4 >> Lesson 3

tence that stands out to them, highlight a two-three words that repeat or seem important, and underline any words that they have never seen before or do not know.

- Beginning with the underlined words, have students compile and define a vocabulary list. Using a whip-around, collect all the underlined words in a list on the board or a large piece of chart paper. Students may work together or in pairs or small groups to write their own definitions of each word they already knew, or to use a dictionary to find the definitions of other words. Then have students teach each other the words they already knew, and work together to contextualize the words they did not know.
- Next, using another whip-around, instruct each student to share out the two-three words and one sentence he or she highlighted. Have the class use the results of the whip-around to create a hypothesis for what it seems the key ideas of the reading will be.
- Next, instruct students to use a Quotes-Notes-Thoughts organizer to facilitate close reading. For each one-two paragraphs, students should find one quote that stands out as an important or main idea and copy it into the “quotes” column on the organizer, then explain that quote in the “notes” column, and finally write a personal reflection or a question in the “thoughts” column. Students may work individually or in pairs on this activity, depending on their grade and skill level.
- After students have read the selection and completed the organizer, facilitate a class discussion, using basic reading comprehension question and including the following discussion prompts:
  - » What value does Veblen believe society places on being a member of the leisure class?
  - » What is meant by conspicuous consumption in this text?

## Teaching Thrift >> Unit 4 >> Lesson 3

- » Although Veblen does not, can you define and evaluate conspicuous consumption in terms of frugality, spending, and saving?
- » Evaluate conspicuous consumption in terms of thrift and anti-thrift.
- Finally, distribute copies of articles from *The Atlantic Monthly* and *Forbes*, and instruct students to use those in conjunction with the Veblen reading to write a constructed response to the following document-based question, being sure to include evidence from the texts in their responses:
  - » How has the concept and practice of conspicuous consumption both changed and remained constant from the 19<sup>th</sup> century to the 21<sup>st</sup>?
  - » In what ways does the modern social value placed on conspicuous consumption either reinforce or undermine the practice of the thrift ethic?
- Extended Activity: Have students either create a collage depicting conspicuous consumption in the modern world by cutting ads and images of masstige brands and products from magazines. Or, in a class with the necessary technology and skills, have them create a feed on Tumblr, Instagram or Twitter (or simply create and employ a hashtag on their pre-existing social media accounts) to collect online ads and images.
- Advanced Extended Activity: Instruct students to read the Alexis de Tocqueville excerpt in the notes at the end of this unit and write a short essay responding to the following question: “How would de Tocqueville view the relationship between modern conspicuous consumption and the 21<sup>st</sup> century wealth gap in the United States?”

# Teaching Thrift >> Unit 4 >> Lesson 3

## Lesson 4-3: Spending: Good Debt vs. Bad Debt

Grade Level:	9-12
Timeframe:	2 class periods, 45-60 minutes each
Materials/Resources:	<ul style="list-style-type: none"><li>• <i>The Way to Wealth: Four Rules</i> (Excerpt) <a href="http://www.americanvalues.org/search/item.php?id=2147">http://www.americanvalues.org/search/item.php?id=2147</a></li><li>• <i>For a New Thrift: Confronting the Debt Culture</i>, (Excerpt) <a href="http://www.americanvalues.org/search/item.php?id=69">http://www.americanvalues.org/search/item.php?id=69</a></li><li>• “A Nation in Debt,” Barbara Dafoe Whitehead, <i>The American Interest</i>, 6/24/2008 <a href="http://www.americanvalues.org/search/item.php?id=1442">http://www.americanvalues.org/search/item.php?id=1442</a></li></ul>
Objective(s):	Students will demonstrate the pros and cons of debt and credit by analyzing high-level texts and researching loans and interest rates.
Quick-write/hook:	Benjamin Franklin said, “The borrower is slave to the lender.” What does this mean? Do you agree or disagree? Why?

# Teaching Thrift >> Unit 4 >> Lesson 4

## **Narrative**

- Ask for volunteers to share out responses to the quick-write. Encourage students to give specific examples of borrowing, and prompt them to include the concept of interest in their discussion.
- Distribute copies of the short reading, *The Way to Wealth: Four Rules* (excerpt). Give students a few minutes to read this, then allow for discussion using the following prompts:
  - » Why does something that costs \$100 end up costing \$212 on a credit card?
  - » What does the information in the first paragraph tell us about the claim made in the third paragraph?
  - » What does the information in the last paragraph tell us about the claim made in the third paragraph?
  - » What is interest?
- If the topic did not arise in the responses to the quick-write, ask students, “Is it sometimes wise to borrow money? In what situations might this be the case?” (If the topic does come up sooner, acknowledge it and tell students you will return to that idea later.) Highlight or prompt responses such as mortgages, small-business loans, and college tuition loans.
- Using two columns on the board, have students brainstorm examples of “good debt” and “bad debt.” Prompt for responses by asking, “How can we tell the difference between when borrowing is wise and when it is unwise?” Highlight examples of good debt that refer to making an investment, building future wealth, or low- or fixed-interest rates, and examples of bad debt that refer to consumer spending or high-interest rates.

## Teaching Thrift >> Unit 4 >> Lesson 4

- Using the discussions and responses to gauge prior knowledge, review, clarify, or fill in background information with direct instruction on the following: Interest is the cost of a loan, and is calculated as a percentage of the loan. High-interest loans are detrimental, particularly over a long term of repayment. Credit card debt is a prime example of a high-interest loan.
- Debt acquired through investment in the future is good for building wealth. Mortgages and student loans are examples of good debt.
- Individuals have credit ratings based on their levels of debt and history of making timely payments on debt. In this way, developing a history of borrowing money and repaying it quickly can be good for someone who wishes to get a mortgage or a small business loan in the future.
- Distribute the second reading. Allow time for students to read the selection, and instruct them to use an active-reading strategy: either using two different colored highlighters, or by annotating, tell them to look for arguments the author makes against the accumulation of consumer debt, and solutions the author presents.
- After students have completed the reading, allow a short amount of time for classroom discussion, prompting students with basic reading comprehension questions to ensure they have understood the text.
- Instruct students to complete a written constructed response: What is the thrift perspective on debt? How is debt both a personal and a national issue?
- Extended activity: Have students research different types of loans and interest rates. This can be accomplished in a large group using online interest/repayment calculators, or as a small group project in which each group is given a different type of loan or interest rate to research and present to the class.

# Teaching Thrift >> Unit 4 >> Lesson 4

## Lesson 4-4: Saving and the Practice of Deferred Gratification

Grade Level:	9-12
Timeframe:	2 class periods, 45-60 minutes each
Materials/Resources:	De Posada, Joachim. "Don't eat the marshmallow!" <i>TED Talks</i> , February 2009. <a href="http://www.ted.com/talks/joachim_de_posada_says_don_t_eat_the_marshmallow_yet#t-232214">http://www.ted.com/talks/joachim_de_posada_says_don_t_eat_the_marshmallow_yet#t-232214</a>
Objective(s):	Students will analyze the relationship between self-discipline and success in saving by studying the famous "Marshmallow Test" and by practicing self-reflection in terms of delayed gratification.
Quick-write/hook:	Do you save money? What methods do you employ to put the money aside and make sure you don't spend it? Do you use different methods when you are saving for different reasons?

### Narrative

- Ask for volunteers to share out responses to the quick-write.
- Using a pair-and-share, have students reflect on their own responses and their classmates' responses to the quick-write to brainstorm benefits of savings. Have one member of each pair share out their ideas, and collect responses on the board or on a large piece of chart paper.
- Tell students to look over the benefits of saving, and then tell them to shift perspective. Ask, "If saving has so many benefits, why do people spend?"

# Teaching Thrift >> Unit 4 >> Lesson 4

Most responses will probably fall into one of two basic categories: because people need things, or because people want things. Tell students, “We focused on how people get things they need in the last lesson. Let’s look today at the things people want.”

- Present students with three examples of things they might want: a pair of boots, a tablet, or a bike (or another piece of semi-expensive sports equipment). Tell students to choose the one that appeals most to them, then, using a pair-and-share again, have them discuss how they would go about buying it. (Note: they must imagine they are buying it with their own money, not asking a parent or grandparent to buy it for them). Ask for volunteers to share out their responses. Highlight responses that include researching to find the best quality item, looking for the best price, saving up enough to buy it, buying off-season or waiting for a sale.
- Ask students to consider whether purchasing something expensive is thrifty.
- Distribute copies of the two short readings.
- Tell students to read in pairs and then to discuss again the question of whether buying something expensive can be thrifty. Tell them to consider whether the bike, the tablet, or the boots are applicable to these readings. Use the following questions to prompt for thoughtful answers:
  - » The first reading says “Thrift is discrimination.” What does that word mean in this context? How is that related to buying expensive things for yourself?
  - » Both readings talk about self-control and self-denial. How are buying expensive things related to self-control and self-denial?
  - » The second reading talks about self-denial and then talks about having more comforts and enjoyments. Is this paradoxical? Why or why not?

## Teaching Thrift >> Unit 4 >> Lesson 4

- » Both readings say the practice of thrift makes a person a better person. How would buying a new pair of boots, a tablet, or a bike make you a better person, in terms of thrift?
- Highlight responses that point out that saving up to buy something expensive requires self-control; a tablet can be a tool to develop intellect, while boots and bikes are tools to stay healthy, both of which are thrift values; that the desired end result of thrift is a fuller life.
- Ask students to consider ways in which buying those things would not be thrifty. Highlight responses that include spending a lot of money on boots that are just stylish but will fall apart quickly or not keep your feet warm and dry in winter, using the tablet only for games and not as a tool, spending too much money on a bike that is showy instead of useful, or unnecessarily buying several tablets, bikes, or pairs of boots.
- Redirect students to the question of self-denial and self-control.
- Play the TED talk on the marshmallow experiment (alternately, have students read a partial transcript, included in the notes at the end of this unit). Tell students as they watch, to consider the question of how self-denial can ultimately lead to a more fulfilling life and better spending habits.
- Using the video and the short readings, have students respond to the following writing prompt: How does the practice of delayed gratification lead to better spending habits and enforce the ethic of thrift?
- Extended activity/Self-reflection project: Each student should choose a personal vice, something he or she spends money on regularly and needlessly—soda, candybars, gossip magazines, video games or phone/tablet apps—or something that is ultimately destructive or unnecessary. Instruct

## Teaching Thrift >> Unit 4 >> Lesson 4

students to track their habit for a week: How many times a day/week do I indulge? How much does it cost me? Then instruct them to spend a set period of time (a week or a month) avoiding that habit. Have them to keep a journal recording their progress and the feelings they derive from delaying gratification. At the end of the set period of time, instruct them to write a personal reflection essay that includes the amount of money they saved, how that money would be better spent, whether they feel it is worthwhile to delay gratification in this manner, and whether they will continue to avoid this indulgence in order to save money to spend on better things or for the future.

# Teaching Thrift >> Unit 4 >> Readings

## **Readings, Lesson 4.2**

Unproductive consumption of goods is honourable, primarily as a mark of prowess and a perquisite of human dignity; secondarily it becomes substantially honourable in itself, especially the consumption of the more desirable things. The consumption of choice articles of food, and frequently also of rare articles of adornment, becomes tabu to the women and children; and if there is a base (servile) class of men, the tabu also holds for them. ...the general principle, more or less rigorously applied, is that the base, industrious class should consume only what may be necessary to their subsistence. In the nature of things, luxuries and the comforts of life belong to the leisure class. ...

During the earlier stages of economic development, consumption of goods without stint, especially consumption of the better grades of goods,—ideally all consumption in excess of the subsistence minimum,—pertains normally to the leisure class. This restriction tends to disappear, at least formally, after the later peaceable stage has been reached, with private ownership of goods and an industrial system based on wage labour or on the petty household economy. But during the earlier quasi-peaceable stage, when so many of the traditions through which the institution of a leisure class has affected the economic life of later times were taking form and consistency, this principle has had the force of a conventional law. ...

The quasi-peaceable gentleman of leisure, then, not only consumes of the staff of life beyond the minimum required for subsistence and physical efficiency, but his consumption also undergoes a specialisation [sic] as regards the quality of the goods consumed. He consumes freely and of the best, in food, drink, narcotics, shelter, services, ornaments, apparel, weapons and accoutrements, amusements, amulets, and idols or divinities. In the process of gradual amelioration which takes place in the articles of his consumption, the motive principle and the proximate aim of innovation is no doubt the higher efficiency of the improved and more elaborate products for personal comfort and well-being. But that does not remain the sole purpose of their consumption. The canon of reputability is at hand and seizes upon such innovations as are,

## Teaching Thrift >> Unit 4 >> Readings

according to its standard, fit to survive. Since the consumption of these more excellent goods is an evidence of wealth, it becomes honorific; and conversely, the failure to consume in due quantity and quality becomes a mark of inferiority and demerit. ...

The basis on which good repute in any highly organised [sic] industrial community ultimately rests is pecuniary strength; and the means of showing pecuniary strength, and so of gaining or retaining a good name, are leisure and a conspicuous consumption of goods. Accordingly, both of these methods are in vogue as far down the scale as it remains possible; and in the lower strata in which the two methods are employed, both offices are in great part delegated to the wife and children of the household. Lower still, where any degree of leisure, even ostensible, has become impracticable for the wife, the conspicuous consumption of goods remains and is carried on by the wife and children. The man of the household also can do something in this direction, and, indeed, he commonly does; but with a still lower descent into the levels of indigence—along the margin of the slums—the man, and presently also the children, virtually cease to consume valuable goods for appearances, and the woman remains virtually the sole exponent of the household's pecuniary decency. No class of society, not even the most abjectly poor, foregoes all customary conspicuous consumption. The last items of this category of consumption are not given up except under stress of the direst necessity. Very much of squalor and discomfort will be endured before the last trinket or the last pretence of pecuniary decency is put away. There is no class and no country that has yielded so abjectly before the pressure of physical want as to deny themselves all gratification of this higher or spiritual need. ...

The exigencies of the modern industrial system frequently place individuals and households in juxtaposition between whom there is little contact in any other sense than that of juxtaposition. One's neighbors, mechanically speaking, often are socially not one's neighbors, or even acquaintances; and still their transient good opinion has a high degree of utility. The only practicable means of impressing one's pecuniary ability on these unsympathetic observers of one's everyday life is an unremitting demonstration of ability to pay. ...

## Teaching Thrift >> Unit 4 >> Readings

It is also noticeable that the serviceability of consumption as a means of repute, as well as the insistence on it as an element of decency, is at its best in those portions of the community where the human contact of the individual is widest and the mobility of the population is greatest. Conspicuous consumption claims a relatively larger portion of the income of the urban than of the rural population, and the claim is also more imperative. ... This method is therefore more readily resorted to, and in the struggle to outdo one another the city population push their normal standard of conspicuous consumption to a higher point, with the results that a relatively greater expenditure in this direction is required to indicate a given degree of pecuniary decency in the city. The requirement of conformity to this higher conventional standard becomes mandatory. The standard of decency is higher, class for class, and this requirement of decent appearance must be lived up to on pain of losing caste. ...

A felicitous illustration of the manner in which this canon of reputability works out its results is seen in the practice of dram-drinking, "treating," and smoking in public places, which is customary among the labourers and handicraftsmen of the towns, and among the lower middle class of the urban population generally. ...

But there are other standards of repute and other, more or less imperative, canons of conduct, besides wealth and its manifestation, and some of these come in to accentuate or to qualify the broad, fundamental canon of conspicuous waste. ...

Throughout the entire evolution of conspicuous expenditure, whether of goods or of services or human life, runs the obvious implication that in order to effectually mend the consumer's good fame it must be an expenditure of superfluities. In order to be reputable it must be wasteful. Nor merit would accrue from the consumption of the bare necessities of life...

It frequently happens that an element of the standard of living which set out with being primarily wasteful, ends with becoming, in the apprehension of the consumer, a necessary of life; and it may in this way become as indispensi-

ble as any other item of the consumer's habitual expenditure. As items which sometimes fall under this head, and are therefore available as illustrations of the manner in which this principle applies, may be cited carpets and tapestries, silver table service, waiter's services, silk hats, starched linen, many articles of jewellery [sic] and dress. The indispensability of these things after the habit and the convention have been formed, however, has little to say in the classification of expenditure as waste or not waste in the technical meaning of the word. The test to which all expenditure must be brought in an attempt to decide that point is the question whether it serves directly to enhance human life on the whole—whether it furthers the life process taken impersonally.

—Veblen, Thorstein, 1899. *The Theory of the Leisure Class*. pages 43-61. \*Note: in preparing to teach this lesson, the teacher should read a larger selection from this work, to familiarize him- or herself with Veblen's theory of the evolution of class structure. Chapters 1-4 of the book are suggested.

\*\*\*

The more prosperous a society is, the more diversified and more durable become the enjoyments of the greatest number, the more they simulate true necessity through habit and imitation. Civilized man is therefore infinitely more exposed to the vicissitudes of destiny than savage man. What happens to the second only from time to time and in particular circumstances, occurs regularly to the first. Along with his range of pleasures, he has expanded the range of his needs and leaves himself more open to the hazard of fortune. ... Among very civilized peoples, the lack of a multitude of things causes poverty; in the savage state, poverty consists only in not finding something to eat.

—Alexis de Tocqueville, 1835. *Memoir on Pauperism*, p.49.

\*\*\*

*Additional reading for teachers:*

Michael J. Silverstein. Neil Fiske. *Harvard Business Review*. April 1, 2003.  
<http://hbr.org/product/luxury-for-the-masses/an/R0304C-PDF-ENG> (Coin-  
age of the term “masstige.”)

### **Readings, Lesson 4.3**

Small savings add up over time due to compound interest. When you put your money into a savings account, you are “lending” it to the bank. Your savings are insured and available whenever you need to withdraw money. But as long as you leave the savings in the bank, the bank pays interest on the savings. Compound interest is interest earned on the interest you have accumulated over time, so your savings grow even faster. ...

Spending more than you earn leads to debt. Benjamin Franklin said that when you go into debt, “you give to another power over your liberty” because “the borrower is slave to the lender, and the debtor to the creditor.” Many younger Americans start out their work lives deeply in debt from credit cards and student loans. This “enslaves” them to debt and limits their freedom of choice.

It also costs more to buy on credit. The typical credit card purchase of \$100 ends up costing \$212 because of interest charged over time. Rent-to-own stores have similar hidden costs, as do payday loans.

On the other hand, if you spend less than you earn, you will save. Saving isn't opposed to spending. Instead, it gives you the means for future spending. Surprisingly, people who save actually spend more over the long term than people who do not save.

Even in the short term, savings can finance an occasional splurge. For example, did you know that if you gave up drinking soda with your meals, in just one year you would save enough money for two round-trip tickets from Los Angeles to New York City, one night in the Washington Jefferson Hotel, and two front-row tickets to the Broadway hit *Les Miserables*, plus \$149 for dinner and museums in New York? Which would you rather have—Coke, or a really great vacation?

—*The Way to Wealth: Four Rules* (excerpt) <http://www.americanvalues.org/search/item.php?id=2147>

\*\*\*

The ability to borrow is a good thing—or ought to be. Credit helps consumers buy houses, get educations, start businesses and acquire goods that may boost their job prospects and future income. As economists like to point out, consumer credit helps smooth out spending over a lifetime—allowing people to borrow in their lower-earning years in order to build assets and investments for the future.

But easy access to consumer credit is always double-edged: It can lead to greater opportunity and freedom, but, if promoted deceptively and used recklessly, it can close that door. ...

In 2004, according to the Federal Reserve's measure of burdensome debt, in 2004 the typical family spent more than 18 percent of its income on debt payments, the largest share since the institution started collecting these data. Moreover, the proportion of families with debt-service payments exceeding 40 percent of their income rose to 12.2 percent in 2004. Consumer loan delinquencies also rose during this period.

Some of this debt is to be expected. Many middle-income and young families—who now make up the largest share of households in the heavy debt-service category—are at the stage in life where they are rearing children and buying big-ticket items, like houses, cars, and computers. But families have also been hit hard by stagnating wages and the rising costs of health care, food, and energy. In a recent 2008 survey, fully 58 percent of the public say that their incomes are falling behind the rising cost of living. This has led many American families to rely on credit, not as a way of building assets, but as a way of simply making ends meet. ...

Debt is burdening young Americans as well. Historically, young people are often poor, but they haven't always been buried in debt. Today, however, many are. Long before they finish school and become full-time earners, teenagers and young adults are amassing a staggering amount of debt. Most college students today enter school with credit cards and acquire more cards as they go along. Forty-four percent carry forward a balance each billing period, with an average

outstanding balance of more than \$2,000. Almost a quarter of undergraduates in 2004 carried balances in excess of \$3,000.

In addition, more students are borrowing to cover the costs of their education. In 2004, two-thirds (66.4 percent) of students at four-year colleges and universities had student loan debts, compared to less than half of four-year graduates in 1993. Borrowing for college is generally considered a “good” debt, because college graduates earn substantially more than those with only a high school diploma. Research suggests that good debt for education, however, may be reaching a tipping point where it is turning into bad debt. Compared to the early 1990s, the level of student debt has become crushingly high. Graduating seniors in the Class of 2006 left college with an average debt estimated at \$21,000 in educational loan obligations, an 8 percent increase over average student loan debt in just the previous year. In addition, some college students borrow to go to school but then fail to graduate, leaving them with few of the benefits and all of the debt obligations for the years they spent in college. Further, college graduates may find that their early earnings are not as high as they had hoped or that they can’t find regular employment after graduation. Some students borrow heavily for college with the optimistic assumption that they will be able to repay college loans as soon as they find work. But life does not always obey optimistic assumptions. Recent college graduates who start out in low-wage jobs or face unexpected financial setbacks, such as job loss, health problems, or divorce, can struggle for years to pay off heavy student debt. ...

Few people enjoy being over their heads in debt. Indeed, overindebtedness is usually a stressful and unhappy experience. It can strain family and work relationships, leave a blot on one’s social reputation, and limit one’s freedom to achieve important life goals. Under ordinary circumstances, therefore, people try to avoid what earlier generations called “financial embarrassment.” Moreover, in past decades, the social geography of the financial world served to reinforce psychological inhibitions against too much debt. Reputable lenders were located in the commercial heart of town; disreputable lenders on the shadowy fringes. Bank architecture conveyed solidity; loan shark architecture reflected seediness. And a moral language that unabashedly labeled usurious

lenders as “loan sharks” and “payroll leeches” set these businesses apart from the respectable mainstream. This combination of personal aversion to debt, the social stigma of overindebtedness, and the grubby image of predatory money lenders provided extralegal checks on the temptation to overborrow and to live beyond one’s means.

—*For a New Thrift: Confronting the Debt Culture* (excerpt), <http://www.americanvalues.org/search/item.php?id=69>

\* *Note: alternately, students may read the following full article based on the report: “A Nation in Debt,” Barbara Dafoe Whitehead, The American Interest, 6/24/2008. <http://www.americanvalues.org/search/item.php?id=1442>*

## Readings, Lesson 4.4

What is Thrift? The prudent man looks ahead and gets ready. The frugal man lives carefully and saves persistently. The economical man spends judiciously, buys wisely, and wastes nothing. The industrious man works hard. The miser hoards. But the man of thrift spends wisely, plans carefully, manages economically, and saves consistently. Thrift should be all of prudence, economy, frugality, industry—and more. Thrift is conservation. Thrift is discrimination. Thrift is self-discipline, self-control, self-respect. Thrift is a foundation stone of character—individual and national. Thrift is practical patriotism.

—“Material for a Thrift Talk,” U.S. Treasury Department, 1918. Quoted in *Thrift: A Cyclopedia*, p.47

\*\*\*

Summed up: Thrift is a composite virtue. It includes economy, self-denial, and savings; but it is no relative of [stinginess] or meanness ... Any virtue that is carried to extremes becomes undesirable and no longer a virtue. The thrift that does not make a man charitable sours into avarice. Thrift means better homes, better citizens, more comforts, more enjoyments, little waste, little anxiety—peace. Out of it grows energy, steady courage, opportunity, independence, self-respect, aimfulness in life—manhood. It is the one material habit that has no shady side.

—M.W. Harrison, “Do You Know What Thrift Is?” (School Textbook), 1919. Quoted in *Thrift: A Cyclopedia*, p.48

\*\*\*

I’m here because I have a very important message: I think we have found the most important factor for success. And it was found close to here, Stanford. Psychology professor took kids that were four years old and put them in a room all by themselves. And he would tell the child, a four-year-old kid,

“Johnny, I am going to leave you here with a marshmallow for 15 minutes. If, after I come back, this marshmallow is here, you will get another one. So you will have two.” To tell a four-year-old kid to wait 15 minutes for something that they like, is equivalent to telling us, “We’ll bring you coffee in two hours.” (Laughter) Exact equivalent.

So what happened when the professor left the room? As soon as the door closed... two out of three ate the marshmallow. Five seconds, 10 seconds, 40 seconds, 50 seconds, two minutes, four minutes, eight minutes. Some lasted 14-and-a-half minutes. (Laughter) Couldn’t do it. Could not wait. What’s interesting is that one out of three would look at the marshmallow and go like this ... Would look at it. Put it back. They would walk around. They would play with their skirts and pants.

That child already, at four, understood the most important principle for success, which is the ability to delay gratification. Self-discipline: the most important factor for success. 15 years later, 14 or 15 years later, follow-up study. What did they find? They went to look for these kids who were now 18 and 19. And they found that 100 percent of the children that had not eaten the marshmallow were successful. They had good grades. They were doing wonderful. They were happy. They had their plans. They had good relationships with the teachers, students. They were doing fine.

A great percentage of the kids that ate the marshmallow, they were in trouble. They did not make it to university. They had bad grades. Some of them dropped out. A few were still there with bad grades. A few had good grades.

—De Posada, Joachim. “Don’t eat the marshmallow!” TED Talks, February 2009.

*Additional readings for teachers on the marshmallow experiment:*

Putnam, Carrie. "Updated 'marshmallow test' offers insight on kids' delayed gratification," *USA Today*, October 16, 2012.

<http://www.usatoday.com/story/news/health/2012/10/16/science-marshmallow-test-delayed-gratification/1636207/>

Lehrer, Jonah. "Don't!: The secret of self-control," *The New Yorker*, May 18, 2009.

[http://www.newyorker.com/reporting/2009/05/18/090518fa\\_fact\\_lehrer?currentPage=all](http://www.newyorker.com/reporting/2009/05/18/090518fa_fact_lehrer?currentPage=all)