



POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

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Using the Mini-Economy in the Middle School

Time Required

Two nine-week grading periods.

Grade Level and Subject Area

Middle School Social Studies

Keystone Principles

Principle #4 – Economic Systems Influence Choices

Principle #5 – Incentives Produce “Predictable” Responses

Voluntary Standards

[Standard #3 – Allocation of Goods and Services](#)

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

[Standard #13 – The Role of Resources in Determining Income](#)

Economic Concepts

Consumer – a person who is willing and able to buy goods and services.

Entrepreneur – (a) one who assumes the risk of starting a new business or of introducing a new good or service to the marketplace in the hope of earning a profit.
(b) one who takes on the main risk and responsibility for planning, organizing and operating a business.

Goods – items made by people or found in nature.

Human Resources – labor, especially as it includes skills and potential contributing to current and future production of goods and services.

Investor – one who purchases, constructs, or develops resources used to expand productivity in an economy.

Producer – a group or individual who makes goods or provides a service.

Sales Tax – a tax imposed by a governing body on the sale of goods.

Saver – one who does not spend money or consume things right away.

Services – products that cannot be touched or stored such as medical care, selling, education, transportation, telephone communication. A service is consumed at the instant it is produced.

Specialization – the act of devoting all or most of one’s resources to the production of a single good or service.

Taxes – mandatory payments by the public to federal, state, and local governments which provide goods and services.

Overview

Middle school social studies curriculum includes the study of the founding of our nation and its government. As the lead essay has noted, our system of private enterprise and our market economy were also founded in these early years. The middle school social studies classroom, therefore, is the perfect place to introduce economic concepts using the mini-economy. Dividing the mini-economy into two distinct phases — the command economy and the market economy — helps students learn how economic systems differ and how these differences affect people who experience them.

Phase I is organized as a command economy, with the teacher playing the role of the reigning dictator. Students are given little economic freedom. In Phase II, the mini-economy becomes market-oriented, with students making more decisions. The student role playing activity helps to teach a basic understanding of economies and economic terms. The mini-economy also becomes an excellent classroom management tool.

Objectives

- Through their participation in simulation activities, students learn economic concepts: producer, consumer, human capital, saver, taxpayer, and investor.
- By handling administrative details of the mini-economy, students learn responsibility.
- Students identify the effects of economic decisions on themselves and their community.
- Students increase their own human capital by acquiring new skills and knowledge.

Materials and Handouts

Handout 1 — **Sample Job Descriptions**

Handout 2 — **Outline for Job Application Letter**

Teaching Activity

For the command and market phases, students assume the following roles, which vary in each phase:

- Producers: students generate work through class assignments, group discussion, and classroom jobs.
- Consumers: students consume supplies, food, utilities, room space, and teaching services.
- Savers: students decide how much income to save for future purchases.

- Taxpayers: students pay taxes for physical plant, supplies, and teaching services.
- Investors: students invest in classroom business – mini-economy.

Phase I: A Command Economy

Send a letter to parents advising them of the mini-economy classroom project. In this phase, the teacher has absolute control over what is produced and how students will earn money. This allows the teacher to introduce the mini-economy at a comfortable pace. It also teaches students first-hand how a different economy operates. Examples from ancient civilizations and contemporary command economies can be introduced to the students.

How Money is Created

The “money” to be used in this lesson can be created by either the students or the teacher. Make copies using different color paper for the different denominations.

How Students Earn Money

In the command economy, students work for the state. They may earn money in two ways: classroom performance and public service jobs.

Classroom Performance: Students are paid for completing assignments, doing extra credit, taking part in classroom discussions, excelling in schoolwork, etc. (I pay students for good grades on key assignments.) Students also receive pay based on their grades for the nine-week period. In classrooms where behavior and student work habits are concerns, payments can also be used as an incentive to improve any perceived deficiency.

Public Service Jobs: The teacher may assign public service jobs by group or by row. Examples include picking up trash, straightening books, cleaning boards and erasers, and other assigned work required by the dictator. Students are usually paid for this work, but oppressive dictators sometimes require citizens to work for the good of the state. Students perform their public service jobs on certain days of the week.

Costs Incurred by Students

The dictator can create any number of costs students must pay to survive in their mini-economy. For example:

- **Living Expenses:** As consumers, students pay for utilities, rent, and services of the teacher. Whether or not students can own desks is the prerogative of the dictator.
- **Taxes:** Students also pay taxes to cover the dictator’s salary. Taxes are assessed at a flat rate.
- **Fines:** Students who violate classroom rules pay fines to be determined by the dictator.

What Can Students Purchase With Their Remaining Income?

NOT MUCH! In the command economy, students mainly earn grades and work for the good of the state. No decadent luxury purchases are permitted. Any necessary purchases must be made at the state store.

Phase II: A Market Economy

In this phase of the mini-economy, students are given more economic freedom and many more opportunities to participate in free enterprise. This phase teaches students about capitalism and its tremendous impact on contemporary world history. The teacher should take class time to present lessons on the market economies of the United States and other countries.

How Students Earn Money

Students still earn money for academic work and public service jobs. Again, these payment incentives will encourage habits that should be instilled in the students such as daily attendance at school, completion of assignments, etc. However, students will now have much more freedom. They can apply for jobs they want and can also operate their own businesses.

Classroom Performance: Students can earn more money by excelling or improving their studies.

Jobs: Students can apply for jobs created by the teacher. HANDOUT 1, Sample Job Descriptions, lists the duties, qualifications, and pay scales. Students must submit job applications; references and job interviews may also be required. HANDOUT 2, Outline for Job Application Letter, provides guidelines for students to use in applying for jobs. Applying for a job is a competitive process.

Classroom Businesses: Students may open their own businesses and provide goods and services to their classmates. Ideas for goods include making cards, bookmarks, decorated pencils, cookies, and candy. Services may include tutoring, desk cleaning, homework reminders, postal delivery, face painting, manicures, or paperback book swap. Businesses operate at specific times.

Costs Incurred by Students

Students can still incur living expenses and taxes. They will also incur expenses in running a business. However, they have the freedom of owning their desks.

How Students Spend Income

My class holds a large auction where students can purchase class privileges or items donated by local businesses. At this point, the teacher could choose to have a flea market, illustrating a local market economy.

Students run the administrative details of the mini-economy, such as paying taxes and bills, handling banking transactions, and investments. One day a month is set for mini-economy administrative details. Students calculate and record all money transactions.

Conclusion

The mini-economy is a tool to motivate students and interest them in classroom activities. More importantly, it is a hands-on and creative way to teach economic concepts. In order for students to achieve the greatest benefit, give them responsibility. One of the benefits of the mini-economy for teachers is its adaptability to any classroom setting.

Note: An early version of Howard Gluff's mini-economy lesson for middle school appeared in a publication by the Indiana Department of Education in October 1996.

Sample Job Descriptions

Job Title	Responsibilities	Qualifications	Pay Scale
Tax Collector	Assess and collect income tax, maintain records as directed by teacher	Good math and English skills GPA: 3.0	\$250 per week
Utilities Collector	Collect payment, maintain records	Good math and English skills GPA: 3.0	\$250 per week
Teacher Assistant	Take attendance, keep records, and perform other duties as assigned by the teacher	Good math and English skills GPA: 3.5	\$500 per week
Accountant	Record all money transactions	Superior math and English skills GPA: 3.5	\$500 per week
Personnel Director	Review job applications, set up job interviews, supervise employees	Good math, English, leadership, and communication skills GPA: 3.5	\$500 per week
Tutor	Tutor students in all subject areas	Good math, English, science, and social studies skills GPA: 3.0	Negotiated per client
Custodian	Inspect and clean floor at the end of class	Good work habits and a responsible attitude	\$100 per week
Desk Monitor	Inspect and straighten desks at the end of each period	Responsible attitude and good work habits	\$100 per week

Job Application Letter

Write your letter in business-letter format. Each letter must contain four paragraphs following the outline below:

1. Truth Statement

Tell the truth about your role in social studies class, including any specific information from the following list:

- a. Attendance
- b. Class participation
- c. Class disruption
- d. Test and quiz effort
- e. Homework completion
- f. Class preparation
- g. Class rules
- h. Good notes
- i. Neat and organized

2. Qualifications

- a. Why do you want the job?
- b. In what specific ways are you qualified?

3. Future plans

- a. How will the mini-economy benefit you?
- b. How will this class benefit you?

4. Summary

- a. Summarize your best points.
- b. Restate why you should be considered for the job.