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# ECON-EXCHANGE

ECONOMICS: BRIDGING THE POVERTY GAP

# Teaching Economics to Children of the Urban Poor

In preparing this issue of ECON-EXCHANGE, I was uncertain for a while about what the title should be for the issue as a whole. Dr. Jonathan Wight's lead essay focuses clearly on economics as a source of ideas that might be applied to alleviate urban poverty. And the six lessons that follow were written by teachers who work with at-risk students in schools serving predominantly low-income populations—and field-tested in those schools. It might seem obvious, then, that the title for the issue should be something like *Teaching Economics to Children of the Urban Poor*.



JENNIFER G. CORNELL

As I took a second and third look at the six lessons, however, I wondered whether the choice that had seemed obvious was in fact appropriate. After all, the economics content and the teaching ideas featured in the six lessons would be suitable for use in school districts anywhere, among the urban poor or more privileged populations. A reader unfamiliar with the particular authors and their schools, in fact, would not necessarily infer anything one way or another about the student populations they served. With this in mind, I gave some thought to other possible titles. But then it hit me: The fact that the six lessons could be taught to good effect in schools anywhere is exactly the point. Good economics teaching for disadvantaged children is good economics teaching, period. Children and young people in urban areas do not require instruction that comes with special earmarks. They will benefit, as other students will, by the insights that come to light when an economic way of thinking is brought to bear on issues involving scarcity, choice, and cost.

So here it is, accordingly: An issue titled *Economics: Bridging the Poverty Gap*. My teaching colleagues and I believe that its contents will be of value to educators serving the urban poor. We are pleased to acknowledge, at the same time, that the issue could have been titled *Teaching Economics to Children of the Urban Poor—and All the Rest of Us*.

We hope you enjoy ECON-EXCHANGE. We welcome your response; please send us your ideas and tell us about your lessons. Understanding how incentives work, the Powell Center for Economic Literacy may even pay for your contribution.

ECON-EXCHANGE is a publication of the Powell Center for Economic Literacy. Each issue features an essay on a unique aspect of economics followed by practical lesson plans. Copies of all back issues are available on our web site: [www.powellcenter.org](http://www.powellcenter.org).

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ECON-EXCHANGE is a semi-annual publication for K-12 teachers. Its mission is to promote economic literacy through insightful essays and exemplary lessons that elementary, middle and high school teachers may adapt for use in their classroom programs. Articles, lesson plans and handouts may be copied or reprinted without charge.

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# Adam Smith and Poverty



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## INTRODUCTION

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Can we end poverty in America? Does economic theory offer a solution? Humility would be a good starting place, because systemic problems like generational poverty rarely stem from single causes. Putting the broken pieces together is difficult when some edges are sharp, some are shattered, and others missing. This essay draws on insights from Adam Smith in order to examine the problem of poverty. It focuses on a case study involving Serena Robins (the real names have been altered).

Serena Robins is a 36-year-old single mother. She is raising her 9-year-old daughter, Amber, in a dangerous neighborhood of Richmond, Virginia. Amber's father dealt drugs; he has been absent since before Amber's birth. Serena works as a nurse's aid, earning \$9.50/hour. That's more than minimum wage, but

Serena's bi-weekly paycheck disappears quickly as she makes payments on a car loan, credit card bills, and a mortgage she took out to finance the small Habitat-for-Humanity home she helped build.

By world standards, Serena has it made: she has a job, a house, and modern electronic amenities like television sets. She even has an exercise treadmill. Yet she's in a high risk category—one illness or job displacement away from bankruptcy. She has built up no savings and she owes \$12,000 in credit card debt (on which she pays 18 percent interest). This sounds bad, but many of Serena's friends aren't so lucky. They have no collateral, and in desperation they often turn to "payday" lenders who charge interest rates of 300 percent or more, annually. At that rate, someone who takes out a \$100 loan to make it through the month can wind up paying \$400 to the lender before the loan is paid off.

One "easy" approach to alleviating poverty is through *economic education*: teaching at-risk people about compound interest, for example, and the importance of not buying on credit. Instruction of this sort would seek to restore an old notion of "virtue ethics"—if you don't have the cash, don't buy the TV set or game box. Adam Smith noted that a healthy *self-interest* is good for the economy, but so is a healthy *self-command*: learning to say "no" to one's impulses. Smith asks (1982, p. 186): "How many people ruin themselves by laying out money on trinkets of frivolous utility?" In Serena's case, the exercise treadmill lies unassembled in her living room, six months after she purchased it. A computer she bought is still in its plastic wrap.

Poverty in America, as illustrated by Serena's case, is not so much a matter of absolute deprivation of basic necessities. It is more a matter of *relative deprivation*.

Smith, the Enlightenment philosopher who founded modern economics, was sympathetic to the plight of the poor, and argued that poverty must be understood within a cultural setting:

By necessities I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without (1981, pp. 869-870).

In Smith's time, a linen shirt and leather shoes were necessities because "The poorest creditable person of either sex would be ashamed to appear in public without them" (Ibid.). Today, extravagant sneakers costing a small fortune may be the equivalent of Smith's linen shirt. While we might question the merit of purchasing such items, it is not irrational for individuals to seek social acceptance by living according to "the custom of the country."

Through education and policy measures, we should encourage people to break out of poverty through hard work and frugal living. By themselves, however, exhortations rarely work: *role models* are needed as well. In America there are many examples of people who make it from the bottom into the middle- and upper-income brackets. Unfortunately, these role models often break out of the inner city, too, and move to the suburbs. Self-selection means that a disproportionate number of bad role models remain.

Even good role models have a hard time convincing young people to focus on a ten- or twenty-year life plan. Why do young people not give more thought to the future? According to behavioral economics, it is because they often adopt *hyperbolic discounting*: they prefer smaller immediate gratifications

to larger future rewards. This preference affects the life choices young people make: staying in school or dropping out, using drugs or staying clean, avoiding or risking early pregnancy. Teenagers may view sexual intercourse and child bearing, for example, as marks of adulthood—part of a necessary rite of passage. The disastrous effects of early parenthood on education, and on future earnings, may not be consciously calculated by those who take this view.

In such a context, changing lifestyle is important, but enhancing human capital is even more critical. *Human capital* refers to mental functioning, experiences, language ability (written and oral), social networks, reputation, physical health, mental health, motivation, personality, and other factors. Adam Smith thought that education was a key factor explaining human capital and thus economic status: "The difference between ... a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education..." (1981, 28-29).

Serena is a caring mother, eager to support her daughter's education. Yet she suffers from a number of physical and psychological ailments; she is often too tired after a 12-hour shift to interact much with Amber, or to meet with Amber's teachers, or to attend meetings of the PTA. There are no bedtime books for Amber because Serena herself is a rudimentary reader. She does not know how to help Amber with math or science homework. So, although she tries hard and believes strongly in her daughter's education, Serena relies heavily on the school system to deliver educational results.

The public school Amber attends is overcrowded, and her teachers spend too many hours addressing problems of discipline and absenteeism. There is

a rudimentary PTA, but it languishes without support from engaged parents. Amber is an eager learner. She tries to please and she doesn't complain; but she has quiet needs that go unaddressed—a condition she accepts stoically. Low expectations can be self fulfilling.

Among adults and children in Amber's world, business communication skills are particularly weak. Many inner-city residents speak a dialect that inverts noun and verb agreements and uses a rich slang vocabulary. This provides for fertile interpersonal dialogue and expression. Amber is a sponge, picking up the speaking rhythms and grammar of her mother and peers. Studies of brain physiology show that language develops quite early, and language actually forms the brain.

Adam Smith believed that language arises primarily from the social need to persuade. This implies that persuasive idioms may persist even when they fail to optimize the speaker's economic value. If a colloquial dialect is the only language a child masters, this creates a lifelong limitation on career opportunities. There are exceptions, of course, exemplified by rappers, artists, and sports heroes; language subcultures can also thrive in big cities where there are sufficient customers, suppliers, and workers to achieve economies of scale.

But most children will not grow up to be rappers or sports stars. So what chance does Amber have to shine at English, math, and the other subjects she will need to graduate from high school and continue her education? The statistics are grim: while high school graduation rates nationally are about 82 percent, 14 of the 50 largest urban school districts have on-time graduation rates lower than 50 percent. In Detroit, fewer than 1 in 4 students graduate on time (Toppo, 2006). In reaction to this dismal record, many

economists endorse *school choice*. Adam Smith emphasized the *accountability* of the marketplace: competition forces participants in market activity to not "neglect their business" (1982, 785). The same would be true for teachers and administrators, presumably, if schools were subject to market forces. While there are risks associated with school choice—namely, that public schools might end up serving only the severely needy—it is possible that experimentation with market forces and accountability could breathe life into the educational experience. Technical training and trade apprenticeships might also be preferable alternatives for some students.

Smith promoted the practical and moral obligation of government to finance—but *not necessarily to produce*—educational services for the young. A meritocratic society requires an even playing field, which today implies more than simply classroom education. Neuroscience has shown that fetal brain developments provide the building blocks of intellectual and emotional capacities. Equal opportunity begins in the womb.

Adam Smith put forward a standard formula for economic success: the rule of law, property rights, competitive markets, and limited government (which would include investments in human capital). In a setting shaped by these institutions, one can step back and let the invisible hand work. Yet even in a great country where these institutions are established, pockets of relative poverty stubbornly remain.

The factors limiting human development in Richmond (and other cities) have not appeared through immaculate conception. Policies supported, historically, by most Americans have created and perpetuated many of these difficulties.

The policies include those that shaped the long period of slavery and the Jim Crow segregation laws; those that permitted the bulldozing of thriving black business districts to clear the way for construction of interstate highways; the assassination of key leaders; those banning city buses from going to suburban malls (where the jobs are); and myriad other actions that leave many poor residents with the impression that the political economy is rigged against them. Indeed, welfare programs of the 1960s likely exacerbated the cycle of poverty that they sought to end. The folly of unintended consequences is an important theme in Smith's work.

Our quick review of generational poverty suggests layers of complexity, not easily addressed by theory or policy. One solution is to boost human capital (especially through economics education) in poor communities, but succeeding at this is devilishly complex. Hope, self-confidence, and self-respect are scarce resources for many poor people—not intrinsically, but as a consequence of history, culture, institutions, and failed policies. Adam Smith suggests that compassion—and accountability—are needed on both sides of this debate.

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Toppo, Greg. 2006. "Big-city Schools Struggle with Graduation Rates," *USA Today*, June 20.

# People Respond Predictably to Rewards and Incentives



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## OVERVIEW

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This short lesson focuses on the economic principle that people respond predictably to rewards and incentives. It illustrates the principle by reference to the motivation and actions of the students themselves.

**TIME REQUIRED**

- ★ The core portion of the lesson will take approximately 15 minutes. Prior to this core time period, you will need four short periods of time for activities that will yield the data used to reach closure in the lesson.

**GRADE LEVEL AND SUBJECT**

- ★ Grades 3-5; Mathematics

**KEYSTONE ECONOMIC PRINCIPLE\***

- ★ *Principle #5:* Incentives Produce Predictable Responses

**ECONOMIC CONCEPTS**

- ★ *Incentive:* Any reward or benefit—such as money, an advantage, or a good feeling—that motivates people to do something.
- ★ *Reward:* Something that is given in return for some action or attainment.
- ★ *Predictable:* Something which can be foretold.

**OBJECTIVES**

- ★ Students assess their own responses to an activity in which the teacher uses incentives to encourage class participation.
- ★ Students use mathematical constructs to analyze the effects of incentives.

**MATERIALS AND HANDOUTS**

- ★ 2 tally sheets (See HANDOUTS #1 and #2)
- ★ Calculators, if desired
- ★ Something to serve as an incentive—for example:
  - ★ A bag or two of an easily distributed, wrapped candy or other reward
  - ★ Copy-ready coupon sheet (See HANDOUT #3)
  - ★ List of Non-monetary Rewards (See HANDOUT #4)

**TEACHING ACTIVITY**

- Briefly explain the main economic principle in this lesson: *Incentives produce predictable responses*. One important implication of this principle is that it is often possible to use incentives—subsidies or rewards—to get more of things that we want more of, and to use taxes or penalties to get less of things that we want less of. For example: high interest rates act as an incentive, encouraging people to save more money in interest-bearing accounts. High taxes on cigarettes work the other way, discouraging people from buying them. In each case, the results are predictable.

You can illustrate the principle quite simply by using two different question-and-answer formats with your students. In the first, review a lesson without offering any incentive to encourage the students to be attentive and participate. In the second, provide some kind of incentive to encourage attention and participation. If the incentive has value to the students, they most likely will become more engaged, volunteering to answer more questions and in general taking better advantage of the review session. After



\* Keystone Economic Principles are nine economic concepts that have been simplified for use with students in grades K-12. By understanding and using the principles, one can easily teach economic decision-making to students. By delving into the logic of each principle, the process has positive implications for all endeavors, not just economics.

TEACHING ACTIVITY *continued*

collecting sufficient data from these two trials, ask your students whether they noticed any pattern or trend. Discuss their responses. The discussion may lead the students to identify and explain incentives that motivate them in their everyday lives.

For the second review session in which you use an incentive, consider several possibilities, as appropriate for your class. A bag of small candies or other rewards is probably the simplest option. If you prefer, use coupons that can be redeemed for a variety of non-monetary rewards (See HANDOUTS #3 AND #4). You could even establish an exchange ratio of coupons to quizzes and tests, with a specified number of coupons redeemable for a one-point credit on a quiz or test. One caveat: if you overuse an extrinsic reward, you could run the risk of discouraging student participation when no reward is offered.

2. Prior to the lesson, establish a means of collecting data from your class.
  - ★ Pick two students and train them to count and record on the tally sheet the number of students raising their hands to answer each of the questions (See HANDOUT #1). One student will keep a tally of the responses given when no reward is offered; the other student will record the response given when a reward is offered. Stress the importance of keeping the tallies separate. Do not tell the students why the data is being collected.
  - ★ On four consecutive days, conduct a class review in any subject area by asking ten questions, half with and half without incentives. Maintain eye contact with your collectors throughout the class to ensure they are doing their jobs.
3. The lesson itself is given during math class.
  - ★ Write *People respond predictably to rewards and incentives* on the board.
  - ★ Define *rewards* and *incentives* by explaining that the rewards you have been giving out during the previous two review sessions in your class are incentives for answering questions. Be sure your students also have a clear understanding of the terms “respond” and “predictably.”
  - ★ Ask the students to think of other examples of using rewards and incentives. If the students need help, describe a scenario in which one store sells a video game for \$40, while another store has a sale on the same game for \$28. Ask the students to identify the incentive. Ask them from which store they would most likely buy the video game.
  - ★ Ask the students whether they preferred answering review questions with or without the incentive you provided. Ask them whether their math skills could help them determine predictability.
4. Hand out scrap paper or copies of the second tally sheet (See HANDOUT #2) and calculators. Tell your students to do fractional representations of the data you are going to give them. In these representations, the number of hands raised is the numerator and the total number of students in the class is the denominator.
  - ★ Have the students write out fractional representations for *each question* for the first day you kept data, keeping the information separate.
5. Use the data to prepare a graph showing the results over the four periods. Ask the students whether they can discern any predictive effects of incentives by reading the graph.
  - ★ Instruct the students to determine the average number of responses on day one, with and without incentives. Express each of the two average numbers as a fraction.
  - ★ Convert each of these fractions into percentages and then find the average percentage of raised hands for the remaining three days.
  - ★ Have the students look at the percentages to see if there is any regularity upon which sound conclusions can be drawn. If so, calculate the percentage difference between numbers of hands up, with and without incentives.

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*The handouts for this lesson plan can be found in the supplemental items section at the back of this book.*

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# You Make the Call



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## OVERVIEW

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This lesson illustrates the economic principle that when we make choices, the choices come with consequences. These consequences lie in the future. The lesson invites teachers to illustrate this principle by allowing students to make their own decisions about doing homework—after they have worked through a decision-making process. Although the activity is very simple, it is empowering to the students, and at the same time it helps them to recognize that the purpose of assigning homework is actually to benefit students. It may also provide teachers with a new perspective on the costs and benefits of the homework they assign!

**TIME REQUIRED**

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- ★ 15 Minutes

**GRADE LEVEL AND SUBJECT**

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- ★ Elementary School (but can be adapted for Middle or High School)

**KEYSTONE ECONOMIC PRINCIPLE\***

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- ★ **Principle #3:** All Choices Have Consequences

**ECONOMIC CONCEPTS**

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- ★ **Choice:** A selection among alternatives. Scarcity requires individuals, businesses and nations to make choices.
- ★ **Consequence:** A result or effect of an action or decision; may be positive or negative.
- ★ **Economic benefit:** The gain received because of an action taken or a decision made.
- ★ **Economic cost:** The value of everything a consumer must give up to obtain a good or service. The effort, loss, or sacrifice necessary to achieve or obtain something.
- ★ **Opportunity Cost:** The NEXT BEST alternative that must be given up as a result of choosing one thing over another. All choices bear an opportunity cost.
- ★ **Scarcity:** The condition that occurs because people's wants and needs are unlimited, while the resources needed to produce goods and services to meet these wants and needs are limited.

*\* Keystone Economic Principles are nine economic concepts that have been simplified for use with students in grades K-12. By understanding and using the principles, one can easily teach economic decision-making to students. By delving into the logic of each principle, the process has positive implications for all endeavors, not just economics.*

**OBJECTIVES**

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- ★ To equip students with a framework for predicting the costs and benefits of a choice.
- ★ To give students practice in analyzing potential consequences *before* a choice is made.

**MATERIALS AND HANDOUTS**

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- ★ Daily homework assigned in your class
- ★ **HANDOUT #5** for teachers/students: Homework Decision Grid copied onto an overhead transparency and hard copies for each student



## TEACHING ACTIVITY

This lesson was designed for a third-grade math class, but it may be adapted for any grade level and any subject area. Use the lesson in conjunction with your students' daily or regular homework assignments. Upon starting the lesson, announce to the class that today things will be different. Today the students will choose, as individuals, how much of their homework they will do. Place the transparency of the decision grid (See HANDOUT #5) on the overhead projector, and provide each student with his or her own copy.

Explain that this decision will be made like any economic decision. That is, the students must make a choice (because their time away from school is scarce, and they could use it on many things other than homework), and their choice, like all choices, will have both costs (negatively perceived consequences) and benefits (positively perceived consequences).

Tell the class that making choices wisely involves a valuable skill: predicting the costs and benefits of any given choice *before* the choice is made. Usually we want to pick the option that maximizes our benefits and minimizes our costs. Give the students an example involving a rash, ill-considered decision made by a hypothetical student—a decision that resulted in the loss of a recess. You can adapt your example to suit the age of your students. In presenting the example, emphasize the point that the cost/benefit analysis that *did not* occur probably would have resulted in a better choice being made.

Draw the class's attention to the transparency showing the homework decision grid. Encourage them to begin the process by estimating as realistically as possible the amount of time it will take them to complete all their homework. Remind them of the definition of *opportunity cost*. Starting with the NO HOMEWORK option and moving through to the COMPLETE ALL HOMEWORK option, discuss several of the costs and benefits of each option. Encourage the students to consider as many pros and cons as they can. For example, a benefit that may not occur to your class is making a parent happier by enabling her to watch her child work on math as opposed to playing loud video games. Have the students circle their opportunity cost for each option.

The students should work through all the homework options (from none to half to all) and record the answers on the grid. The costs and benefits can become repetitive after two options or so. The remainder of the analysis can be done orally, if you prefer.

When they have worked through this portion of the exercise, ask the students to make their choices for math homework that day; then pass out homework sheets to each student.

You may be very surprised to see which homework option many of your students chose!

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*The handout for this lesson plan can be found in the supplemental items section at the back of this book.*

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# Supply and Demand Through Baseball Cards



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## OVERVIEW

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In this lesson, students will have an opportunity to view pricing from both a producer's and a consumer's perspective. They will experience firsthand the inherent tension between supply and demand and understand how prices serve as an allocation mechanism.

**TIME REQUIRED**

- ★ 15 – 45 minutes

**GRADE LEVEL AND SUBJECT**

- ★ Middle School. Can be adapted to a variety of subject areas.

**KEYSTONE ECONOMIC PRINCIPLE\***

- ★ **Principle #9:** Prices are determined by the market forces of supply and demand and are constantly changing.

**ECONOMIC CONCEPTS**

- ★ **Allocation of Resources:** The way in which scarce resources are distributed among competing interests within an economic system. In a market system, supply and demand determine the price of goods and services, and those prices guide the allocation of resources.
- ★ **Consumer:** A person who uses goods and services to satisfy personal needs, not for resale or in the production of other goods and services.
- ★ **Demand:** The quantity of a good or service buyers are willing and able to purchase at various prices at a given time.
- ★ **Price:** The amount of money people pay when buying a good or service. A measure of the value of a good or service to buyers or sellers.

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**ECONOMIC CONCEPTS *continued***

- ★ **Producer:** An individual or business engaged in the process of creating goods and/or services to be offered for sale to consumers.
- ★ **Scarcity:** The condition that occurs because people's wants and needs are unlimited, while the resources needed to produce goods and services to meet these wants and needs are limited.
- ★ **Supply:** The amount of goods and services that producers are willing and able to provide for consumption at different prices.

**OBJECTIVES**

- ★ Students will be able to explain that prices are determined by the market forces of supply and demand and are constantly changing.
- ★ Students will evaluate a variety of allocation methods in addition to price.

**MATERIALS AND HANDOUTS**

- ★ Baseball cards (each student should receive between 10 and 50 cards)
- ★ Penny candy or other inexpensive incentive
- ★ One sheet of paper and a pencil with an eraser

**TEACHING ACTIVITY**

1. Randomly distribute baseball cards to each student. Explain to your students that these cards belong to you personally and that you will collect them at the end of the activity.
2. Announce that you are the owner of a new baseball memorabilia store in town and you need to buy cards. Instruct the students to select a card they want to sell to you and establish a price (in terms of the incentive) for which they wish to sell the card. Have each student hold up in one hand the card that she or he wishes to sell, and the sheet of paper with the asking price in the other hand.
3. Negotiate with the students for a price that seems fair to both of you.
4. After you have purchased the first round of cards from the students, discuss the dynamics of the trading exercise with them. Did the students try to sell their most valuable card or their least valuable card? What made one card more valuable than another? Acceptable answers include:
  - ★ The uniqueness of the card.
  - ★ The caliber of the player it represents.
  - ★ Whether the player is active or retired.
5. Discuss with the students how a value was established for the cards by using the following questions:
  - ★ As a seller (producer), did the student want a higher or lower price?
  - ★ For the seller, did similar cards offered by other students raise or lower his ability to ask a higher price?
  - ★ As a buyer (consumer), did the teacher want a higher or lower price?
  - ★ If fewer people were willing to sell cards, but the buyer still wanted the cards just as much, would that influence the price the buyer would ultimately pay?

TEACHING ACTIVITY *continued*

- ★ What role, if any, did competition among the sellers play?
  - ★ If five more teachers came to the classroom, each willing to buy baseball cards, what impact would that have on the price?
6. Allow no more than one minute for the students to trade with each other. The only acceptable medium of exchange will be the incentive with which the teacher paid initially. Instruct the students to record each transaction on their sheet of paper. As soon as the minute of trading is up, have them return quickly to their seats. Review the preceding six questions in light of this round of trading with multiple buyers and sellers.
7. Ask if the students were satisfied with the trades they made. If you are lucky, someone will complain about how unfair it was because they did not have enough currency to buy the particular cards they really wanted. If no one does, you will need to introduce this thought. Be sympathetic to this argument, but point out that in economic terms, there is a scarcity of cards—everyone cannot have all the cards he or she might want. Therefore, we need to have some way to allocate or apportion the cards.

Ask the students to think of another way the cards could be allocated. Write the suggestions on the board. They might include age, eye or hair color, height, strength, gender, left- or right-handedness, or birthplace. Challenge the students to come up with a better, more equitable way to allocate the cards. Many times, students will say the cards should go to the one who wants them the most. Ask the students to try to establish objective criteria to measure those wants. Who would decide?

8. End the lesson by reminding the students that what they have just witnessed is the changing dynamic of supply and demand in a competitive market. This interaction is what sets prices. Write the Keystone Economic Principle on the board and ask the students to write a paragraph explaining in their own words what it means.

LESSON EXTENSION

1. If your school has a token economy, use your tokens as the medium of exchange for this lesson.
2. Consider adapting this lesson to a history, government, literature, or science class. Instruct the class as follows:
  - ★ Have the students select 5–10 people from your study material—for example, 5–10 historical figures, literary characters, or famous scientists.
  - ★ Instruct the students to create a “card” for each person, using index cards:
    - ★ Draw or paste a picture of the person on one side of the card.
    - ★ Write 4–5 concise statements of the person’s accomplishments or attributes.
  - ★ Play the trade game as discussed above.



# Thinking on the Margin: Economics and Snack Food



DENISE HURLBURT  
*Denver Street School*

*Denise Hurlburt is a principal at Denver Street School in Denver, Colorado, where she also taught government and economics. She is helping to develop a whole-school integration model for economic education and curriculum for at-risk students. Denise has her bachelors degree from Arizona State University and her masters of arts in education from the University of Arizona.*

## OVERVIEW

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We all make hundreds of choices every day. We make many choices quickly, without a second thought. However, some of the choices we make are not as effective as they might be because we do not take the time to compare the additional costs of alternatives with the additional benefits. The principles are the same, whether we are talking about nutrition, how to spend our time, or how to allocate dollars from a paycheck.

**TIME REQUIRED**

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- ★ 15 – 20 minutes

**GRADE LEVEL AND SUBJECT**

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- ★ High School; Math or Health Class  
(easily adapted for Middle School)

**KEYSTONE ECONOMIC PRINCIPLE\***

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- ★ *Principle #7: Economic Thinking Is Marginal Thinking*

**ECONOMIC CONCEPTS**

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- ★ *Cost/Benefit Analysis:* A process of examining the advantages (benefits) and disadvantages (costs) of each available alternative in arriving at a decision.
- ★ *Marginal Benefit:* The additional gain from consuming or producing one more unit of a good or service; can be measured in dollars or satisfaction.
- ★ *Marginal Cost:* The increase in a producer's total cost when he or she increases output by one unit.
- ★ *Marginal Utility:* The extra value or satisfaction that a consumer obtains from consuming one additional unit of output.

**OBJECTIVES**

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- ★ Students will understand that “one more unit” of anything they choose has additional costs and benefits, and that making effective decisions requires analyzing those costs and benefits.
- ★ Students will graph and identify the point of intersection between marginal utility and marginal cost.
- ★ Students will be able to use information from the graph to discuss how decisions are “made at the margins.”
- ★ Students will be able to provide other examples of making choices at the margins.

**MATERIALS AND HANDOUTS**

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- ★ One bag of M&M's® for each student (each bag should contain at least 30 pieces)
- ★ Graph (See HANDOUT #6)
- ★ A ruler and a pencil

*\* Keystone Economic Principles are nine economic concepts that have been simplified for use with students in grades K-12. By understanding and using the principles, one can easily teach economic decision-making to students. By delving into the logic of each principle, the process has positive implications for all endeavors, not just economics.*

## TEACHING ACTIVITY

1. Give each student a bag of candy and a copy of HANDOUT #6.
2. Instruct the students to eat the M&M's® one at a time and rate the "Yummy Factor" or satisfaction (marginal utility) they get from each one on a scale of 1 to 10. Have them mark a point on the graph for each M&M® until they reach "0" satisfaction or have eaten all 30 M&M's®. Ask the students to draw a line connecting all the points.
3. Next, have the students draw a line from the bottom left corner of the graph to the top right corner. This line represents the calorie intake (marginal cost) for each M&M® on the graph. (Each candy is approximately 5 calories.)
4. Then have the students circle the place on their graph where the two lines intersect. Ask some of the students how many M&M's® they had eaten at that point. Explain that this is how many M&M's® they should eat based on the cost (calories)/benefits (satisfaction) analysis that the graph provides, focusing on the concept of the cost and benefit of "one more unit." Ask them what alternative they would choose that would give them more satisfaction for the same cost.
5. Emphasize the point that this exercise presents one example of marginal costs versus marginal utility. But the underlying idea has widespread applications. Have the students provide examples of other decisions they make at the margin.



*The handout for this lesson plan can be found in the supplemental items section at the back of this book.*

# Making Informed Choices for Life



DENISE HURLBURT  
*Denver Street School*

*Denise Hurlburt is a principal at Denver Street School in Denver, Colorado, where she also taught government and economics. She is helping to develop a whole-school integration model for economic education and curriculum for at-risk students. Denise has her bachelors degree from Arizona State University and her masters of arts in education from the University of Arizona.*

## OVERVIEW

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Different economic systems influence the choices people make, but they don't control those choices. This lesson is intended as a review of the study of the three major economic systems. Students are expected to be familiar with the basic characteristics of each of the systems.

**TIME REQUIRED**

- ★ 15 – 20 minutes

**GRADE LEVEL AND SUBJECT**

- ★ High School; History or Government Class (easily adapted for Middle School)

**KEYSTONE ECONOMIC PRINCIPLE\***

- ★ *Principle #4:* Economic Systems Influence Choices

**ECONOMIC CONCEPTS**

- ★ *Choice:* A selection among alternatives. Scarcity requires individuals, businesses, and nations to make choices.
- ★ *Command Economy:* An economy in which most economic issues of production and distribution are resolved through central planning and control.
- ★ *Free Market Economy:* An economy that relies on a system of interdependent market prices to allocate goods, services, and productive resources and to coordinate the diverse plans of consumers and producers, all of them pursuing their own self-interest.
- ★ *Traditional Economy:* An economy in which customs and habits from the past are used to resolve most economic issues of production and distribution.

*\* Keystone Economic Principles are nine economic concepts that have been simplified for use with students in grades K-12. By understanding and using the principles, one can easily teach economic decision-making to students. By delving into the logic of each principle, the process has positive implications for all endeavors, not just economics.*

**OBJECTIVES**

- ★ Students will use prior knowledge of the basic characteristics of each of the three major economic systems to identify influences of those characteristics on the choices available to an average teenager in each system. Teachers should recognize that most economies are a mixture, to varying degrees, of the three economic systems.

**MATERIALS AND HANDOUTS**

- ★ Paper
- ★ Colored pencils or markers
- ★ **HANDOUT #7:** Review of Basic Characteristics of the Three Major Economic Systems
- ★ **HANDOUT #8:** Teacher Answer Key

**TEACHING ACTIVITY**

1. Give each student a blank copy of the review handout.
2. Discuss and fill in the first three columns of the handout.
3. Divide the class into three sets, one for each of the economies. Then divide each set into groups of 3 or 4 students, depending on class size.
4. Have the students imagine that they are 16-year-olds in an economic system of a given country or time period. Each group will draw a separate picture to represent each of the following for their economy:
  - ★ What kind of food choices would they have?
  - ★ What kind of job choices would they have?
  - ★ What kind of clothing choices would they have?
5. Have the students report as groups on what they have drawn and why.
6. Ask the students to make observations and draw conclusions about the differences and similarities represented and write down those conclusions in the last column of the handout. If time permits, discuss the conclusions as a class.

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*The handouts for this lesson plan can be found in the supplemental items section at the back of this book.*

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# That's Free?



BETH VANDER KOLK  
*The Potter's House School*

*Beth Vander Kolk teaches first grade at The Potter's House School, in Grand Rapids, Michigan. She has a bachelors of arts degree and a masters of arts in teaching from Calvin College in Grand Rapids. Beth is an accomplished amateur photographer and has published a book, Blue Skies: Fresh Advice About Life from First Graders, featuring photographs of and writings from her students. Some of the proceeds from the book go to help fund the school's token economy, with the remainder donated to charities of the children's choosing.*

## OVERVIEW

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Have you ever heard the adage “the best things in life are free,” or have you been enticed by a “free” offer? The truth is that every action or choice has a cost. Sometimes the cost is obvious, but sometimes it is harder to discern. This teacher-workshop activity will enable teachers to understand clearly the TANSTAAFL™ principle, so they can help students learn to evaluate all the costs involved in making a choice. Good decision-making skills are a vital part of every student’s education.

**TIME REQUIRED**

- ★ 20 – 30 minutes

**TARGET AUDIENCE**

- ★ This lesson is intended for use in a workshop/training session for teachers. It is designed to introduce teachers to, or refresh their understanding of, the concept of economic cost. Many of the examples shown can also be adapted for use in short lessons for students.

**KEYSTONE ECONOMIC PRINCIPLE\***

- ★ **Principle #2: TANSTAAFL™** (There Ain't No Such Thing As A Free Lunch)

**ECONOMIC CONCEPTS**

- ★ **Cost:** The value of everything a consumer must give up to obtain a good or service. The effort, loss, or sacrifice necessary to achieve or obtain something. This cost can be explicit (stated) or implicit (implied).
- ★ **Opportunity Cost.** The NEXT BEST alternative that must be given up as a result of choosing one thing over another. All choices bear an opportunity cost.
- ★ **Price.** The amount of money people pay when buying a good or service. A measure of the value of a good or service to buyers or sellers.

\* *Keystone Economic Principles are nine economic concepts that have been simplified for use with students in grades K-12. By understanding and using the principles, one can easily teach economic decision-making to students. By delving into the logic of each principle, the process has positive implications for all endeavors, not just economics.*

**OBJECTIVES**

- ★ Participants will understand and be able to describe multiple facets of cost, including opportunity cost, time cost, emotional cost, mental energy cost, or physical energy cost.
- ★ Participants will be able to listen to a “free” offer and identify possible implicit costs.

**MATERIALS AND HANDOUTS**

- ★ Treat bags, each containing at least four small, inexpensive items
- ★ *Name That Cost!* game sheet (See HANDOUT #9)

**TEACHING ACTIVITY**

## 1. Background Information:

- ★ **Free!** Throw the word into any discussion and it is sure to get people's attention. Who doesn't want something for nothing? Sometimes we can actually be induced to go to great lengths—and even significant expense—to obtain that “free” something!

- ★ On our journey to become savvy economists, we discover that everything we do, every choice we make, has a cost. This is also known as the TANSTAAFL™ Principle: There Ain't No Such Thing As A Free Lunch. Sometimes we confuse “cost” with “price,” but as we shall see, even with a price of \$0.00, there is always a cost.

- ★ The cost of an item or choice may be *explicit* (fully and clearly stated) or it may be *implicit* (implied or understood). Understanding the concept of *opportunity cost* helps us evaluate implicit costs. By definition, *opportunity cost* is that which is given up in choosing one thing rather than another. Thus, even if we can find no other measurable cost anywhere, there is always an opportunity cost.

2. Conduct the following experiment to help the class identify opportunity cost. Hand out a treat bag to each participant. Allow 30 seconds for the participants to empty their bags and place the items in order from most preferred to least preferred. When the 30 seconds are up, have the participants put all the items back into their bags—except for the two best choices. Then announce that each participant may keep only one item. Have them make their decisions and then hold up the one thing not wanted. When all the participants have made their choices and displayed the thing not chosen, explain that they are holding their opportunity cost: the next-best choice that each

TEACHING ACTIVITY *continued*

person gave up in making his or her top choice. Then tell all the participants to put their opportunity cost back in the bags, and collect all the unused items. They will remember the term and the meaning of *opportunity cost* much better if you do not let them keep all the items originally distributed to them.

- ★ Note that the opportunity cost is different for each person. Economics does not determine whether an individual “should” spend money to see a movie or use that money in some other way, but it does tell us that if we want to maximize our utility (or usefulness or benefit), we need to identify all the relevant costs and evaluate them.

3. Many categories of cost exist which should be identified. Often we equate the cost of something with the price of something. In economic terms, cost is much more inclusive than merely price. It encompasses all the implied costs. Consider the following costs.

*Time Cost*

- ★ If you went to the movies last night, one way to measure your opportunity cost is to identify the next-best use for the money you spent. Ask your class for some concrete examples.
- ★ Have the class think about what they are spending besides money when they choose to go to a movie. A likely answer would be spending time. Ask the class to identify the opportunity cost of the time spent at the movies. Note that now we realize there are two costs we should consider in deciding whether to go to the movies.

*Hidden Resources Cost*

- ★ Now let’s look at this in terms of a “free” offer. Perhaps a radio station is offering “free” tickets to an event, but you have to drive 12 miles across town and wait in line for over an hour to claim the tickets.

What costs come with this “free” offer?  
*(There is the opportunity cost of going to the event itself; there is the time cost of getting the tickets; and there is the “hidden resources cost” of 24 miles worth of gasoline and other auto-related expenses.)*

- ★ If the participants seem to be comfortable identifying the opportunity, time, and resources costs, pose a further question: have any of them responded to recent increases in the price of gasoline by driving miles out of their way to “save” 5¢ per gallon? It is common for all of us to act without really thinking through all the costs.

*Emotional Cost*

- ★ We only have so much emotional energy. Psychologists refer to this limited supply of energy as an “emotional bank.” When we are running on empty or have not taken the time or energy to replenish the “bank,” displaced frustration can cause problems for us and the people around us.
- ★ EXAMPLE: Consider the following scenario. You are a dedicated teacher, juggling the responsibilities of home, family, and career, but it seems as though in each of these arenas, someone is always asking you to do one more thing. You keep agreeing because you consider each of your tasks to be “good” or “beneficial” to someone. One day your daughter wakes up sick enough to need a doctor, and you must take her. You are frustrated because you had already committed to a fully packed day, but you know your child’s health comes first. Nevertheless, you are short with her. Perhaps you become irritable with the receptionist who has trouble finding a time for the doctor to see you. Is the heart of the problem your daughter’s illness, or is it perhaps the fact that you failed to consider your emotional cost when you kept agreeing to take on more responsibilities?

TEACHING ACTIVITY *continued**Mental Energy Cost*

- ★ The exertion of planning, thinking about, or organizing anything is a real cost that should be considered.
- ★ EXAMPLE: For a person who is directionally challenged, driving to an unfamiliar part of town can be mentally strenuous. Even if there were a “free” gift as an enticement, the mental energy expended to get there may not be as great as the value of the gift.

*Physical Energy Cost*

- ★ Again, this is a real cost that should be considered before any decision is made.
- ★ EXAMPLE: A person with a physical disability may have difficulty getting around. Even if “free” t-shirts are being given out at a baseball game, the physical cost of getting there could outweigh the benefits of having a new shirt.

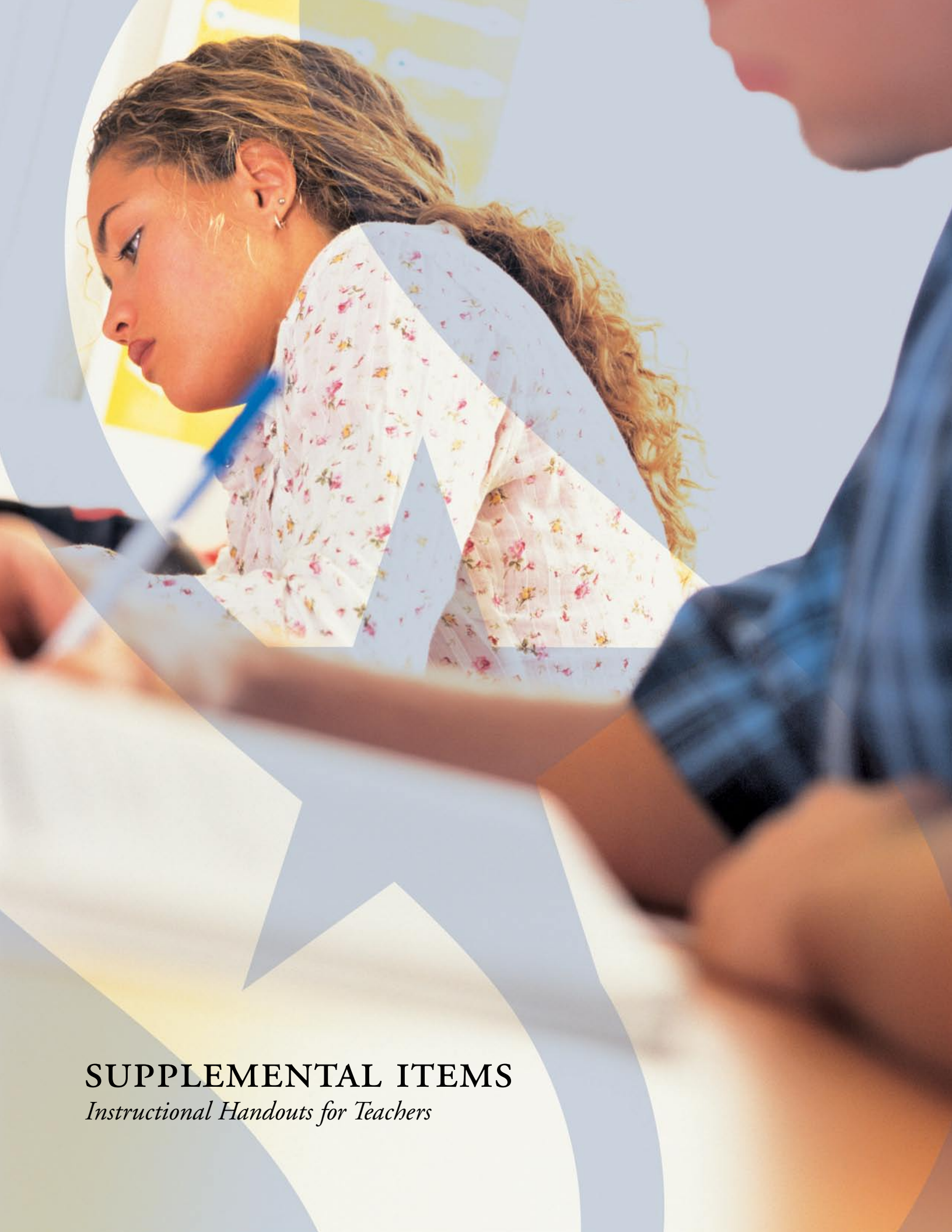
4. Play a game of “NAME THAT COST!” Divide participants into two teams. Using the game sheet (see HANDOUT #9), have the players compete to identify the “cost” of a free item. Each player can identify up to three costs, with one point awarded for each correct answer. The scenarios are not personalized to the players, and the costs can be applicable to anyone.
  - ★ Cite an example to clarify the rules: You are surfing the Internet and you get a pop-up that says you can get a “free” \$100 gift card if you agree to go to only five web sites and meet their requirements for participation. What hidden costs might there be?
  - ★ Have one person from each team write down the three costs. Rotate the writer for each different scenario.
  - ★ The writer will have only 30 seconds to write down the cost answer(s). If at any time the writer cannot come up with an answer, he or she can call out the word *help*. Any other team member can come up to provide help, but the helper will only be able to share one answer and will need to write it on the paper within the 30-second time requirement.
5. If you wish, you may award a prize to the winning team (see Keystone Economic Principle #5, People Respond Predictably to Incentives).
6. In closing, ask the class what the TANSTAAFL™ principle stands for (There Ain’t No Such Thing As A Free Lunch). Every choice or action has a cost.




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*The handout for this lesson plan can be found in the supplemental items section at the back of this book.*

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**SUPPLEMENTAL ITEMS**

*Instructional Handouts for Teachers*

HANDOUT #1

# Review Session Tally Sheet

	DAY 1	DAY 2	DAY 3	DAY 4
<b>WITHOUT INCENTIVES</b>				
Responses to Question 1				
Responses to Question 2				
Responses to Question 3				
Responses to Question 4				
Responses to Question 5				
<b>Total Number of Responses</b>				
<b>Fraction</b>				
<b>Percentage</b>				
<b>WITH INCENTIVES</b>				
Responses to Question 1				
Responses to Question 2				
Responses to Question 3				
Responses to Question 4				
Responses to Question 5				
<b>Total Number of Responses</b>				
<b>Fraction</b>				
<b>Percentage</b>				

**TOTAL NUMBER OF STUDENTS IN THE CLASS:** \_\_\_\_\_

HANDOUT #2

# Tally Sheet

	# OF HANDS RAISED	# OF STUDENTS	FRACTION	PERCENTAGE
<b>WITHOUT INCENTIVES</b>				
Responses to Question 1				
Responses to Question 2				
Responses to Question 3				
Responses to Question 4				
Responses to Question 5				
<b>Total Number of Responses</b>				
<b>WITH INCENTIVES</b>				
Responses to Question 1				
Responses to Question 2				
Responses to Question 3				
Responses to Question 4				
Responses to Question 5				
<b>Total Number of Responses</b>				

HANDOUT #3

# Redeemable Coupons

**COUPON GOOD FOR**

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SIGNED \_\_\_\_\_

**COUPON GOOD FOR**

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SIGNED \_\_\_\_\_

**COUPON GOOD FOR**

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SIGNED \_\_\_\_\_

HANDOUT #4

## Non-monetary Rewards in a Token Economy

- ★ Contact a local sports team and ask for tickets.
- ★ Contact a local theater and ask for tickets.
- ★ Sell the right to participate in a fancy special lunch. Serve the meal to the students, play soft music in the background, use a cloth table covering and napkins, and serve the food on attractive tableware. If possible, invite a special person(s) to have lunch with the students and engage them in conversation. This provides a great opportunity for students to develop a comfort level with more formal situations.
- ★ Play basketball in the gym after school.
- ★ Sell time on the computer.
- ★ Sell the right to participate in clubs during recess or, if possible, after school. Have teachers volunteer to teach a skill they know (photography, knitting, Frisbee, chess...).
- ★ Once students have acquired a new skill (above), allow them to purchase time (during recess, excess part of lunch period, study hall, etc.) to hone their skills.
- ★ Sell rights to be math helpers, reading helpers, etc.
- ★ Sell a chance to have lunch with the principal.
- ★ Sell the opportunity to have lunch with a friend in a different grade.
- ★ Give coupons to students for things like particularly good classroom participation, winning a classroom competition, or tutoring sessions (either because they can help others, or they are willing to get help they need). You can purchase big rolls of coupons from office supply stores, or you can print off the attached coupon sheet printing on different colors of paper if you like. Develop a system of weighting the value of those coupons, and allow them to be redeemed. Some suggestions: 2 coupons = one free homework pass, 3 coupons = one extra credit point on a quiz, 6 coupons = one point on a test. (If you use grade-boosting as a reward, be sure to set a maximum number of coupons allowed for each incident.)
- ★ Sell the following passes:
  - ★ Homework pass
  - ★ Quiz pass
  - ★ A “do-over pass” which would allow a student receiving a failing grade to re-take a test or quiz that, while different from the failed one, covers the same material.
  - ★ “Cut in line” pass
  - ★ Bathroom pass
- ★ Have a hat day, or a jeans day, or whatever you can live with that allows the students to wear something they are not normally allowed to wear in school.
- ★ Make a videography of school life and sell students the right to do the filming or choose the scenes to film.
- ★ Sell the right to take pictures of your students that will be posted on a bulletin board in your room. (The pictures could be taken during a field trip, a school activity, recess, or any special occasion.)
- ★ Ask parents to organize an after-school ice cream social or pizza party.
- ★ Sell the opportunity to be the weekly (monthly?) official student greeter for your school when you have visitors.
- ★ Rent a movie to show after school.
- ★ Sell the right to eat a lunch outside on a blanket or at a picnic table.
- ★ Sell the opportunity for students to choose their own classroom seats.
- ★ Rent or sell supplies to students if they forget them (pencils, paper, books, protractor, etc.).
- ★ Reserve some space in your classroom where students can paint or draw, and sell blocks of space to your budding artists. This could be redone periodically throughout the year.
- ★ Local fast food franchises will often give you coupons which can be sold to the students for school dollars.
- ★ Sell the right to participate in a field trip.
- ★ At the elementary school level, sell the following rights:
  - ★ Choose a song for the class to sing
  - ★ Be the line leader
  - ★ Sit with a special friend at lunch
  - ★ Choose a game at recess
  - ★ Pick a book for the teacher to read to the class
  - ★ Wear your shirt backwards or inside out at lunch

HANDOUT #5

# Problem: How much homework will I choose to do today?

**OPTION ONE: *Do no homework at all***

COSTS	BENEFITS

**OPTION TWO: *Do half of the assigned homework***

COSTS	BENEFITS

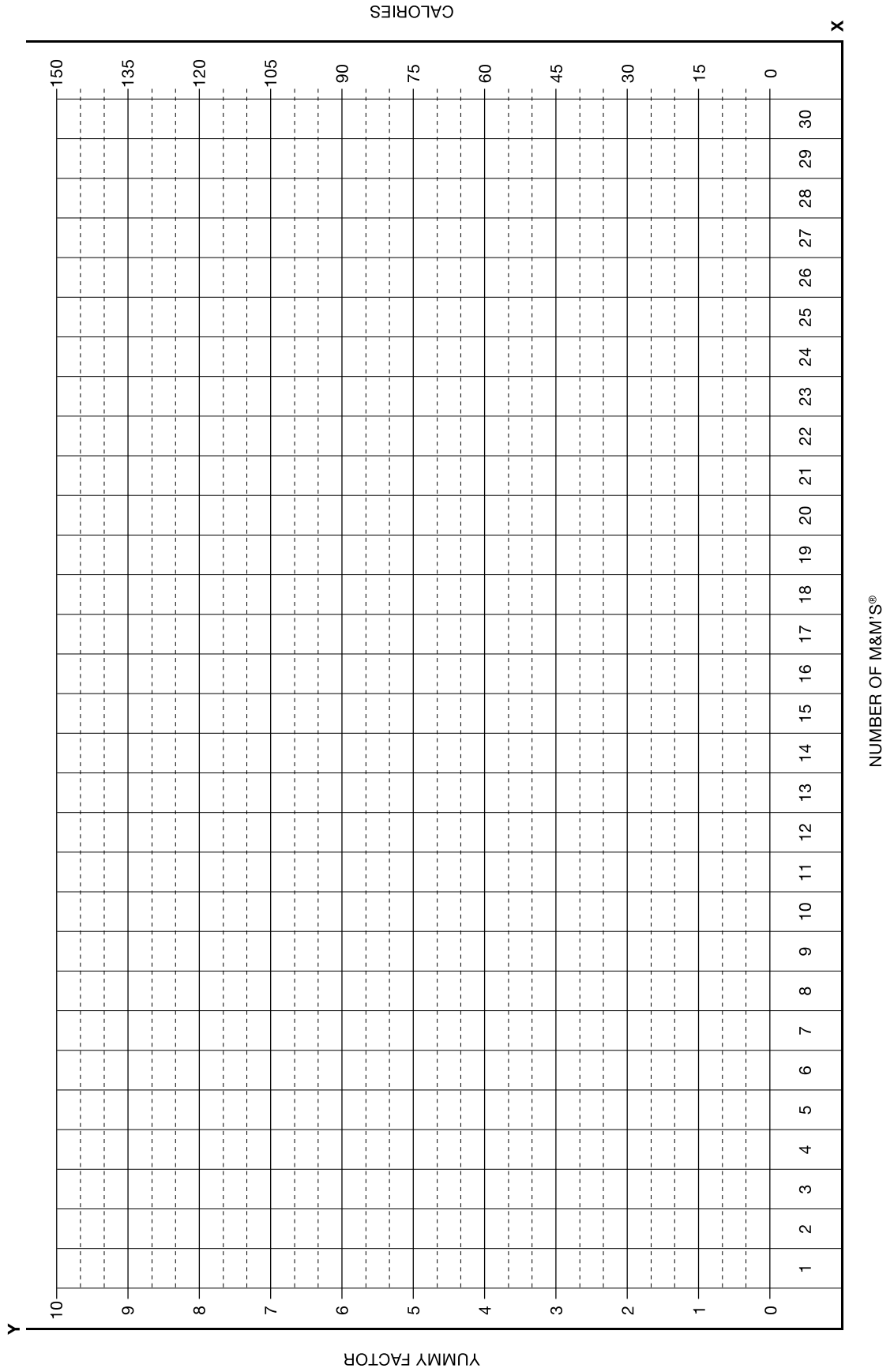
**OPTION THREE: *Do all of the assigned homework***

COSTS	BENEFITS

HANDOUT #6

# Thinking on the Margin

*(Marginal Cost vs. Marginal Utility)*



HANDOUT #7

## Review of Basic Characteristics of the Three Major Economic Systems

In any given country or region, the economic system in place can be described by reference to the answers it provides for the three basic questions of economics:

- ★ What to produce?
- ★ How to produce?
- ★ For whom to produce?

<i>Type of economic system</i>	<i>Who answers the 3 basic questions from above?</i>	<i>Who owns the means of production?</i>	<i>How are price, output, and allocation decisions made?</i>	<i>How does the economic system influence choice?</i>
<b>TRADITIONAL</b>				
<b>COMMAND</b>				
<b>MARKET</b>				

HANDOUT #8

## Review of Basic Characteristics of the Three Major Economic Systems *(Teacher Answer Key)*

In any given country or region, the economic system in place can be described by reference to the answers it provides for the three basic questions of economics:

- ★ What to produce?
- ★ How to produce?
- ★ For whom to produce?

<i>Type of economic system</i>	<i>Who answers the 3 basic questions from above?</i>	<i>Who owns the means of production?</i>	<i>How are price, output, and allocation decisions made?</i>	<i>How does the economic system influence choice?</i>
<b>TRADITIONAL</b>	Past decisions are perpetuated.	It depends. Often families, clans or tribes.	By looking to the past for guidance. Variance is frowned on.	
<b>COMMAND</b>	Central authority	Central authority	Central authority	
<b>MARKET</b>	Buyers and sellers – at mutually agreeable terms	Private ownership	Supply and demand	

## HANDOUT #9

# Name That Cost!

*An activity to illustrate economic costs*

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**SCENARIO ONE:**

You get a flier in the mail that says you have won two leather-bound books on gardening, worth \$78, if you are willing to join an English book club. In fine print the flier says that members of the club are required to purchase a minimum of three books at the regular price and will get frequent mailings for fabulous merchandise. The company will also send you a number of books in the mail to preview. If you want to keep them, the company will bill you for them. If you don't want to keep them, all you have to do is follow the easy steps to return the unwanted books in the mail.

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**SCENARIO FOUR:**

You hear on the radio that a local business is offering a “free” oil change if you will fill out a credit application for this business; while you are waiting for the oil change you will have the opportunity to view a fabulous multimedia presentation of the many services that this business has to offer; and, finally, a technician will be on hand to dialogue about these offers at length. When you get there, you realize that many people are taking this business up on the offer. There are eight cars in front of you, and the technician that comes to the window of your car smiles as she explains that there may be a slight wait. When you ask for specifics, she says a minimum of one hour.

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**SCENARIO TWO:**

You get one of those nifty scratch-off post cards in the mail from a used- car business in Wayland, a town 45 minutes away. You could win one of three fabulous items; all you have to do is scratch off the area to see what your fabulous “free” prize will be. You scratch it off and, to your delight, you discover that you are eligible for a “free” digital camera. All you need to do to claim your prize is go to the car dealership and talk to the salesman.

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**SCENARIO FIVE:**

You read in the paper that Friday – the day after Thanksgiving – a local department store is giving away three MP3 players to the first three customers who can visit three holiday stations located in the store where they must solve the riddle at each one. The store opens at 6:00 A.M., but you arrive at 4:30 just to make sure that you are at the front of the line. But already at 4:30 there are at least 40 boorish customers in front of you. They are loud, cranky, and have a crazed look in their eyes that says “I will trample you to win.”

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**SCENARIO THREE:**

You are looking through the ads of your local home-improvement store. In the top left corner you notice that the store is offering a “free” Rubbermaid garbage tote. It is worth \$6.99. Under the ad in small print you read that this offer is good with an additional purchase of \$30 minimum. Also, to claim your prize, you need to purchase the additional item with cash and then send in the receipt along with a form that you will complete. The store then will then send your gift card for the amount of \$6.99, redeemable at the sponsoring store only.

# Economic Education Blog Is Latest Feature of The Powell Center for Economic Literacy Website

## A NEW BLOG: MV=PQ NOW AVAILABLE

RICHMOND, VA—The Powell Center for Economic Literacy has enhanced its web presence yet again. On August 27, **MV=PQ**, an economic education blog authored by Associate Director Tim Schilling, made its debut on the web.

"The purpose of the blog is to make teachers aware of topics, tools, and trends in economic and financial literacy that can be used in the classroom," says Schilling. "The blog has already carried entries about the sub-prime mortgage issue and how it can provide a background for studying about central banks and the Federal Reserve. The blog has also pointed to articles from reputable sources that can be used to teach about personal finance." The site's title, **MV=PQ**, refers to an equation used in economics to show the relationship between Money, Velocity, Prices, and Quantity produced. The genesis for the title? According to Schilling, "I have used the equation frequently when teaching students or other teachers. I find it provides a simple way to understand a lot about economic activity."

Schilling recently joined the Powell Center for Economic Literacy as Associate Director. He moved to Virginia with his family after serving for 16 years as Director of Economic and Financial Literacy at the Federal Reserve Bank of Chicago. Prior to that he taught high school economics in Michigan, where he also served as Director of the Michigan Council on Economic Education.

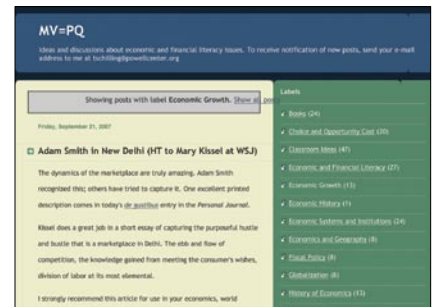
Schilling started the blog during his tenure at the Chicago Fed. The archives of past entries have now been added to the Powell Center website. If you're interested in reading the new blog, you can access it directly at <http://www.valuingeconomics.blogspot.com>. Or go to the website of the Powell Center for Economic Literacy, <http://www.powellcenter.org>; click on **MV=PQ** at the top of the page. If you'd like to subscribe directly to the blog, send an email to [tschilling@powellcenter.org](mailto:tschilling@powellcenter.org) and type "blog subscription" in the subject line. Once your name is added to the subscription list, you will be notified every time a new post is made.

## KEYSTONE ECONOMIC PRINCIPLES ADDED TO LESSONS

All the lessons in this edition of **ECON-EXCHANGE** refer to Keystone Economic Principles, in addition to the traditional economic concepts we include in all of our lessons. The Keystone principles are compiled in a publication which is featured on our website (see <http://www.powellcenter.org/Keystone.asp>). The publication has received rave reviews from teachers, university faculty, and state councils on economic education across the country.

### ECON-EXCHANGE GOES DIGITAL

Finally, as we mentioned in the Spring 2007 edition of **ECON-EXCHANGE**, we plan to move to a digital-only format in 2008. Please use the form on the next page to share your contact information and email address with us so that we can send you the digital version of **ECON-EXCHANGE** when it moves online in 2008.



[www.valuingeconomics.blogspot.com](http://www.valuingeconomics.blogspot.com)



[www.powellcenter.org/Keystone.asp](http://www.powellcenter.org/Keystone.asp)

## *Back Issues of* ECON-EXCHANGE

The following issues of ECON-EXCHANGE are available online at [powellcenter.org](http://powellcenter.org):

- ★ SPRING 2007 Using Literature to Teach Economics: Ways to Take The Road Not Taken
- ★ SPRING 2006 Economics, the Environment, and Water
- ★ FALL 2005 Political Freedom, Economic Freedom and Prosperity
- ★ SPRING 2005 Economics and Ethics
- ★ FALL 2004 Economics and International Trade
- ★ SPRING 2004 Economics in Government
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- ★ FALL 1998 Economics and the Environment
- ★ SPRING 1998 Economics and Business
- ★ FALL 1997 The Importance of Improving Economic Education
- ★ SPRING 1997 The Economic Way of Thinking

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Please visit our website for additional classroom lessons, activities, and resources. For more information contact Jennifer G. Cornell, *Executive Director*, Powell Center for Economic Literacy.

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