



POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

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Creative Destruction: A Lesson from *New in Town*

Time Required

One class period

Grade Level and Subject

High school, Economics/Social Studies

Keystone Principles

Principle #1: We all make choices.

Principle #3: All choices have consequences.

Principle #4: Economic systems influence choices.

Principle #5: Incentives produce “predictable” responses.

Principle #6: Do what you best, trade for the rest.

Voluntary National Content Standards in Economics

[Standard 4: The Role of Incentives](#)

[Standard 6: Specialization and Trade](#)

[Standard 14: Profit and the Entrepreneur](#)

[Standard 15: Growth](#)

Economic Concepts

Capital Resources – *Resources made and used to produce and distribute goods and services; examples include tools, machinery and buildings.*

Creative Destruction – *An idea first put forth by Austrian economist Joseph Schumpeter. Schumpeter stated that a growing economy was constantly creating new products and jobs to meet new wants, while destroying old products and jobs that were*

no longer able to satisfy wants.

Entrepreneur – *One who draws upon his or her skills and initiative to launch a new business venture with the aim of making a profit. Often a risk-taker, inclined to see opportunity when others do not.*

Entrepreneurship – *A characteristic of people who assume the risk of organizing productive resources to produce goods and services; a resource.*

Factors of Production – *Productive resources; what is required to produce the goods and services that people want; natural resources, human resources, capital goods and entrepreneurship.*

Human Resources – *The health, education, experience, training, skills and values of people. Also known as human capital.*

Incentive – *Any reward or benefit, such as money, advantage or good feeling that motivates people to do something.*

Natural Resources – *"Gifts of nature" that can be used to produce goods and services; for example, oceans, air, mineral deposits, virgin forests and actual fields of land. When investments are made to improve fields of land or other natural resources, those resources become, in part, capital resources. Also known as land.*

Productive Resources – *Natural resources, human resources, capital resources and entrepreneurship used to make goods and services.*

Overview

The economist Joseph Schumpeter coined the term “creative destruction.” He described it as the process of economic growth – new products, firms and jobs are created while older ones are destroyed.

The role of the entrepreneur in this process was vital. Schumpeter saw entrepreneurs as fulfilling any or all of five specific roles:

- 1) Introducing a new good or service.
- 2) Adopting new inputs or process to produce a previously existing good or service.
- 3) Introduction of new technology.
- 4) Opening a new market.
- 5) Creation of a new economic organization by combining or spinning off existing firms.

Objectives

- Students will demonstrate an understanding of the idea of “creative destruction.”
- Students will identify entrepreneurial activity when illustrated in select scenes of the film, *New in Town*.
- Students will discuss why certain activity in the movie is an example of entrepreneurial activity.

Materials and Handouts

- DVD of *New in Town* (© 2008 Lionsgate/Gold Circle Films) Starring Renee Zellweger. **This film should be previewed as some may find certain language objectionable.** This film should be available at most video rental stores or through retail outlets.

- *Handout 1 – Creative Destruction and the Entrepreneur*
- *Handout 2 – Creative Destruction, Entrepreneurship and New in Town worksheet*

Teaching Activity

1. Display the words “creative destruction” in the classroom.
2. Ask students if they know what it means, and to offer an explanation even if they’re not sure.
3. Display the word “entrepreneur” in the classroom.
4. Ask students if they know what an entrepreneur is and to offer their definition; and then ask if they think that “creative destruction” and “entrepreneur” are connected and how.
5. Distribute copies of *Handout 1 – Creative Destruction and the Entrepreneur*.
6. Give students some time to read the handout. Alternatively, use the handout as a basis for discussion about the idea of “creative destruction” and the five roles of the entrepreneur. Take time to clarify the students understanding.
7. Distribute copies of *Handout 2 – Creative Destruction, Entrepreneurship and New in Town worksheet*. Tell students to follow the directions as you watch a portion of the film.
8. Show the DVD *New in Town*, beginning at Chapter 17: Mark 1:05:50 through the end of the film (1:31:10).
9. When the film is complete, discuss the worksheet with the students. If time does not allow, collect the worksheet as homework and debrief the following day.

Creative Destruction and the Entrepreneur: A Lesson from *New in Town*

Handout 1

Joseph Schumpeter was an economist in the early 20th century. Among his areas of interest were economic growth and entrepreneurship. One of the things he is most known for is coining the phrase “creative destruction” as a way of describing economic growth.

As Schumpeter explained, a growing economy was always creating new products and processes for producing them. This constant change and innovation had both good and bad effects. The good effect was that new innovations allowed us to satisfy more of our wants more effectively, and may even provide the means to satisfy new wants. These innovations provided new opportunities and new jobs. Unfortunately there was a bad side. The new products usually replaced existing products. Because the new products were usually better and/or less expensive, the old products would fade away, taking firms and jobs with them. The main compensation, as Schumpeter saw it, was that the new jobs usually were better-paying than the old, but may also require higher skills.

A main source of creative destruction was, in Schumpeter’s view, the entrepreneur. The entrepreneur was more than an inventor, manager or owner. The entrepreneur was more because he or she took risk in one or more of five ways.

Introducing a new good or service – Notice the word is “introducing” not inventing. The entrepreneur is the one who sees the potential in a new product or service and recognizes that it has potential to satisfy wants. At a time when almost everyone thought only large firms would have use for computers, Steve Jobs thought it was something that most small businesses, schools and homes might want.

Adopting new inputs or a new process to produce an existing good or service – There are lots of ways to produce a product. Finding a newer, more efficient or less expensive way can bring change. The carpenter who first used “measure twice, cut once” reduced waste and maybe even saved a few fingers in the process.

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Introduction of new technology – Finding new tools to use can make workers more productive, which raises productivity (and wages) and increases output (and income). Accountants still do what they have for years. But a laptop allows more to be done more quickly than using a 10-key adding machine.

Opening a new market – The finding new customers for an existing product is risky, but rewarding. When it was first discovered a simple aspirin can reduce the risk of heart attacks, pharmaceutical companies all over the world got a significant shot in the arm from one of their oldest product lines.

Creation of a new organization by combining or spinning off existing firms – Saturn was originally an entrepreneurial venture by General Motors. The firm was created as separate entity, with separate engineering, marketing and manufacturing facilities. The idea was “change the way cars were made.” And it was largely successful, until it was reabsorbed as a division of GM. Creating a new organization can revitalize a product line or process as new procedures and ideas get a better chance to be heard.

In the film, *New in Town*, Renee Zellweger plays a rising executive at large food company. She volunteers to take an assignment at small division that is slated to be restructured and downsized to produce a new product. However, the new product is not successful, and it appears the division will be closed. But Zellweger’s character and the workers find a way to avoid that fate.

Creative Destruction, Entrepreneurship and *New in Town* Worksheet

Using the grid below, watch the segment of the film *New in Town* and try to identify which of Schumpeter's entrepreneurial activities are present. Be sure to explain why you think each activity is present.

Entrepreneurial Activity	Activity in the Movie	Explanation
Introduce a new good or service		
Adopt new inputs or process		
Introduce new technology		
Open a new market		
Create a new economic organization		