

# #9904

## THE ECONOMICS CLASSROOM: THE GOVERNMENT'S HAND

ANNENBERG/CPB, 2002

Grade Level: Adult

60 Minutes

1 Instructional Graphic Included



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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

### ***The Economics Classroom***

is produced by  
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# About the Workshop

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## 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](http://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.

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## 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.

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## 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](http://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.

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## **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

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## 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.

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**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.

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**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.

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**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.

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**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.

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**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

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## 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](http://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.

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## **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 3

## The Government's Hand

### Description

This workshop session explores the role of government in a market economy. The classroom activities emphasize that government protects property rights, corrects market failures, provides for pure public goods, and provides other goods and services. Kendra Cheese's ninth-grade class at Lakewood Senior High School in Colorado participates in a simple but effective simulation, which shows how the protection of property rights conserves and develops resources.

The workshop also demonstrates why government policies can fail. Public-choice theorists believe politicians and government officials are as self-interested as businesspeople. For these reasons, they respond to concentrated special interests over the diffused interests of the general public. Steve Reich's class at Valhalla High School in New York uses the "Corny Fuels Mystery" to illustrate public-choice theory.

Finally, government policies can cause unintended consequences, many of which are harmful. This is particularly true of price ceilings and floors. The unintended consequences of shortages and surpluses are demonstrated by Heather Anderson's class at Eau Gallie High School in Melbourne, Florida, and Dee Mecham's class at Kamehameha High School in Honolulu.

## Key Concepts

- Private ownership of property provides incentives that promote economic progress. An important function of government is to protect property rights.
- The economic functions of government include enforcing laws and contracts, maintaining competition, protecting property rights, redistributing income, providing public goods, and correcting market failures.
- Government policies can fail as easily as the market can fail. Public-choice theorists believe politicians and government officials are as self-interested as businesspeople. However, instead of trying to maximize profits, “political entrepreneurs” seek to maximize power, salaries, prestige, and votes. This behavior results in government waste and inefficiency.
- Government policies can have unintended consequences that negate the intended effect of those policies. Price ceilings and floors are examples of this type of government policy.

## Voluntary National Content Standards in Economics

The activities shown in this workshop illustrate the following standards:

- Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced property rights, is essential to a market economy. (Content Standard 10)
- There is an economic role for government in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also redistribute income. (Content Standard 16)
- Costs of government policies sometimes exceed benefits. This may occur because of incentives facing voters, government officials, and government employees, because of actions by special interest groups that can impose costs on the general public, or because social goals other than economic efficiency are being pursued. (Content Standard 17)

# Workshop Session

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## Getting Ready (15 minutes)

1. Brainstorm on all the goods, services, and types of protection that local, state, and federal governments provide. Make a list.
2. Brainstorm on all the local, state, and federal taxes we pay for these goods, services, and protection.
3. Discuss whether we receive good value from governments for the goods and services they provide and we pay for.

## Watching and Discussing the Video (90 minutes)

1. View Section One (property rights). (15 minutes)
2. Read and discuss Lesson 3.1, "Property Rights Simulation." (15 minutes) In small groups, answer these questions about the simulation:
  - What did Kendra Cheese do to make the simulation work?
  - Would the simulation work as well if Kendra paid the students in extra-credit points or pieces of candy?
  - Would the simulation work as well if the students could not keep the money?
  - What concepts should students learn from this simulation, and what should the teacher do to make sure the students learn these concepts?
3. View Section Two (incentives and public policy). (13 minutes)
4. Discuss the mystery approach to teaching economics. (17 minutes) Form small groups and discuss the elements of creating your own mystery. Some things to consider are clipping news articles that seem odd, developing a primary proposition, developing an opposing proposition, writing the mystery, exploring students' questions and misconceptions about economics, and focusing on the economic principles that explain the mystery.
5. View Section Three (price floors), Section Four (price ceilings), and Section Five (price controls). (30 minutes)

## Closure (15 minutes)

In small groups, answer the questions in Lesson 3.2, "Price Floors and Ceilings." Compare the group's answers to the suggested solutions.



## Lesson 3.1: Property Rights Simulation

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"Property Rights Simulation" was created by John S. Morton. A version will appear in *Economics in Action*, by Jane Lopus and Amy Willis, National Council on Economic Education, 2003.

### Overview

An important function of government is to protect property rights. Ownership of private property is a key component of a market economy. Private ownership of resources creates incentives for owners to use those resources wisely. Because owners receive the benefits of their property, they generally try to use it in the most valuable way. This can provide both private and public benefits for society.

This simulation shows that ownership of property encourages wise stewardship of that property, encourages people to develop and use their property productively, provides an incentive to use their property in ways beneficial to others, and promotes the conservation of resources for the future.

The absence of private ownership creates incentives to abuse the resource. "The tragedy of the commons" is an expression dating back over 150 years. William Frank Lloyd attributed the destruction of pastures to overuse because no one owned "the commons." Today, the tragedy of the commons can be seen in the destruction of the environment and the failure to protect endangered species.

This simulation simplifies property rights. Private ownership involves not only legal protection against non-owners, but also the right to exclusive use and the right to sell or transfer the property to other owners. Nevertheless, the simulation clearly shows why lack of ownership creates incentives leading to "the tragedy of the commons."

### Materials

- At least 10 paper clips
- Nickels and dimes
- Two transparencies—one blank and one divided into six squares

### Procedures

1. Gather six volunteers around an overhead projector. Put 10 paper clips, which represent fish, on the projector and turn it on. Tell the students they fish for a living. Some have families who depend on their ability to catch and sell fish. If they catch fewer fish, or if the price of fish declines, they and their families suffer. You can also use other animals, such as whales, tigers, or elephants.
2. Begin round one, which consists of two 30-second time periods. Tell the students you will give them 5 cents for each paper clip (fish) they give you during the first 30-second period. If they wait until the second 30-second period, you will give them 10 cents for each paper clip. Only paper clips left over at the end of the first 30 seconds will be available to be picked up during the second period.
3. In almost all cases, all the paper clips are picked up in the first 30-second time period, and there is no second 30-second time period. Pay the students.
4. Before beginning round two, put a transparency divided into six squares on the overhead projector. Put one or two paper clips in each of the six squares. Put at least one paper clip across a line so that it isn't in one specific square. Explain to the students they are still fishers. However, now they own the fish in their squares. No one else can touch his or her fish without permission. If someone takes a paper clip from another student's square, he or she will have to return it and pay a \$10 fine. Otherwise, follow the same rules as in round one. If students give you a paper clip in the first 30 seconds, they get 5 cents. If they give you a paper clip in the second 30 seconds, they get 10 cents. Only the paper clips left over at the end of the first 30 seconds can be picked up during the second 30 seconds.



## Lesson 3.1, cont'd.

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5. Begin round two. It is likely that only the paper clip(s) on the line will be picked up during the first 30-second period. Perhaps a student who isn't into deferred gratification will pick up his or her paper clip, but it is unlikely. Give 5 cents for any paper clip given to you. Begin the second 30-second time period. All paper clips should be picked up. Give 10 cents for each paper clip.

### Debriefing

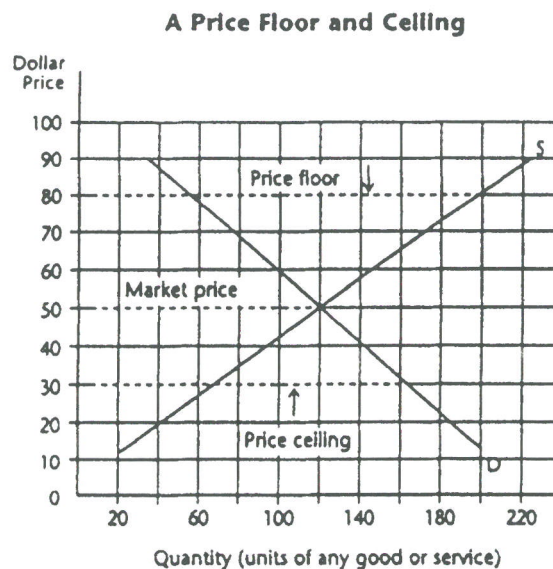
1. Why do the students think everyone grabbed the paper clips in the first 30 seconds of round one? *(No one had property rights. If a student waited too long, another student would get the paper clip and the money even though the paper clips were worth twice as much in the second 30 seconds.)*
2. Why did the students wait until the second 30 seconds to pick up the paper clips in round two? Why was the paper clip on the line probably picked up in the first 30 seconds? *(The students controlled [owned] their paper clips, so they could wait and get more value for them. It wasn't clear who owned the paper clip on the line.)*
3. How did assigning property rights change the incentives for the players? *(Because the students could control when their paper clips would be picked up in the second round, they received the benefits of waiting. When there were no property rights [round one], waiting meant getting no money at all.)*
4. Why are there so many chickens and so few whales? *(Chickens are privately owned. If farmers killed their chickens, they would not have any to sell in the future. But whales roaming the oceans have no owners. Whalers have no reason not to kill whales right away, before other whalers do. To hold back risks the opportunity to harvest and sell a whale someone else could kill first. The lack of ownership creates a great danger to whales.)*

## Lesson 3.2: Price Floors and Ceilings

"Price Floors and Ceilings" is from *Advanced Placement Economics: Microeconomics: Student Activities*, by John S. Morton, National Council on Economic Education, 1996.

Price floors and ceilings can be plotted with supply and demand curves. Use the chart to answer the questions. Fill in the answer blanks and, where applicable, circle the correct word in parentheses.

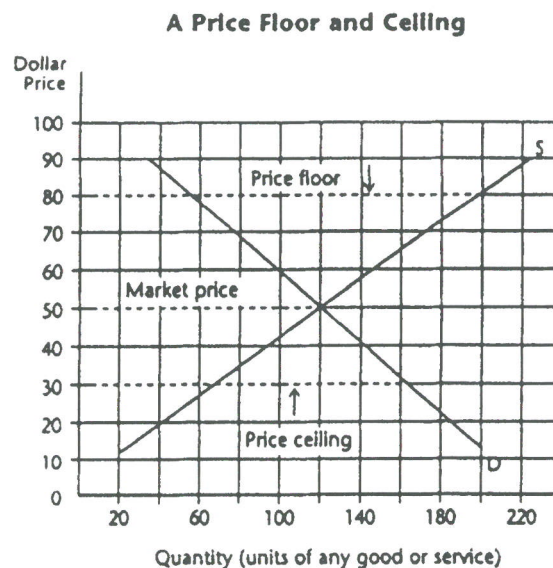
1. What is the market price? \_\_\_\_\_
2. What quantity is demanded and what quantity is supplied at the market price?
  - a. Quantity demanded \_\_\_\_\_
  - b. Quantity supplied \_\_\_\_\_
3. What quantity is demanded and what quantity is supplied if the government passes a law requiring the price to be no higher than \$30? This is called a *price ceiling*.
  - a. Quantity demanded \_\_\_\_\_
  - b. Quantity supplied \_\_\_\_\_
  - c. There is a (*shortage/surplus*) of \_\_\_\_\_.
4. What quantity is demanded and what quantity is supplied if the government passes a law requiring the price to be no lower than \$80? This is called a *price floor*.
  - a. Quantity demanded \_\_\_\_\_
  - b. Quantity supplied \_\_\_\_\_
  - c. There is a (*shortage/surplus*) of \_\_\_\_\_.



## Suggested Solutions—Lesson 3.2: Price Floors and Ceilings

Price floors and ceilings can be plotted with supply and demand curves. Use the chart to answer the questions. Fill in the answer blanks and, where applicable, circle the correct word in parentheses.

1. What is the market price? **\$50**
2. What quantity is demanded and what quantity is supplied at the market price?
  - a. Quantity demanded **120**
  - b. Quantity supplied **120**
3. What quantity is demanded and what quantity is supplied if the government passes a law requiring the price to be no higher than \$30? This is called a *price ceiling*.
  - a. Quantity demanded **about 160**
  - b. Quantity supplied **about 60**
  - c. There is a **shortage** of **about 100**.
4. What quantity is demanded and what quantity is supplied if the government passes a law requiring the price to be no lower than \$80? This is called a *price floor*.
  - a. Quantity demanded **about 60**
  - b. Quantity supplied **about 200**
  - c. There is a **surplus** of **about 140**.



# Notes

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