
Economics in Action

14 Greatest Hits for Teaching
High School Economics

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Created through a partnership between the
National Council on Economic Education and **Junior Achievement Japan**



National Council on Economic Education



Generous funding for this publication was provided by
the **Citigroup Foundation**

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Foreword

The National Council on Economic Education (NCEE) is delighted to partner with Junior Achievement Japan to publish *Economics in Action*. We also are grateful to the Citigroup Foundation for making this publication possible in both Japanese and English.

For over 53 years NCEE has been publishing instructional materials that actively engage students in lessons that demonstrate important economic concepts and the economic reasoning process. These lessons provide students with an introduction to the core ideas in the Voluntary National Content Standards in Economics developed under the leadership of NCEE. The standards are designed to help students make more informed economic choices as consumers, employees, and citizens. Most importantly, these lessons utilize active-learning techniques. The students take part in simulations, group decision making, problem solving, classroom demonstrations, role-plays, and group presentations. The students learn by doing.

Economics in Action represents the best of NCEE's activity-based economics lessons. The 14 lessons in this collection are all-time favorites of lessons previously published by NCEE. Versions of these lessons have been used throughout the United States and in many other parts of the world. We are grateful to the authors who created these lessons over the years.

In *Economics in Action*, Jane Lopus, Director of the California State University-Hayward Center for Economic Education, and Amy Willis, Program Director of the Arizona Council on Economic Education, have built on this past work and have taken these lessons to an even higher level. Teachers will find the lessons a pleasure to use, and students will be actively engaging their minds in economic thinking while enjoying the ride. We hope these lessons are just the beginning of their journey to economic literacy.

Robert F. Duvall, Ph.D.
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Foreword

As we stand on the brink of a global economic system, it is essential for all of us to understand how our society is structured and how the economy works. Young people particularly need a firm base to help them plan their lives if they are to become fully-fledged members of society after leaving school. Economics, however, has long been considered one of the more difficult academic subjects by middle and high school teachers, and this has led to a noticeable lack of enthusiasm about teaching economics. This is one of the major reasons why economic literacy is not well developed in our society.

I believe the best way to improve this situation is to allow teachers to develop confidence or interest in teaching economics by providing them with practical teaching tools, such as a teacher's manual containing various hands-on lessons on economic issues. Junior Achievement Japan and the National Council on Economic Education agreed to cooperate in a partnership to combine both organizations' knowledge and expertise for this purpose. The results of the first joint project of these two organizations is this teacher's manual, *Economics in Action*.

This manual will allow teachers, who may not have sound knowledge of economics, to feel relatively comfortable and enthusiastic about teaching economics in the classroom. I strongly believe that only by combining the knowledge of both of these two leading organizations can we create the best quality programs and materials that will allow young people to acquire practical economic knowledge and skills.

This teacher's manual, *Economics in Action*, is in Japanese and English for teachers of both languages, but I sincerely hope it will be translated into other languages and contribute to developing mutual understanding among nations around the world.

Takeo Shiina
Chairman of the Board of Directors
for Junior Achievement Japan
Senior Advisor of IBM Japan, Ltd.

Acknowledgments

Most of the lessons in this collection have been compiled, and in some cases adapted, from earlier publications by the National Council on Economic Education, New York, N.Y. The NCEE lessons originally or previously appeared in the following books:

Advanced Placement Economics, 1996

Capstone: The Nation's High School Economics Course, 1989

Civics and Government: Focus on Economics, 1996

Economics and the Environment, 1996

Economics and the Environment: EcoDetectives, 1997

Focus: High School Economics, First Edition, 1996

Focus: High School Economics, Second Edition, 2001

From Plan to Market, 1997

Geography: Focus on Economics, 1996

The Great Economic Mysteries Book, 9-12, 2000

Master Curriculum Guide in Economics: Teaching Strategies 5-6, 1994

These publications are available from the National Council on Economic Education. For information on these and other NCEE publications, call toll-free 800-338-1192 to obtain a catalog or view the online catalog at www.ncee.net.

Parts of Lesson 6 and Lesson 13 originally appeared in publications that are no longer in print.

Introduction: Activity-Based Economics

Welcome to *Economics in Action*, a compilation of 14 popular lessons that use a variety of activities to teach economics.

Teaching high school economics can be challenging for many reasons. Some teachers are not well prepared in the subject matter and find that developing high-quality lessons is not easy. Also, because the economics course is frequently offered to second-semester seniors, merely keeping students involved and interested can be difficult. And too often students think economics is a dismal science: a dry subject full of complicated graphs and boring examples.

However, economics can be the most relevant and stimulating class students take in high school. One way to make this happen is to actively involve students in lessons that demonstrate important economic concepts and economic reasoning.

The 14 lessons in this collection are all-time favorites from earlier publications by the National Council on Economic Education. The lessons are not intended to stand alone as the course materials; they are recommended as supplements to a good high school economics textbook, as well as to lectures that emphasize content. Activity-based economics is only one tool in the economics teacher's tool kit of instructional methodologies. These lessons can also be used in other high school social-studies classes such as government and history.

The philosophy behind the methodology of *Economics in Action* may be found in this Chinese proverb: "I hear and I forget. I see and I remember. I do and I understand." When students approach the study of economics by doing something that challenges them to use economic reasoning to examine economic behavior, they are more likely to truly understand the concept being taught and why it is important for them. Rote memorization may

provide the appearance of cognition, but actions verify this understanding. As one Japanese student commented after completing Lesson 1 ("Why People Trade"): "Before this lesson, I did not understand well what the teacher taught us about why we trade. However, after this lesson, the answer just fell into my heart."

The most obvious aspect of activity-based economics is that the students are actively engaged in the lessons: They take part in different types of simulations, group decision making, problem solving, classroom demonstrations, role-plays and group presentations. The students are doing, not just hearing and seeing.

Equally important, however, is that the students' minds are actively engaged. Economics is more than a bundle of concepts. Economics is a unique way of thinking that offers insights into the seemingly chaotic behavior that results from different values, resources and cultures. It is a new lens through which students can view the world. According to John Maynard Keynes, "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 that helps its possessor to draw correct conclusions." (Quoted in Paul Heyne, *The Economic Way of Thinking*, 7th ed., New York: Macmillan Publishing Co., 1994, p. 4). Activity-based economics helps teachers use an active-learning methodology and the economic way of thinking to teach important economic concepts and content.

Active-Learning Methodology

The rationale for using active learning is firmly based in pedagogical theory and research. Active, participatory lessons are effective in helping students remember and apply abstract concepts. Different levels of students – from underachievers through honors students – can

take part, succeed and benefit from the activities. Group interaction and cooperative-learning methods, which encourage social growth as well as cognition, are emphasized. In addition to the pedagogical rationale for using active learning, students enjoy learning economics this way and become more interested in the subject matter. So do their teachers.

All 14 lessons in *Economics in Action* contain one or more activities requiring students to do more than just passively absorb facts and information. In fact, the activity-based approach challenges students to take responsibility for their own learning. For example, Lesson 4 engages students in observing how property rights affect behavior and then helps them develop conclusions about environmental problems. Lesson 7 allows students to participate as buyers and sellers in a market and experience the laws of supply and demand in action instead of looking only at supply-and-demand graphs and tables. Lesson 11 lets students take part in short auctions that reveal the relationship between inflation and the money supply rather than listening to the teacher talk about this relationship. In Lesson 12, students write a play to show the intent of fiscal policy; and in Lesson 13, they role-play a lazy brother and energetic sister to learn about comparative advantage.

The Economic Way of Thinking

Social sciences seek to explain and analyze human behavior, and economics is no exception. The study of economics revolves around a way of thinking, a way of making choices and evaluating decisions. All 14 lessons in this volume contain an introductory section on economic reasoning and how it relates to the concepts and activities in the lesson. All lessons focus either directly or indirectly on the economic way of thinking.

Active learning is an ideal way to teach the economic way of thinking. When students participate in activities requiring them to make choices and decisions, they observe and understand how they and people in general respond to incentives in their everyday lives. Teachers

can then use this understanding as a basis for emphasizing the economic content and conclusions underlying the activity in the lesson, and students are armed with tools for making rational decisions throughout their lives.

What is the essence of the economic way of thinking? What are the unique perspectives that economic analysis provides?

Economic reasoning is based on cost-benefit analysis. This analysis begins with a focus on costs. Every economic action involves a cost in time, effort and lost opportunities.

Economic reasoning assumes that people choose for good reasons and that they make choices by comparing the marginal or additional costs with the marginal or additional benefits of an action. Past or sunk costs are not relevant for the decision because these costs have already occurred and cannot be changed. This means that economic choices are not yes-or-no decisions but instead are more-or-less decisions. The economic perspective reminds us that we live in a world with more trade-offs than definite solutions.

Economic choices are driven by incentives. Changes in incentives influence behavior in predictable ways. Incentives are nothing more than changes in costs and benefits that in turn influence choices. The lessons in *Economics in Action* focus on these incentives. Supply and demand analysis is about incentives. Profits and business behavior are about incentives. Voluntary trade is about incentives.

Finally, economic actions create secondary effects. A poor analysis involves considering only the immediate and visible effects of a policy, while good economic analysis considers the secondary effects, which may not be immediately visible. Several lessons examine the secondary effects of government policies and market changes.

Economic Content

Along with teaching the economic way of thinking, the 14 lessons contained here

address a variety of economic concepts and content. In the United States, a coalition of economists and economic-education organizations, led by the National Council on Economic Education, reached a consensus about 20 important economic standards. NCEE published these standards and related benchmarks and applications in *Voluntary National Content Standards in Economics* (NCEE, 1997), which has greatly influenced the economics curriculum.

The 14 lessons in *Economics in Action* cover all 20 standards. To make it easy to relate the activities to economic content, each lesson also contains details about the content covered, a list of the concepts addressed, content-related materials such as overhead-transparency masters and handouts, and step-by-step procedures for addressing the content through discussions and group activities.

Is Activity-Based Economics Worthwhile?

Teachers sometimes express reservations about using active-learning methods in their classes because of the time these activities take. The activities in these lessons do take time: anywhere from about 10 to more than 45 minutes each. However, when used with appropriate and critically important preliminary and follow-up debriefing discussions, active learning can be a very efficient, as well as effective, way to teach economic content. Students are more likely to “get it” the first time, to remember what they learned and to enjoy the study of economics at the same time. Give activity-based economics a chance.

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Content Standards: What Should Be Taught In Economics and Why?

One way to define the appropriate content of precollege economics is to develop a consensus about which ideas are most important for students to know. Standards are a guide schools may use to plan and teach what students should learn. Standards are statements of what we believe is important and why we believe it is important.

Because economics is one of the nine core subjects in the United States, the National Council on Economic Education led a coalition to develop Voluntary National Content Standards in Economics. The committee consisted of economists, university economic educators and teachers. The standards that follow are the result of their work. Although specifically developed for the United States, most of these standards reflect the core concepts in economics worldwide.

The lessons in *Economics in Action* provide some coverage of all 20 standards and are a good introduction to the core ideas in economics. These standards, a description of how students use the knowledge in the standards and a correlation of the standards to the *Economics in Action* lessons follow.

The Voluntary National Content Standards in Economics

1. Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.

Students will be able to use this knowledge to identify what they gain and what they give up when they make choices.

2. 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.

Students will be able to use this knowledge to make effective decisions as consumers, producers, savers, investors, and citizens.

3. Different methods can be used to allocate goods and services. People, acting individually or collectively through government, must choose which methods to use to allocate different kinds of goods and services.

Students will be able to use this knowledge to evaluate different methods of allocating goods and services by comparing the benefits and costs of each method.

4. People respond predictably to positive and negative incentives.

Students will be able to use this knowledge to identify incentives that affect people's behavior and explain how incentives affect their own behavior.

5. 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.

Students will be able to use this knowledge to negotiate exchanges and identify the gains to themselves and others. They will be able to compare the benefits and costs of policies that alter trade barriers between nations, such as tariffs and quotas.

6. When individuals, regions and nations specialize in what they can produce at the lowest cost and then trade with others, both production and consumption increase.

Students will be able to use this knowledge to explain how they can benefit themselves and others by developing special skills and strengths.

7. Markets exist when buyers and sellers interact. This interaction determines market prices and thereby allocates scarce goods and services.

Students will be able to use this knowledge to identify markets in which they have participated as a buyer and a seller and describe how the interaction of all buyers and sellers influences prices. They will also be able to predict how prices change when there is either a shortage or surplus of the product available.

8. Prices send signals and provide incentives to buyers and sellers. When supply or demand changes, market prices adjust, affecting incentives.

Students will be able to use this knowledge to predict how prices change when the number of buyers or sellers in a market changes, and explain how the incentives facing individual buyers and sellers are affected.

9. Competition among sellers lowers costs and prices, and encourages producers to produce more of what consumers are willing and able to buy. Competition among buyers increases prices and allocates goods and services to those people who are willing and able to pay the most for them.

Students will be able to use this knowledge to explain how changes in the level of competition in different markets can affect price and output levels.

10. 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 well enforced property rights, is essential to a market economy.

Students will be able to use this knowledge to describe the roles of various economic institutions.

11. Money makes it easier to trade, borrow, save, invest and compare the value of goods and services.

Students will be able to use this knowledge to explain how their lives would be more difficult in a world with no money or in a world where money sharply lost its value.

12. Interest rates, adjusted for inflation, rise and fall to balance the amount saved with the amount borrowed, thus affecting the allocation of scarce resources between present and future uses.

Students will be able to use this knowledge to explain situations in which they pay or receive interest, and explain how they would react to changes in interest rates if they were making or receiving interest payments.

13. Income for most people is determined by the market value of the productive resources they sell. What workers earn depends, primarily, on the market value of what they produce and how productive they are.

Students will be able to use this knowledge to predict future earnings based on their current plans for education, training and career options.

14. Entrepreneurs are people who take the risks of organizing productive resources to make goods and services. Profit is an important incentive that leads entrepreneurs to accept the risks of business failure.

Students will be able to use this knowledge to identify the risks, returns and other characteristics of entrepreneurship that bear on its attractiveness as a career.

15. Investment in factories, machinery, new technology, and the health, education and training of people can raise future standards of living.

Students will be able to use this knowledge to predict the consequences of investment decisions made by individuals, businesses and governments.

16. There is an economic role for government to play 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.

Students will be able to use this knowledge to identify and evaluate the benefits and costs of alternative public policies, and assess who enjoys the benefits and who bears the costs.

17. 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.

Students will be able to use this knowledge to identify some public policies that may cost more than the benefits they generate,

assess who enjoys the benefits and who bears the costs, and explain why the policies exist.

18. A nation's overall levels of income, employment and prices are determined by the interaction of spending and production decisions made by all households, firms, government agencies and others in the economy.

Students will be able to use this knowledge to interpret media reports about current economic conditions and explain how these conditions can influence decisions made by consumers, producers and government policymakers.

19. Unemployment imposes costs on individuals and nations. Unexpected inflation imposes costs on many people and benefits some others because it arbitrarily redistributes purchasing power. Inflation can reduce the rate of growth of national living standards, because individuals and organizations use resources to protect themselves against the uncertainty of future prices.

Students will be able to use this knowledge to make informed decisions by anticipating the consequences of inflation and unemployment.

20. Federal government budgetary policy and the Federal Reserve System's monetary policy influence the overall levels of employment, output and prices.

Students will be able to use this knowledge to anticipate the impact of the federal government's and the Federal Reserve System's macroeconomic policy decisions on themselves and others.

**A Correlation of the Lessons to the
Voluntary National Content Standards in Economics**

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

Taken from Voluntary National Content Standards in Economics,
National Council on Economic Education, 1997.