

#10111

THE ECONOMICS CLASSROOM: HOW ECONOMISTS THINK

ANNENBERG/CPB, 2002
Grade Level: Adult
60 Minutes



CAPTIONED MEDIA PROGRAM RELATED RESOURCES

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Annenberg/CPB
Professional Development Workshop Guide

The Economics Classroom

A Workshop for Grade 9-12 Teachers

An eight-part professional development workshop
for high school economics teachers

Produced by Pacific Street Film Projects, Inc.
in association with the National Council on Economic Education

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About the Workshop

Overview

The Economics Classroom illustrates why economics is losing its reputation as “the dismal science.” Instead, economics can become one of the most relevant and stimulating courses taken in high school.

These teacher development workshops are intended for high school teachers of economics, many of whom have little or no background in the subject, to help them learn effective lessons and techniques for bringing this important and often misunderstood subject to their students.

The workshop consists of eight two-hour sessions with hour-long videos, each on a different topic that is covered in most high school economics courses. The workshops are organized along broad subject lines, illustrating how economists think, how markets operate, and how and why the government participates in the economy. Watching real classroom lessons, you’ll see students learning the basics of personal finance as well as a few things about wealth that they never knew before. Demonstrations and exercises designed by economic educators also cover the role of the entrepreneur and innovation in economic life, as well as the dynamics of international trade.

High school graduates will make economic choices all their lives in their roles as consumers, employees, entrepreneurs, savers, investors, and citizen voters. In the words of James Tobin, Nobel Laureate in Economics, “The case for economic literacy is obvious. High school graduates will be making economic choices all their lives, as breadwinners and consumers, and as citizens and voters. A wide range of people will bombard them with economic information and misinformation for their entire lives. They will need some capacity for critical judgment. They will need it whether or not they go to college.” (Quoted in *The Wall Street Journal*, July 9, 1986.)

The eight programs in *The Economics Classroom* cover the content areas of a typical high school economics course, including scarcity, markets, supply and demand, competition and monopoly, personal finance, the role of government, measuring economic performance, monetary and fiscal policy, and economic growth. The programs also cover the content of the 20 *Voluntary National Content Standards in Economics*.

Most important, the lessons in *The Economics Classroom* show how to bring economic concepts alive in the classroom. The philosophy behind this workshop is that students learn by doing. According to a Chinese proverb, “I hear and I forget; I see and I remember; I do and I understand.” When teachers and students approach the study of economics by doing something involving economic reasoning and economic behavior, they truly understand the ideas being taught and why those ideas are useful to them. Several of the lessons seen in the video programs appear in this workshop guide. Feel free to use them in your classroom.

The high school economics course should provide skills which will help high school graduates to compete in the global economy of the twenty-first century. *The Economics Classroom* provides a foundation to help teachers accomplish this important goal.

Workshop Format

Each workshop program is divided into several segments; each addresses a different aspect of a broad subject area and features actual in-classroom footage of teachers who are recognized for their skill in teaching economics. These classroom segments are accompanied by introductory and background information presented by Professor Timothy Taylor of Macalester College in Minneapolis, Minnesota, a leading economic educator and managing editor of the *Journal of Economic Perspectives*.

Each program also includes lesson plans and curriculum suggestions; interviews with teachers discussing their techniques, lesson plans, and pertinent experiences; and students reacting to the lessons in which they have just participated. Teachers and students comprise a diverse group in schools ranging from a private girls’ school in suburban New Jersey to public schools in and outside of cities like Atlanta and Denver to honors classrooms in Hawaii and an urban high school in New York City. Teachers can follow links throughout the workshop Web site at www.learner.org/channel/workshops/economics to learn more about a particular subject, find additional lesson ideas and exercises, and obtain additional information on the teachers and classes featured in this workshop.

About the Workshop, cont'd.

Workshop Descriptions

Workshop 1. How Economists Think

This workshop illustrates why economics is much more than a bundle of concepts. Economics is a unique way of thinking that offers insights into the seemingly chaotic confusion of human behavior in a world of different values, resources, and cultures. In the video, teachers demonstrate the key ideas that constitute an economic way of thinking.

Workshop 2. How Markets Work

This workshop focuses on the laws of supply and demand and their effects on the allocation of resources. In the video, teachers use simulations and classroom demonstrations to illustrate the behavior behind supply and demand curves. They also demonstrate the importance of competition and the incentives created by profits.

Workshop 3. The Government's Hand

This workshop demonstrates the positive role of government in a market economy and also explores why well-meaning government policies can fail. A simulation dramatically demonstrates how protection of property rights conserves and develops resources. An "economic mystery" is used to illustrate public-choice theory while a simulation shows how price ceilings and floors cause unintended consequences.

Workshop 4. Learning, Earning, and Saving

Effective lessons to teach personal finance are demonstrated in this workshop. Teachers use the "Millionaire Game," the "Chessboard of Financial Life," and a stock market simulation to show how concepts such as earning a living, spending, saving, investing, borrowing, and managing money are taught in a high school economics course.

Workshop 5. Trading Globally

The positive effects of voluntary trade and the harmful effects of protectionism are shown dramatically in this program. A "label-search" activity, a discussion on the worldwide ingredients in a candy bar, and a "banana wars" simulation all demonstrate the benefits of trade and the unintended negative consequences of protectionist policies.

Workshop 6. The Building Blocks of Macroeconomics

This workshop illustrates activities that teach about the basic measurement tools of any economy: gross domestic product (GDP), unemployment, and inflation. These measurement tools can seem abstract, but GDP and economic growth, unemployment, and inflation can have a profound effect on students' future welfare, their job opportunities, the level of their prospective earnings, and the prices they will pay for the things they buy.

Workshop 7. Monetary and Fiscal Policy

Teachers use a lecture/discussion technique, demonstrations, and simulations to teach about the effects of monetary and fiscal policy on aggregate supply and aggregate demand. Students learn how government monetary and fiscal policies affect economic growth, unemployment, and inflation.

Workshop 8. Growth and Entrepreneurship

In the final workshop, students learn why the key to improving a nation's standard of living is economic growth. Teachers illustrate the important factors that contribute to economic growth and how a market economy creates incentives that encourage entrepreneurship, innovation, and investment. The role of patents and copyrights in creating incentives for entrepreneurs is also covered.

About the Workshop, cont'd.

About the Lessons

Each session includes two economics lessons. In many cases, a version of the lesson is demonstrated by a teacher in the workshop video. In all cases, the content of the lesson relates to the content of the video program. Teachers are free to copy and use these lessons in their classrooms.

This is just a sampling of the lessons available to high school economics teachers. These lessons utilize an active-learning approach. Most of the lessons in this guide were previously published by the National Council on Economic Education (NCEE). They are not in the exact format in which they were originally published. For information on the publications of NCEE, call toll-free 800-338-1192 to obtain a catalog or view the online catalog at www.ncee.net.

The following lessons appear in this guide.

Workshop 1. How Economists Think

The Tragedy of the Commons

by Mark C. Schug, from *The Great Economic Mysteries Book: A Guide to Teaching Economic Reasoning, Grades 9-12*, National Council on Economic Education, 2001.

Why Do People Trade?

by Gerald J. Lynch, Michael W. Watts, and Donald R. Wentworth, from *Focus: International Economics*, National Council on Economic Education, 1998.

Workshop 2. How Markets Work

A Classroom Market for Crude Oil

by Michael W. Watts, Sarapage McCorkle, Bonnie T. Meszaros, and Mark C. Schug, from *Focus: High School Economics*, National Council on Economic Education, 2001.

Shifts in Supply and Demand

by John S. Morton, from *Advanced Placement Economics: Microeconomics: Student Activities*, National Council on Economic Education, 1996. A new edition will be published in 2003.

Workshop 3. The Government's Hand

Property Rights Simulation

by John S. Morton.

Price Floors and Ceilings

by John S. Morton, from *Advanced Placement Economics: Microeconomics: Student Activities*, National Council on Economic Education, 1996.

Workshop 4. Learning, Earning, and Saving

How To Really Be a Millionaire

by John S. Morton and Mark C. Schug, from *Financial Fitness for Life: Bringing Home the Gold, Grades 9-12*, National Council on Economic Education, 2001.

The Chessboard of Financial Life

by John S. Morton and Mark C. Schug, from *Financial Fitness for Life: Bringing Home the Gold, Grades 9-12*, National Council on Economic Education, 2001.

About the Workshop, cont'd.

Workshop 5. Trading Globally

Working and Living Together: The Importance of Trade

by Harlan R. Day, from *Trading Around the World: Introducing Economics Into the Middle School Curriculum*, National Council on Economic Education, 1997.

The “Banana Wars” Lesson

by Elaine Schwartz.

Workshop 6. The Building Blocks of Macroeconomics

All About GDP

by John S. Morton, from *Advanced Placement Economics: Macroeconomics: Student Activities*, National Council on Economic Education, 1996.

Who Is Hurt and Who Is Helped by Inflation?

by John S. Morton, from *Advanced Placement Economics: Macroeconomics: Student Activities*, National Council on Economic Education, 1996.

Workshop 7. Monetary and Fiscal Policy

The Tools of Fiscal Policy

by John S. Morton, from *Advanced Placement Economics: Macroeconomics: Student Activities*, National Council on Economic Education, 1996.

Money, Interest, and Monetary Policy

by Michael W. Watts, Sarapage McCorkle, Bonnie T. Meszaros, and Mark C. Schug, from *Focus: High School Economics*, National Council on Economic Education, 2001.

Workshop 8. Growth and Entrepreneurship

Mystery Nations

by Jane Lopus, John S. Morton, Robert Reinke, Mark C. Schug, and Donald R. Wentworth, from *Capstone II*, National Council on Economic Education, to be published in 2003.

Can I Become an Entrepreneur?

by John E. Clow, Carolyn R. Holleran, Calvin A. Kent, Gary Rabbior, Francis W. Rushing, and Alan Stafford, from *Economics and Entrepreneurship*, National Council on Economic Education, 1993.

About the Workshop, cont'd.

About the Content

These workshops cover the 20 standards in the *Voluntary National Content Standards in Economics*. The standards covered by each workshop are listed below under the number of the workshop. Each standard is written in its entirety in the workshop chapter(s) in which it is covered.

A Correlation of the Workshop Programs to the Voluntary National Content Standards in Economics

Standards	Workshops							
	1	2	3	4	5	6	7	8
1. Scarcity	X							
2. Marginal costs/marginal benefits	X			X				
3. Allocation of goods and services		X						
4. Role of incentives	X							
5. Gains from trade	X				X			
6. Specialization and trade					X			
7. Markets—price and quantity determination		X						
8. Role of price in market system		X						
9. Benefits of competition		X						
10. Role of economic institutions			X					
11. Role of money							X	
12. Role of interest rates							X	
13. Role of resources in determining income				X				
14. Profit and the entrepreneur		X						X
15. Growth								X
16. Role of government			X					
17. Costs of government policies			X					
18. Circular flow-interdependence						X	X	
19. Unemployment and inflation						X		
20. Monetary and fiscal policy							X	

From *Voluntary National Content Standards in Economics*, National Council on Economic Education, 1997.

About the Contributors

Project Director, Producers

Since the founding of Pacific Street Films (PSF) in 1969, **Steven Fischler** (project director and producer) and **Joel Sucher** (producer) have produced, directed, and written award-winning documentary films on a wide variety of historical, cultural, and political themes. Sucher and Fischler have been the recipients of numerous awards and grants, including Guggenheim Fellowships in Film, Emmy Awards, Cine Golden Eagles, and the John Grierson Award for Social Documentaries.

Fischler and Sucher have chronicled both overlooked historical movements (*Free Voice of Labor: The Jewish Anarchists and Anarchism in America*), and misunderstood ones (*Blue Helmets: The Story of United Nations Peacekeeping and In Search of Peace*). PSF produced a documentary on the forgotten story of how Jewish professors who had fled Nazi Germany ended up teaching at historically black colleges in the South, *From Swastika to Jim Crow*, which had its broadcast premiere on PBS in 2001. PSF also has produced long-form biographical sketches on Frankie Lymon (*I Promise to Remember*, 1983), directors Martin Scorsese (*Martin Scorsese Directs*) and Oliver Stone (*Oliver Stone: Inside/Out*). Fischler and Sucher have produced a 12-part telecourse/series, *Exploring the World of Music*, for Annenberg/CPB; a five-part series, *The Warrior Tradition*, and many other broadcast documentaries for both public and commercial television.

Coordinating Producer, Web Site Designer

Clark Bortree has worked with Pacific Street Films since 1996, both as coordinating producer, director and Web designer. He designed and programmed *The Economic Classroom* Web site.

Director of Content

John S. Morton is vice president for program development at the National Council on Economic Education. He was president of the Arizona Council on Economic Education from 1997 to 2001. Mr. Morton has over 35 years' experience as a high school economics teacher, college professor, college administrator, and economic education writer and presenter. He is the author or co-author of more than 30 economics publications.

Educational Consultant, Writer, and Series Host

Timothy Taylor is managing editor of the *Journal of Economic Perspectives*, an academic journal published quarterly by the American Economic Association based at Macalester College in St. Paul, Minnesota. Taylor received his Bachelor of Arts degree from Haverford College in 1982 and a master's degree in economics from Stanford University in 1984. He then worked as an editorial writer for the San Jose Mercury News for two years, before starting the *Journal of Economic Perspectives* in 1986. He has won awards for teaching economics at Stanford University and the University of Minnesota. He has recorded several economics courses for the general public through the Teaching Company.

Board of Advisors

Brett Hardin is a social studies teacher who began teaching economics in 1996. Hardin has a B.A. in history from Wesleyan University and an M.S. in secondary education from the University of Pennsylvania. He is Georgia Teacher of the Year for 2002.

Donna McCreddie is an economics and honors economics teacher at Temple City High School in California. She received her bachelor's degree at California State University, Los Angeles and her master's at the University of Delaware in economic education. Donna is the past president of the California Association of School Economics Teachers and a member of the Writing Committee for National Standards in Economics. Teaching awards include the Foundation for Teaching Economics' 1994 Excellence in Economic Education and the 1994 California Economics Teacher of the Year presented by EconomicsAmerica of California.

Stephen Rabin is president of the Educational Film Center (EFC) and since 1983 has been responsible for management of production, development, and financing of its programs. Under his direction, EFC has created and produced a number of telecourses, teacher training and workshop series, and several hundred television specials, series, and videos, including several for Annenberg/CPB. These include *The World of Chemistry*, *Economics USA*, *Exploring the World of Music*, *In Search of the Novel*, and *Inside the Global Economy*.

About the Contributors, cont'd.

Dimitri Saliani is the social studies chairman at Eleanor Roosevelt High School in New York City opening in September 2002. He has taught previously in the Minisink Valley and Mahopac school districts in New York for five years. He has incorporated economic principles into courses such as world history and United States history. He received his master's degree from New York University and bachelor's from the State University of New York at New Paltz with a major in history.

Dr. Mark C. Schug is the director of the UW-Milwaukee Center for Economic Education. The UWM Center is affiliated with the Wisconsin Council on Economic Education and the National Council on Economic Education. Dr. Schug has taught for over 30 years at the middle school, high school, and university levels. Professor Schug has written and edited over 170 publications.

Elaine L. Schwartz is an AP economics teacher at the Kent Place School. Located in Summit, New Jersey, Kent Place is an independent all-girls' day school pre-K through grade 12. During her 31 years at Kent Place, Elaine has chaired the history department and taught U.S. history. Currently, she occupies an endowed chair in economics and is a member of the Cum Laude Society. Schwartz is a mentor teacher and a workshop leader for the Foundation for Teaching Economics and the author of several textbooks.

Teachers Featured in *The Economics Classroom*

Heather Anderson has a degree in social science education and began her career in education teaching eighth-grade American history. Currently, she teaches four economics honors classes and one AP microeconomics class at Eau Gallie High School in Melbourne, Florida. She has been teaching economics since 1999.

"I decided to teach high school. The only way I could move here was to teach world history and economics. And I thought, 'I can do it. I'll get through a couple of years and then I'll get rid of the economics and I'll be left with the world history.' And once I started teaching economics that's what I ended up loving. And so now I'm trying to get rid of the world history so that I can have all economics."

Classes presented in *The Economics Classroom*: Price Floors (Workshop 3); Price Ceilings (Workshop 3); Compound Interest (Workshop 4)

Kendra Cheese teaches economics at Lakewood Senior High, located in western Jefferson County, a suburb of Denver, where she is the department chair for social studies. A Denver native, she has been teaching for 32 years. She received the Enterprising Teacher of the Year award from the Colorado Council of Economic Education in 2001. For the last four years, she has been teaching pre-international baccalaureate economics to ninth graders.

"Teaching ninth graders economics is a difficult challenge because they haven't had a lot of real-world experiences. They don't drive, most of them have never worked, they're still in that transition period from their parents giving them allowance to knowing more about how to work with money. But ninth graders are enthusiastic and they're spontaneous and they like activities...they really enjoy them and don't look at them as being beneath them."

Class presented in *The Economics Classroom*: Property Rights (Workshop 3)

Dr. Eric M. Gernant received an M.A. and a Ph.D. in economics from Fordham University and has been teaching in the New York City school system since 1972. He transferred to New York City's High School of Economics and Finance in 1995. One of New York's specialized high schools, the High School of Economics and Finance offers a specialized curriculum focusing on finance and business-related courses.

"Historically, social studies teachers hate to teach economics. You have very few teachers on the faculty in any high school who have a master's degree, let alone a bachelor's degree in economics. It's always a course that's farmed out to somebody who has the least seniority. And here I had an opportunity, I thought, with a passion for the subject, to really go into depth and give these kids a top-notch education."

Class presented in *The Economics Classroom*: Comparative Advantage and Specialization (Workshop 5)

About the Contributors, cont'd.

Jay Grenawalt has been teaching for over 25 years. Currently, he works with juniors and seniors in the international baccalaureate program at George Washington High School in Denver, Colorado, teaching economics and history. He has been the recipient of many awards, including the White House Fellowship Distinguished Teacher of the Year Award, Commission on Presidential Scholars, 1994; the Boettcher Foundation Teacher Recognition Award, 1996; and the University of Chicago Outstanding Teacher Award, 1997 and 1998.

Grenawalt's students are generally very committed and academically oriented. He notes that even those students who are "sort of in the middle of the pack" get swept up by the interest and the enthusiasm that many of the students have.

"Too many American texts present economics from the American perspective only and we really do live in a global economy today. I try to find as many curricular materials that perhaps take us out of our own boundaries and look at it more in terms of how the Europeans might view it or the people in Asia or what have you...."

Classes presented in *The Economics Classroom*: Voluntary Trade (Workshop 1); Global Trade (Workshop 5); Gains From Trade (Workshop 5); What Makes Countries Rich? (Workshop 8)

Brett Hardin is a social studies teacher who began teaching economics in 1996. Hardin has a B.A. in history from Wesleyan University and an M.S. in secondary education from the University of Pennsylvania. He was a STAR teacher from 1998 through 2002, received the 2000-2001 BellSouth-Atlanta Braves Excellence in Education Award and was Georgia Teacher of the Year for 2002. He teaches at Campbell High School in Smyrna, Georgia.

"One of the things about teaching economics has been that I'm a better American history teacher than I was before, because there are lots of moments in American history where major economic events have obviously had major social or political impacts. And the social studies teachers—we like to focus on the social and political. We shy away from the economics 'cause we don't always understand it."

Classes presented in *The Economics Classroom*: Macroeconomics (Workshop 6); Unemployment (Workshop 6); Effects of Inflation (Workshop 6)

Ted Hartsoe teaches economics at Choate Rosemary Hall, a small, private secondary school in Wallingford, Connecticut. The school has about 800 students and the economics program is an important feature in the curriculum. Mr. Hartsoe's economics classes are very popular elective choices. He teaches microeconomics, macroeconomics, international economics and an advanced topics course in economics. In 2001 he was named a NASDAQ Teacher of the Year and the student team he coached won the NCEE's first nationwide Economics Challenge.

"It's important for all the students, not just AP-level students, to know about basic economic indicators.... They have to be able to put those into context and understand what that tells them about the performance of the national economy. So they can understand what the politicians are saying to them and political candidates, and what that means in terms of policy—fiscal policy and monetary policy. I think every citizen needs to have an understanding of those indicators and what they mean and what those numbers are telling them."

Classes presented in *The Economics Classroom*: Measuring Inflation (Workshop 6); Fiscal Policy (Workshop 7); How Money Works (Workshop 7); Business and Finance (Workshop 8)

About the Contributors, cont'd.

Marc A. Johnson is the social studies department coordinator and a teacher at Smoky Hill High School in Aurora, Colorado. He has taught middle school, high school, and community college for over 18 years. He received the Teacher of the Year Award from Horizon Community Middle School in 1995, the Enterprising Teacher of the Year Award from the Colorado Council on Economic Education in December 2000, and was one of four Colorado teachers selected by the NCEE to do a study tour of St. Petersburg, Russia, and establish an international classroom partnership in March 2002.

"A very good young social studies teacher said, 'You know, you could throw me into any social studies class—anthropology, psychology, sociology, history, geography—and I could handle them all except for economics. I wouldn't feel comfortable there.' So the challenge is how do you get these guys, who have avoided economics in the past, how can you get them up to speed with economics? And I'm convinced the answer is through strong state councils offering courses that are non-threatening and friendly. I think we need to attack it in two ways: a content base, so they really have some economic understanding, then give them some lessons and activities and things that they can do. I don't think one is good without the other."

Classes presented in *The Economics Classroom*: Salaries and Wages (Workshop 4); Millionaires (Workshop 4); Education Pays Off (Workshop 4)

Richie Kibota teaches at Iolani High School in Honolulu, Hawaii. Affiliated with the Episcopal Church, the school is a culturally diverse, coeducational, college preparatory school. A member of the Hawaii Council on Economic Education, Richie has coached students at Moanalua High School and at Iolani to win the Hawaii State Economics Challenge contest. An economics teacher since 1983, Kibota has taught both advanced placement and microeconomics courses and currently teaches an elective 12th-grade economics class.

"This course is strictly an economics course. It's not a financial management course and it's not a consumer education course. It's teaching microeconomic concepts. These students will become smarter consumers and make better decisions when it comes to finances down the road."

Class presented in *The Economics Classroom*: Cartels and Competition (Workshop 2)

Dee Mecham teaches at Kamehameha School in Honolulu, Hawaii, a school that is unique because all the students are of Hawaiian ancestry. The school was founded by Princess Bernice Pauahi Bishop to support the Christian and Hawaiian values of the island's children.

Mr. Mecham was a Ph.D. student in economics at the University of Hawaii who found his part-time work as a college teaching assistant so exciting that he now teaches full-time at Kamehameha School. He teaches a one-semester principles course (the regular level), a one-semester honors course, and the year-long advanced placement course. One semester of economics is required at any of the three levels. Mecham has received the 2002 Economics Teacher of the Year award for Hawaii from Hawaii Pacific University and the Hawaii Council on Economic Education.

"I definitely try to use a lot of local examples. In fact, when I started teaching classes at the University—I had come from Utah, so a lot of the examples that I had had to deal with parkas and skiing and snow. I've definitely switched and become more accustomed to using examples that have to do with surfboards and Spam musubis, some of the local foods here. It helps the kids to understand."

Class presented in *The Economics Classroom*: Price Controls (Workshop 3)

Mark Melkonian supports his high school's overall mission to provide a rigorous curriculum with a special focus on finance and business, and to help students prepare for the business world and for college. Mr. Melkonian teaches history, as well as entrepreneurship classes, at the High School of Economics and Finance in New York, New York.

"It's not just starting and owning your own business, it's empowering young people and giving them the ability to see an opportunity and act on it and to improve their lives. And I think if young people get that message, that's the key. That's what I'm hopefully trying to do."

Class presented in *The Economics Classroom*: Entrepreneurs (Workshop 8)

About the Contributors, cont'd.

Ghandi Moussa teaches economics, including the school-required “Welcome to Wall Street” course, at the High School of Economics and Finance in New York. Originally a social studies teacher, Mr. Moussa enjoys incorporating his passion for history and government studies into his economics classes.

“It’s hard to make a case for the kids about the importance and the value of learning history and learning politics and government. It just doesn’t seem to catch on. But with economics and finance, they can see the relevance and the immediate effect on their own lives.”

Class presented in *The Economics Classroom: Patents and Copyrights* (Workshop 8)

Carol Penland has been teaching economics for over 25 years. She received the first Teacher of the Year in Economics award in Georgia in 1986 and was the founding president of the Georgia Association of Economic Educators in 1994. She has served on local, state, and national committees to write curriculum and is currently working with the Georgia Department of Education to revise the end-of-course test for economics. She teaches at South Cobb High School in Austell, Georgia.

“Economics has been called ‘the dismal science’ and there’s a reason for that. Most of us go to college and we just have someone stand up and talk to us about it. But I think students, especially in high school—and even in elementary and middle school—if they can have some hands-on experience it just makes a world of difference. I don’t want students to be afraid of economics. I want them to embrace it because it will make them better citizens, better consumers, better producers, and that’s going to make our economy better for all of us.”

Classes presented in *The Economics Classroom: Supply and Demand* (Workshop 2); *Market Simulation* (Workshop 2)

Colonel Dick Rankin was a career military officer. A graduate of the Virginia Military Institute, he taught economics and was the course director for sophomore economics at West Point. After he retired from the service, he began teaching at Iolani High School in Honolulu, Hawaii. He has coached a number of award-winning student economics teams, including an Economics Challenge National final-four team, and three Western Region Championship teams. Rankin has been the recipient of many awards, including U.S. Military Academy Department of Social Science Teacher of the Year, 1983; Hawaii State Economics Teacher of the Year, 2000; Western Region Economics Teacher of the Year, 2001; and the National Economics Teacher of the Year, 2001.

“I think economics is an extremely important subject. It’s a life-long skill that should be learned sooner rather than later. It is critical to get a handle on what makes our economy tick early on in your life and to understand the importance of decision-making. After all, economics really is about decision-making. Every decision you make doesn’t just have benefits, it has costs as well. And to weigh the costs and benefits, to think critically about those decisions, is going to make a person make the right decisions. I think it’s important to know economics on a personal level. I think to be an informed voter, economics is extremely important.”

Class presented in *The Economics Classroom: Shifts in Supply and Demand* (Workshop 2)

Steve Reich is an experienced teacher with over 17 years presenting economics and personal finance. While he had some minimal college course work in economics, he, like many teachers, had to learn on the job. He teaches at Valhalla High School in Valhalla, New York.

“When I first started teaching economics, I had only taken one class in economics and I was basically reading the textbook and trying to figure out what it was I was going to teach the next day. I was just out of college and I think they were looking for a large male who was also schooled in football. I was a social studies teacher. I had a history and an English degree. Economics was the job and they said, ‘Can you teach it?’ And I said, ‘Absolutely,’ and went right to it and did it.”

Classes presented in *The Economics Classroom: Incentives* (Workshop 1); *Incentives and Public Policy* (Workshop 3)

About the Contributors, cont'd.

Eliot Scher has been teaching economics for over 20 years, and like many of the other exceptional teachers we see in this series, his economics career began almost by accident. He teaches at White Plains High School in White Plains, New York.

"It was 1980 and we wanted to implement an economics program. Our department chairperson came to us and said, 'Who wants to teach economics?' and nobody knew anything about economics. They offered us some money for writing the curriculum and here I was, I was a young father [who] needed a couple of bucks and so I said to him, 'Hey, I'll write the curriculum.' And we sat down (it was one other person and myself) to write the curriculum and we had no idea where to begin. We looked at the State of Oregon's economics curriculum. So we said, 'We found this great curriculum out in Oregon and we think it looks pretty good,' and we implemented the Oregon economics program and it stuck."

Classes presented in *The Economics Classroom*: Stock Market (Workshop 4); Inflation (Workshop 6); Open Market Operations (Workshop 7); Fed Challenge Team (Workshop 7)

Elaine Schwartz teaches at Kent Place School, a private girls' school in Summit, New Jersey that was founded over 100 years ago. Currently, her economics class, which is an elective, is composed of 18 seniors. She is also the author of two economics textbooks.

"I perceive economics to provide a fundamental outlook for all of us in our personal lives, at work and as voters. And with that in mind—with the idea that decisions always involve tradeoffs, that people respond to incentives, that people go and they trade—they buy when they think they're going to get individual gain. All of these basic ideas are at the heart of what thinking economically is about. I perceive economics as a critical, critical area for students to learn about when they're at the high school level."

Classes presented in *The Economics Classroom*: Opportunity Cost (Workshop 1); Trade-Offs (Workshop 1); Protectionism (Workshop 5)

Greg Smith is a social studies teacher with a master's degree in American history. At Hastings-on-Hudson High School in Hastings-on-Hudson, New York, he teaches economics, a curriculum requirement, to mainstream students, as well as at-risk students, such as the class shown in this workshop.

"When we start the class, I'm getting some of the basic economic principles down, so they have that as a core foundation—a key vocabulary for them. The responses in the beginning are mixed. Some of them take an interest [in] it. Others think it's boring. But I noticed as the class progresses they seem to take more stock in what they do and they become more interested in what we're doing in class. As the year progresses they start to see the relevance. It's not something that I can teach in one 40-minute class or one 80-minute class to show them the relevance. It's something that I have to build upon, with the hope that by the end of the semester they come to see that."

Class presented in *The Economics Classroom*: Monetary Policy (Workshop 7)

Anna Vanlandingham has taught in Mississippi and now teaches at Lake Mary High School in Lake Mary, Florida. Like many other experienced teachers, she was recruited to teach economics. Her school needed an assistant basketball coach and economics teacher and she accepted. More than 20 years later, she is one of Florida's most experienced high school economics teachers. Her awards include the 2001 Regional NASDAQ Economics Educator of the Year; Florida Council on Economic Education Economics Educator of the Year, 2002; and the 2001 Florida Junior Achievement Economics Educator of the Year.

"When a new teacher is starting out with hands-on activities it can be difficult. One of the first things that you have to accept with hands-on is you don't have complete control of your classroom. Most beginning teachers are not equipped for that. When you're a new teacher you're not real confident, so it makes you want to be more in control of everything. Another thing is you have to have confidence in yourself and listen to the students if you really want to make it interesting and make it good. Because I found that when I first started doing some of these things that my students had a lot of good suggestions, which improved my program. That confidence takes a couple of years of teaching to develop."

Class presented in *The Economics Classroom*: Gross Domestic Product (Workshop 6)

Helpful Hints

Conducting Successful Workshop Sessions

Utilize All the Workshop Components

The Economics Classroom consists of eight hour-long videos, *The Economics Classroom* Web site, and the materials in this guide. Each workshop is two hours long and consists of a one-hour video and a one-hour site discussion.

Designate a Facilitator

Each week one participant should be responsible for facilitating the workshop session. Another option is to appoint a facilitator and another participant to demonstrate a lesson. The facilitator does not need to be the same person each week. In fact, we recommend that participants rotate the role of facilitator on a weekly basis. The facilitator should bring the necessary materials to that workshop or make sure the materials are there.

Keep an Eye on the Time but Be Flexible

Each workshop consists of a one-hour video and a one-hour site discussion. The recommended format is to stop the video at designated times and conduct a discussion or lesson pertaining to the content just viewed. There is also time for Getting Ready and Closure. These times differ for each workshop. The times are approximate. Feel free to alter the discussions depending on your needs.

Note: If you are watching the video programs directly from the Annenberg/CPB Channel broadcast or via the Annenberg/CPB Channel Web stream, you will be unable to stop the program for discussions and activities. Therefore, you will need to alter the workshop session to discuss and hold group activities before and/or after watching the program.

Read the Lessons Before the Workshop

Each workshop involves discussing or demonstrating two sample lessons. To facilitate the use of the lessons, read them before the workshop. If the lesson is to be demonstrated, do not read the answers. It would also be helpful to designate a lesson facilitator the week before each workshop.

Try the Lessons in Your Classroom

Conduct the lessons in your classroom if you are currently covering that content. Share your experiences with your colleagues; be sure to discuss any changes you made in the lesson to meet the needs of your students.

Utilize the Web Site

You can find *The Economics Classroom* Web site at

www.learner.org/channel/workshops/economics.

The Web site offers lesson plans and links to other sources of information that are not found in this guide. On the Web site, you will find:

- About the Workshops
- Workshop Descriptions
- About the Teachers
- Support Materials (this guide in PDF file format)
- Channel-Talk (the email discussion list for this workshop)
- Resources
- Credits

There are also links to workshop registration, information on receiving graduate credit, the broadcast schedule of the video programs on the Annenberg/CPB Channel, and information on purchasing the video programs.

Helpful Hints, cont'd.

Make Choices

You may find that viewing the video, conducting the discussions, and demonstrating the lessons take more than two hours. We recommend that the facilitator make choices among the activities and decide which discussion items are most important for the participants. All activities and lessons spring from the videos, so all choices will be appropriate to the content.

Workshop 1

How Economists Think

Description

This first workshop session shows why economics is a core subject and deserves this spot in the “standing room only” curriculum. Students should understand that economics is much more than a bundle of concepts. It is a unique way of thinking that offers insight into seemingly chaotic human behavior in a world of different values, resources, and cultures. Economics is not merely the study of money. Almost every aspect of human behavior can be analyzed using an economic approach. In a good economics course, students learn the economic way of thinking, not a definite set of conclusions; they are given a new set of lenses through which to view the world.

In this workshop, teachers demonstrate some of the key ideas that constitute an economic way of thinking. Elaine Schwartz, who teaches at Kent Place School in Summit, New Jersey, begins by showing her students why there is no such thing as a free lunch. She uses personal and societal examples to illustrate opportunity cost and trade-offs. Steve Reich, from Valhalla High School in New York, uses an economic mystery to illustrate how incentives drive behavior. Finally, Jay Grenawalt engages his class at George Washington High School in Denver, Colorado, in a simple but effective trading simulation that illustrates how people and nations gain when they trade voluntarily.

Key Concepts

- Everything has a cost. This is why there is no such thing as a free lunch.
- Economists are mainly concerned with opportunity cost or the forgone benefit of the next-best alternative when resources are used for one purpose rather than another.
- People choose for good reasons. When people choose, they weigh the costs and benefits.
- Choices involve trade-offs. Economic decisions are more or less—not yes or no—choices.
- Incentives drive choices. Economics is really about incentives. Economic theory is based on the idea that changes in incentives influence behavior in predictable ways.
- People gain from voluntary trade. Trade creates wealth. When two people trade voluntarily, they give up something they value less for something else they value more.
- Economic actions create secondary effects, and, unfortunately, these secondary effects are not always good. One action can create many unintended consequences.

Voluntary National Content Standards in Economics

The activities shown in this workshop illustrate the following standards:

- Productive resources are limited. Therefore, people can not have all the goods and services they want; as a result, they must choose some things and give up others. (Content Standard 1)
- Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Most choices involve doing a little more or a little less of something; few choices are “all or nothing” decisions. (Content Standard 2)
- People respond predictably to positive and negative incentives. (Content Standard 4)
- Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and usually among individuals or organizations in different nations. (Content Standard 5)

Workshop Session

Getting Ready (15 minutes)

1. Because this is the first workshop session, teachers should introduce themselves to the group and share their reasons for participating in the workshop.
2. Each teacher should give a brief definition of what economics is all about. Have one participant write each idea on a chart, transparency, or the chalkboard. Accept all answers. Don't discuss the definitions now, but wait until the final section, Closure.

Watching and Discussing the Video (90 minutes)

1. View Section One (opportunity costs) and Section Two (trade-offs). (25 minutes)
2. Discuss Section One and Section Two. (10 minutes)
 - John Maynard Keynes said, "The Theory of Economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking which helps its possessor to draw correct conclusions." (Quoted in Paul Heyne, *The Economic Way of Thinking*, Macmillan College Publishing Co., New York, 1994, p. 4.) In what ways did the discussion in Elaine Schwartz's class reinforce or disprove what Keynes said?
 - How did Elaine take economics from personal to business to government decision-making?
 - How did Elaine illustrate opportunity cost? What are some other ways to illustrate opportunity cost?
 - Elaine was teaching a small class. Would her techniques work in a large class? How would you modify her techniques for a large class?
3. Form small groups and try to solve the mystery of the Tragedy of the Commons (Lesson 1.1). Each group should determine which of the clues, which are at the bottom of the mystery, are most relevant and why. Also discuss which items in the Handy Dandy Guide are most useful in solving the mystery. Do not look at the answer key. (10 minutes)
4. View Section Three (incentives). (15 minutes)
5. Discuss Lesson 1.1, "The Tragedy of the Commons," which was taught by Steve Reich in Section Three. (6 minutes)
 - How effective did you think the lesson was?
 - How did Steve modify the lesson?
 - What modifications might you make in this lesson?
 - How were your answers different from the students' and how would your expectations differ from Steve's?
6. View Section Four (voluntary trade). (17 minutes)

Workshop Session, cont'd.

7. Discuss Lesson 1.2, "Why Do People Trade?" which was taught by Jay Grenawalt. (8 minutes)

- Read the lesson.
- Note the questions at the end of the lesson. Why is debriefing so important after a simulation?
- How did Jay modify this lesson?
- In what ways is this simulation realistic? In what ways is it unrealistic?
- Why go to the trouble of organizing this activity when you could give your students the information in a lecture?

Closure (15 minutes)

Review the definitions of economics on the list developed at the beginning of the workshop. How would you change your perception of what economics is all about now that you have seen the video program? What shifts have you made in your thinking?

Lesson 1.1: The Tragedy of the Commons

"The Tragedy of the Commons" mystery is from *The Great Economic Mysteries Book: A Guide to Teaching Economic Reasoning, Grades 9-12*, by Mark C. Schug, National Council on Economic Education, 2001.

Directions

Read the Handy Dandy Guide and The Mystery. Read The Clues assigned to your group. Be careful; while all the clues are correct, only some are *useful* in solving the mystery. Decide which clues are most relevant to solving the mystery. Use the clues and one or more of the ideas from the Handy Dandy Guide to figure out a solution to the mystery. Write your solution.

Handy Dandy Guide

1. People *choose*.
2. People's choices involve *costs*.
3. People respond to *incentives* in predictable ways.
4. People create *economic systems* that influence individual choices and incentives.
5. People gain when they *trade* voluntarily.
6. People's choices have consequences that lie in the *future*.

The Mystery

Wildlife is in danger in many parts of the world.

- Fishing fleets catch so many wild salmon that the species is threatened.
- In some parts of Africa, elephants and other animals are hunted by poachers, despite government bans on hunting.
- The world's population of whales is in danger.

Why are so many wild animals endangered?

The Clues

1. Each problem involves an environmental issue.
2. Each problem has frustrated efforts by governments to come up with practical and effective solutions.
3. Each problem involves a lack of incentives for conservation.
4. Each problem involves something not owned by individuals—fish and wildlife.
5. Each problem is very old—the subject of long struggles.
6. Each problem is often used as an example of how people are so bad, so that their behavior must be curbed through regulation.

Record your solution and explain it briefly here: _____

Suggested Solutions—

Lesson 1.1: The Tragedy of the Commons

Wildlife is in danger in many parts of the world.

- Fishing fleets catch so many wild salmon that the species is threatened.
- In some parts of Africa, elephants and other animals are hunted by poachers, despite government bans on hunting.
- The world's population of whales is in danger.

Why are so many wild animals endangered?

Clues 3 and 4 are the most important for solving the mystery.

Note to the Teacher: Before you discuss solutions to this mystery, consider spending a few minutes explaining the mystery's title, "The Tragedy of the Commons." It is an expression hearkening back more than 150 years, when William Frank Lloyd, a political economist at Oxford University, commented on the devastation of common grazing pastures in England. "Why," he asked, "are the cattle on a common so puny and stunted? Why is the common itself so bare-wore, and cropped so differently from the adjoining enclosures?" The reason was that farmers using common pastures tended to *overuse* them—grazing too many cattle on them—because it cost the farmers little to do so. The lack of individual ownership of grazing pastures created the incentive for overuse. In 1968, Garrett Hardin reflected on the problem Lloyd had identified. Hardin described it as the tragedy of the commons. Since then, the term has come into general use among economists. In this lesson, we invite you to consider its applicability to problems involving species preservation.

Solution

From an economic perspective, the problem is one of insufficient or perverse incentives. The incentives in play do not encourage people to protect the environment (Clue 3). Indeed, in each case, some incentives encourage people to overuse or abuse the threatened resource: salmon, elephants, and whales.

The incentives would change for the better if a way could be found to establish private ownership rights—or something close to private ownership rights (Clue 4)—for threatened resources. When nobody owns a population of fish, for example, it is in the interest of a fisherman to catch as many fish as possible. Not to do so is to leave the fish for others to catch. In other words, fish owned by nobody—like wild salmon off the American Northwest coast—have no protectors. If ownership rights could be established, the owners of the fish could use the legal system—courts and law enforcement officers—to protect their valuable property.

But who would protect the fish from their owners? Couldn't people who owned fish simply harvest every one of them? Couldn't they take the money and run? If they did, they would destroy their own property, depriving themselves of any future use of it. The prospect of future use—to continue fishing or to resell the ownership rights to the fish—would create an incentive to protect the fish. In this respect, fishermen would resemble farmers. Farmers are not known for their tendency to wipe out their cows and chickens or to destroy their wheat fields.

Some experiments with ownership rights for fishermen have been initiated in New Zealand and in the Great Lakes area of the United States. In these experiments, a system of quotas and licenses is established, offering fishermen something like a property right in local fisheries. The participating fishermen pay for a license that allows them to catch a quota of fish legally. If there are too many fishermen working a given fishery, the fees from the license sales are used to buy out some of the fishermen until the number is reduced sufficiently to allow the fishery to recover.

Suggested Solutions—Lesson 1.1, cont'd.

In other parts of the world, similar systems provide local people with ownership rights to wildlife. African villagers holding ownership rights to an elephant population, for example, may harvest animals legally and may sell hunting permits to others. In such a system, the incentives encourage protection of the elephants. Since the villagers' future benefits depend on the elephants, they begin to act as prudent owners—refusing to cooperate with poachers and cooperating with legal authorities to protect their valuable property.

Could ownership rights be used to protect whale pods from illegal hunting? Given the expanse and the depths of the world's oceans, it is obviously an idea marked by challenging problems. But cattle once ranged widely over vast expanses of land in the American West, and ownership rights for the cattle were established by a legal system that involved cattle branding. It is possible, similarly, to imagine an ownership system involving electronic ownership tags placed on whale pods, along with an international system for trading ownership rights. In this way, once again, the incentives would favor the whales, since whale owners would have an interest in protecting their asset. Environmental groups also could purchase whale pods in such a system in order to protect their whales against all harvesting; this tactic is already in use by nature conservancy groups that purchase land to protect it from development.

Lesson 1.2: Why Do People Trade?

"Why Do People Trade?" is from *Focus: International Economics*, by Gerald J. Lynch, Michael W. Watts, and Donald R. Wentworth, National Council on Economic Education, 1998.

Introduction

Most international trade is the voluntary exchange of goods and services between individuals and businesses located in different countries. Nations do not trade. Instead, individuals representing nations, individuals representing businesses, and individuals representing themselves make trading decisions. Voluntary trades are made when both parties expect to gain from the trade. Such trades may continue in the future if both parties are pleased with the exchange. If the consequences of trading are not satisfactory, then the parties will not continue their voluntary trade.

People evaluate their satisfaction from trades by weighing the costs and the benefits they receive from the trades. How much do they value what they give up? How much do they value what they receive? When the expected benefits outweigh the expected costs, people trade. When the expected costs outweigh the expected benefits, people don't trade.

Concepts

- Trade
- Voluntary exchange
- Costs
- Benefits

Content Standards

- Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations.
- Exchange is trading goods and services with people for other goods and services or for money.
- The oldest form of exchange is barter: the direct trading of goods and services between people.
- When people buy something, they value it more than it costs them; when people sell something, they value it less than the payment they receive.

Objectives

- Identify the expected costs of a voluntary trade.
- Identify the expected benefits of a voluntary trade.
- Distinguish between voluntary and involuntary trade.
- Explain how value is created, and overall satisfaction increases, when people trade.

Lesson Description

Students participate in a trading activity. In a debriefing session, they discuss their actions and compare their behavior with trading behavior that occurs in the economy.

Time Required

One class period.

Lesson 1.2, cont'd.

Materials

- One transparency each of Visuals 1, 2, and 3
- Pencils and paper for students
- One small paper bag per student, containing one or more tradable item(s) such as dried fruit, small boxes of raisins, pencils, stickers, library passes, shampoo, soap, etc. Make the bags very different from one another. For example, prepare some bags containing unpopular items, only a single item, many of the same items, many different items, items more popular with boys, and items more popular with girls.

Procedures

1. Explain to the students that they will investigate trading behavior today by participating in a trading activity and by using that experience to learn more about international trade.
2. Display Visual 1, "Why Do People Trade?" Ask students to answer this question and put their responses on the chalkboard. Treat these responses as a hypothesis that will be tested against the evidence developed in the rest of the activity.
3. Put students in groups of three, and tell them to take out a pencil and sheet of paper.
4. Distribute the bags containing tradable items to the students, one bag per student. Tell them not to look in the bags until you give them permission.
5. Tell the students to look into their bags without showing the contents to other students, and to rate their bag contents on a scale of 1-5. (One is the lowest rating; five is the highest.) Ask the students to write down their rating on their sheet of paper.
6. Let the students take items out of the bag and show them to other people in the group, if they choose to do so.
7. Allow the students two minutes to trade items *within their group of three*, if they can agree on a trade. No one is required to make a trade.
8. After the two-minute trading session, ask the students who have made a trade to raise their hands. Write down the total number of trades on the chalkboard. Then ask the students to give examples of trades they made, and trades they did not agree to make, so that other students get some idea of what tradable items are available in the entire class.
9. Ask the students to rate the item(s) they now have on a scale of 1-5. See how many students report a higher score after trading, how many report the same score, and how many (if any) a lower score. *(People who traded are likely to give the new item(s) a higher rating. Some people who did not trade may also change their rating, now that they see what other items are available. It is important to note that the person who traded an item may give it a 3, while the one who received it may give it a 2. This does not mean that the trade was not beneficial. What is important is that people who receive an item give it a higher score than the score of the item they traded away.)*
10. Tell the students that one more trading session will take place. This time they may trade with anyone in the class. They have five minutes to make any and all trades they wish to make. Again, no one is required to trade.
11. At the end of the five-minute trading session, call the students back to order. Ask them to display the items they now possess on their desks. Ask them to rate the item(s) on a scale of 1-5.
12. Conduct a debriefing discussion with the students, using the following questions:
 - a. How many of you made trades in Round 1? In Round 2? *(Have a show of hands; more people probably traded in Round 2 than in Round 1.)*
 - b. Why did more trades take place in Round 2 than in Round 1? *(More time to trade, better trading information existed as a result of Round 1, more alternative items were available to trade. Stress the idea that trade in Round 1 was similar to trading within a country, while trading in Round 2 was more like international trade. Note that the source of gains from trade are exactly the same in both rounds—i.e., in both intranational and international trade. In both rounds, people traded things when they valued what they received more than what they gave up.)*

Lesson 1.2, cont'd.

- c. What items were traded? *(Get some sample answers.)*
 - d. Which items were most popular, least popular? *(Get some sample answers.)*
 - e. Why did you trade? *(People tend to trade items they personally value less for items they value more.)*
 - f. What was the cost of your trade? *(The item given to the other person in the trade.)*
 - g. What was the benefit received from your trade? *(The item received from the other person in the exchange.)*
 - h. How many people rate the item they traded for higher than the item they had originally? *(Almost everyone who traded will rate the new item higher. This evidence should confirm the answers to Question E.)*
 - i. Did anyone make a mistake and trade badly? Did anyone fail to make a trade they now wish they had made? *(Often, someone will make a mistake. Not all trades turn out as expected, and not every trading opportunity is seized.)*
 - j. If students say they made a mistake, ask if they would make the same mistake next time. *(Maybe not. People tend to learn from their mistakes, and bad trades often lead people to stop making that trade or to stop trading with certain people or companies.)*
 - k. Which people had the most difficulty trading with others? *(People with unpopular items. To trade, you must have or produce items other people want.)*
 - l. Why did some people choose not to trade? *(People who preferred the items they had over the items offered to them had no incentive to trade.)*
13. Display Visual 2. Explain to the students that they must now draw some conclusions about trade in general. See if they agree with the definition of trade presented in Visual 2. Stress the *voluntary* nature of trade.
14. Display Visual 3. Ask the students if they agree with these statements about the motives for trade. Ask them for examples of their motives during the trading activity which are consistent with these statements.
15. Compare these explanations for why people trade with the students' initial statements in response to Visual 1. Revise the initial statements so they are consistent with the evidence from the activity and the statements in Visual 3.
16. Ask the students if they can identify examples of involuntary trade. *(A mugging where a thief says, "Your money or your life." When you are ordered to cut the grass for a price set by your parents, or to pay income taxes or go to jail.)* Ask students to discuss the question: Do these "trades" always increase satisfaction and wealth, or do they ever?
17. Summarize the main points of this lesson:
- a. Trade is the voluntary exchange of goods and services.
 - b. People trade because they expect to gain from the trade.

Assessment

Provide the following information to students and ask them to respond to the question.

In 1994, Canadian businesses and individuals sold \$195.8 billion of goods and services in the United States, while businesses and individuals in the United States sold \$229.7 billion of goods and services in Canada. Why were these businesses and individuals trading with one another when they live in different countries? *(Suggested answer: They are trading because they gain from these exchanges. Otherwise they would not make these trades. Their national citizenship has little to do with their decision to trade.)*

Why Do People Trade?

**Trade Is the
Voluntary
Exchange
of Goods and
Services
Among
Individuals and
Businesses.**

Motive for Trading

People expect to gain by trading with other people.

They hope to receive a good or service that is more valuable than whatever they trade away.

Motive for Not Trading

People do not trade when the good or service being offered is of less value than the good or service they are asked to exchange.

Notes

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