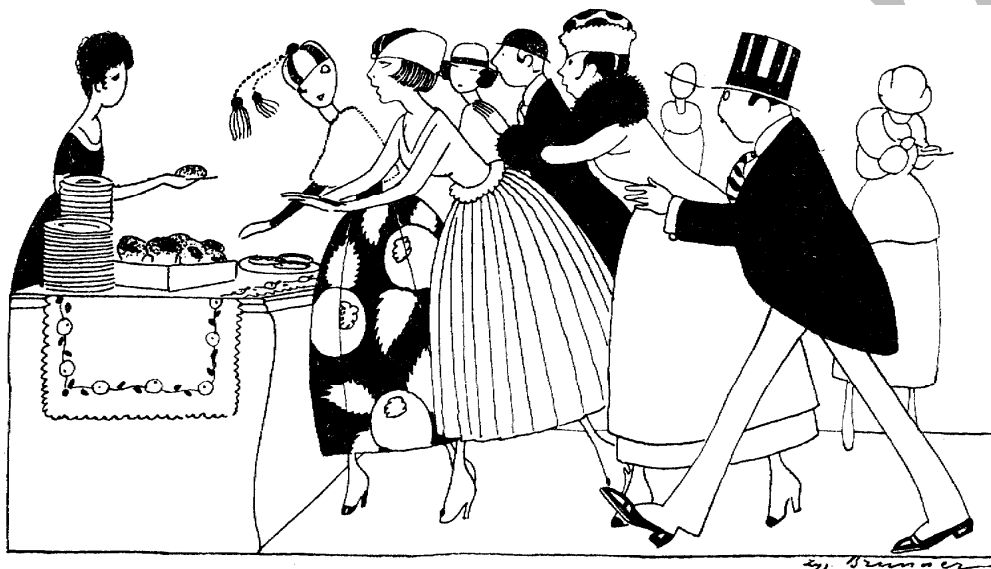


# *A Banquet of Beauties*



## **A Bumper Book of Economic Activities**

(Covering All Levels)

by  
Peter Lyons

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## **Intentions and Acknowledgements**

In my first year of teaching, the Principal sat down beside me one lunchtime. As I valiantly tried to eat my two steak and cheese pies and cream donuts without spilling them down my front he proceeded to sympathise about how difficult it must be to teach “the dismal science”. He felt it was such a “dry” subject compared to geography which he taught.

As a beginning teacher I did struggle with how to make the subject as relevant and interesting as possible. It’s all very well discussing current issues but these discussions become problematic with 35 students in a class, some of whom are just not interested. It always amuses me to watch American films about gifted and passionate teachers who “turn their tough classes around”. The classes always seem to contain about 15 students and they all seem to be seated and willing to enter discussions.

This book is a collection of my greatest hits in the classroom. They aim to make the subject come alive. I have kindly omitted the numerous disasters along the way. I have come to love teaching Economics because it is about people and their motives and therefore lends itself to real activities.

There is always a risk in trying something new in teaching. The main fear is loss of classroom control. But the alternative is to stagnate professionally. Sadly in recent years most professional development in secondary teaching has focused on assessment rather than content and delivery. I sincerely hope that the ideas and activities in this text work for you and your students and help make your teaching more enjoyable.

I have also included a historical perspective on many of the concepts that we teach. History provides a context and allows us to see how and why ideas evolved. I think this makes it easier for students to understand the concepts.

I would particularly like to thank Gina Hodgson for her patience and skills in preparing these activities in this text and demanding that I stop procrastinating and actually sit down and put it together.

Please feel free to provide any feedback to [info@acepublications.co.nz](mailto:info@acepublications.co.nz).

Go well

**Peter Lyons**

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## Easy Guide to Activities

Concept Covered	Page	Activity	Time (Minutes)	Teaching Level
<b>Key Economic Concepts</b>				
Introduction to Economics	2	<i>It Started With Adam</i> - Reading and comprehension activity	30	All Levels
Limited Resources and Scarcity	8	<i>Limited Resources and Scarcity</i> - Classification and processing	50	Junior and Level 1
Identifying Resources	11	<i>Identifying Resources</i> - Reading and classification	40	Junior and Level 1
Needs and Wants	15	<i>Refugee Simulation</i>	60	Junior and Level 1
Identifying Concepts	18	<i>My Mate Dave</i> - Reading and definitions	40	Level 1
Economic Brainteaser	22	<i>Economic Wordles</i> - Problem solving and key terms	As suited	All Levels
<b>Economic Decision Making</b>				
Economic Decision Making	26	<i>Economic Decision Making</i> - Business simulation requiring decision making skills	40	All Levels
<b>Division of Labour</b>				
Brief History	38	<i>Adam's Key Insight</i> - Reading and comprehension activity	30	All Levels
Division of Labour and Productivity	40	<i>The Book Factory</i> - A simulation	50	Junior and Level 1
<b>The Circular Flow</b>				
Circular Flow, Trade, Interest and Markets	44	<i>A Splendid Exchange</i> – A simulation of simple circular flow	50	All Levels
<b>Demand</b>				
Demand and the Law of Demand	54	<i>Auction Activities</i> (various)	40	All Levels
Consumer Surplus and Demand	57	<i>Consumer Surplus and Demand</i> – An auction activity illustrating the concept of consumer surplus	15	Level 3

Concept Covered	Page	Activity	Time (Minutes)	Teaching Level
<b>Markets</b>				
Introduction to "The Market Model"	60	<i>The Fascinating History of a "Simple Graph"</i> - A brief history of this simple diagram	20	All Levels
Market Equilibrium	62	<i>Market Equilibrium and the Laws of Supply and Demand</i> - A simple auction activity illustrating how equilibrium price is set	20	All Levels
Supply and Demand in Markets	64	<i>Frantic Fruitsellers</i> - A simulation that illustrates the factors affecting supply and demand	50-60	Levels 1, 2 and 3
Resources, Production and Markets	81	<i>Market Mania</i> – A simulation that illustrates the use of resources in production as well as the functioning of markets	50-60	All Levels
Resources and Markets	92	<i>Adam's Capitalist Piglets</i> – A simulation that illustrates how resources shift based on price signals	50	All Levels
<b>Non Price Competition</b>				
Case Studies	102	<i>Product Variation and Product Differentiation</i> - Interesting case studies of product differentiation	40	Levels 1 and 3
Product Differentiation and Variation	107	<i>The Cola Taste Test</i> - Students do a coke taste test to see if differences are real	30	Level 1
<b>International Trade</b>				
Introduction	110	<i>The Fascinating History of International Trade</i> - A reading and comprehension activity	30	Levels 2 and 3
Free Trade v Protectionism	116	<i>The Prisoners' Dilemma and International Trade</i> - A simulation	25	Levels 2 and 3
Why Countries Trade	118	<i>World Trade</i> - A trade simulation illustrating the patterns of trade between countries	50-60	Levels 2 and 3



Concept Covered	Page	Activity	Time (Minutes)	Teaching Level
<b>The Law of Diminishing Returns</b>				
A Brief History	124	<i>A Bit of History About Diminishing Returns</i> - A reading and comprehension activity	30	Level 3
Increasing and Diminishing Returns	126	<i>Salad Days</i> - A simulation that illustrates the concept of diminishing returns	50-60	Level 3
<b>Identifying the Types of Externalities</b>				
Identifying Externalities	130	<i>My Favourite Job of All Time</i> - Reading and comprehension activity	30	Level 3
<b>Oligopoly Pricing Decisions</b>				
Oligopoly Pricing	134	<i>Oligopoly Pricing and the Prisoners' Dilemma</i> - A simulation illustrating price collusion versus price wars	25	Level 3
Oligopoly Pricing	135	<i>War or Peace</i> – A simple simulation	25	Level 3
<b>Exchange Rate Activity</b>				
Factors Affecting Supply and Demand of Currencies	138	<i>Forex Frenzy</i> - A simulation showing the factors that affect supply and demand for currencies under floating exchange rates	50-60	Level 3
<b>Project Prosperity</b>				
Financial Personality Test	156	<i>Financial Personality Test</i> - A quick test to determine a person's financial profile	20	All Levels
Investment Principles	161	<i>Case Studies</i> - To establish basic investment principles	50-60	All Levels
Types of Investments	167	<i>Investment Guru</i> - A simulation to illustrate types of investments, diversification and risk versus return	40	All Levels
Introduction to Investing in Shares	181	<i>Share Madness</i> - A simulation showing the factors that affect share prices of companies.		All Levels



# 1

## Key Economic Concepts

### Introduction

Most of the activities in this section are suitable for all levels. The concepts include limited resources, needs and wants, scarcity and choice.

The final activity is a brain teaser called Wordles which is suitable for senior students. It could be given as a take-home challenge or used as fillers at the end of a lesson.

# It Started with Adam

This is a reading and comprehension activity that introduces students to **the origins of economics** as a subject.

The passage below is followed by short-answer questions.

**Suitable for All Levels**

## It Started With Adam ...

Adam Smith is regarded as the father of modern Economics. Smith was born in Scotland in 1721. His father died before he was born.

He gained a scholarship to study at Oxford university at the age of 14. He hated Oxford finding many of his teachers lazy because they had permanent jobs. He later wrote that teachers should be paid directly by their students to ensure they perform better. (Ask your teacher his/her opinion on this!).



Smith was not a good looking man. There is a story that as a child he was kidnapped by gypsies but they soon returned him because he was too ugly to steal.

Smith never married and lived with his mother in Kirkcaldy in Scotland until she died. He was educated as a philosopher as were many of the early writers on Economics. Philosophy means “love of wisdom” so it is not surprising that some philosophers wanted to understand how human society works and what motivates people. Smith spent much of his life as a University Lecturer in Philosophy. He was a very popular and well regarded teacher.

Smith's major book on economics is called “**An Inquiry into the Nature and Causes of the Wealth of Nations**” published in 1776.

This book is the foundation of Economics as a subject and describes what Smith believes is a “natural order of society”. Smith believed that society would function most efficiently if people could follow their own

self interest in making profits and being able to buy what they want. His famous quotes is:

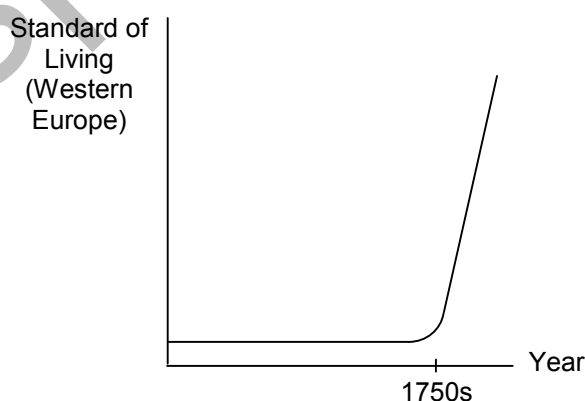
*“It is not from the benevolence of the brewer, the butcher or the baker that we expect our evening meal, but rather from their regard for their own interest.”*

Smith was pointing out that people wanting to make profits will produce goods and services that benefit other people who will pay for these goods and services. People acting in their own self interest will end up benefiting other people.

Smith was writing at a time when the industrial revolution was having a major impact on society in the United Kingdom. People were moving to cities to work in factories producing textiles, iron, steel and other manufactured goods. The industrial revolution started in the 18<sup>th</sup> century. It has completely changed human living conditions throughout much of the world. Before the industrial revolution most people lived “nasty, brutish and short lives”.

Nowadays most people live much longer, healthier and productive lives than before the industrial revolution. We have access to better food, housing, education, healthcare, electricity, cars, planes, cell phones, computers and The Simpsons. Our ancestors could never have dreamed of these changes. The graph below is a simple illustration of the change in living standards (output per person) that has occurred in recent centuries.

### Changes in Living Standards



Smith believed that a key cause of the increase in output (particularly in factories) was the use of a production technique called division of labour.

Division of labour means breaking production of an item into smaller tasks. Each worker concentrates on a particular task. Smith used the example of a pin factory to show how output could increase through using division of labour. He believed this was causing the massive increases in output in the economy at the time.

Smith believed that people should be left to get on with producing goods and services without major interference from government. He stated that the role of government should be limited to providing law and order, national defence and certain public goods such as basic education.

Smith was describing an economic system that we call capitalism or free enterprise. The function of an economic system is to determine how a country uses its resources to provide for its citizens. Capitalism is an economic system based on markets. Markets set prices for goods, services and resources. Prices act as signals to producers telling them what to produce. Producers are motivated by profit. For example, if the price of lettuces goes up some farmers will shift production into lettuces from cabbages. Prices also decide who gets the goods and services because people must be willing and able to pay the price. Smith described this “natural process” as like an invisible hand.

Adam Smith was a genius in his ability to understand and describe the economic system that was starting to emerge during his life.

## Quick Comprehension Quiz

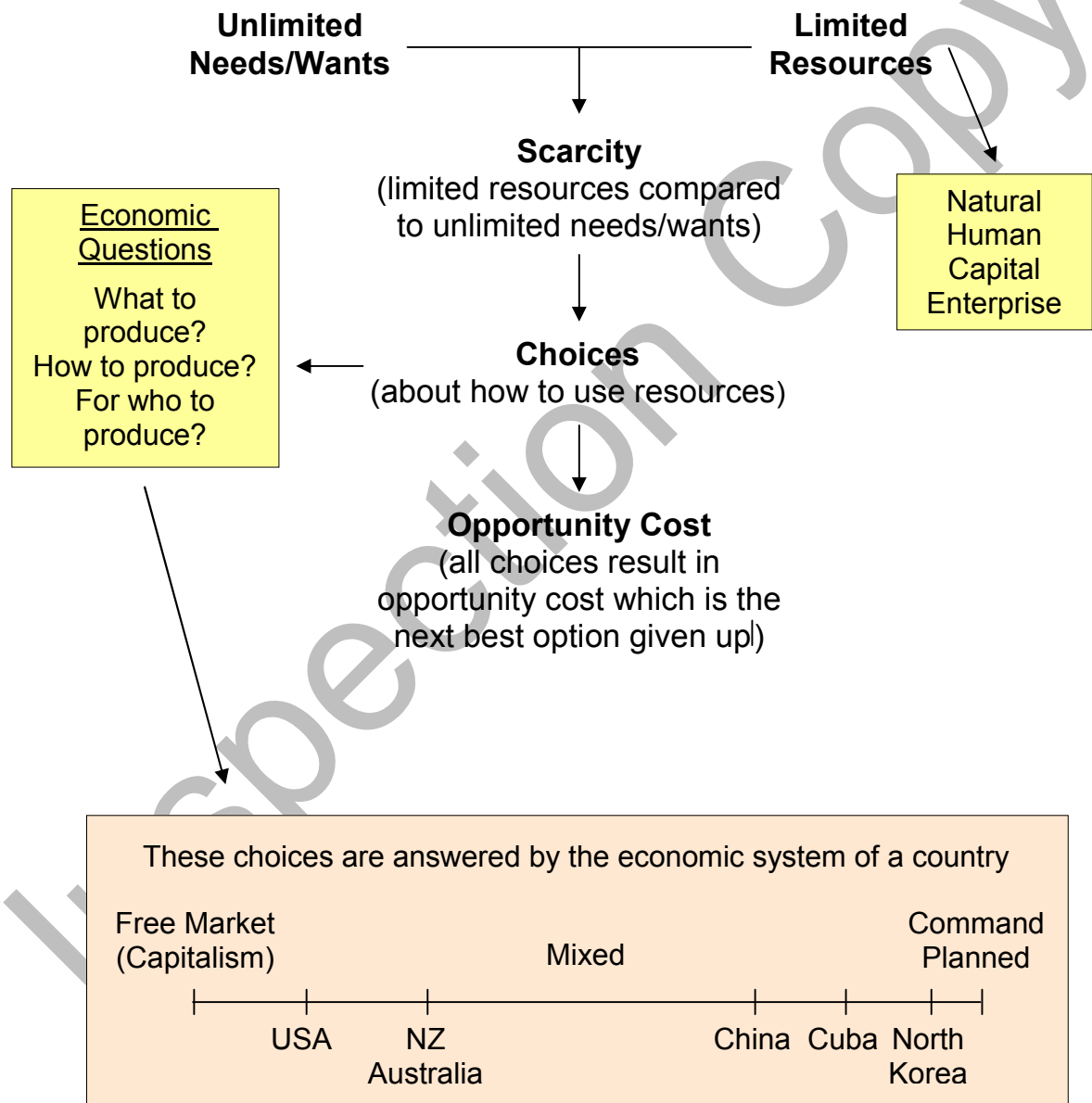
1. Who is the father of Economics?	
2. What does philosophy mean?	
3. What was the name of Smith's book?	
4. Smith believed that society would benefit if people were left to act in their own _____?	
5. What motivates producers in this system?	
6. What major event was starting to occur at this time?	
7. Name three changes in society since Smith's time.	
8. What does standard of living mean?	
9. What method of production did Smith describe?	
10. Name two items being produced in the early stages of the industrial revolution.	
11. State two roles of government that Smith described.	
12. What was the economic system that Smith was describing?	
13. What is a function of markets in this system?	

14. What do prices tell producers?	
15. What must buyers be willing and able to do?	
16. What should happen to the output of bananas if the price goes up?	
17. Smith said this natural order of a free market economy is like what?	
18. What is another term for capitalism?	
19. What is a key function of an economic system?	
20. Name a different country starting with each letter in: CAPITALISM	



# Diagram Showing the Key Concepts in Economics

## Key Economic Concepts



# Limited Resources and Scarcity

This activity requires students to classify **resources used in production**.

Part 2 of the activity requires students to use these limited resources in production.

**Suitable for Junior and Level 1 Economics**

## Equipment Required

- Pages containing resources for each group (2-3 students)
- Scissors per group
- Blank A3 paper (for pasting answers) for each group
- One glue stick per group

## Instructions

### Part 1

1. Issue each group with the pages containing resources (pages 9 and 10).
2. Students are to cut out each term (resource).
3. Students must then put the resources into the correct category of:

**Natural • Human • Capital • Enterprise**

Then after debriefing this activity ...

### Part 2

1. Students are to cut each resource into letters to spell as many goods and services as they can possibly make with their limited resources.
2. Stick the output on the A3 sheet under the headings "Goods" OR "Services".

## Resources

**LAWYER**

**BUILDER**

**HAMMER**

**HYDRO  
DAM**

**FARMER**

**FACTORY  
OWNER**

**LATHE**

**DRILL**

**FENCE**

**COAL**

**COAL  
MINE**

**SHOP  
KEEPER**

**TAXI**

**BUS**

**RIVER**

**FACTORY**

**FORESTRY**

**DOCTOR**

**HOSPITAL**

**TEACHER**

**SCHOOL**

**COMPUTER**

**PLUMBER**

**COWS**

# Identifying Resources

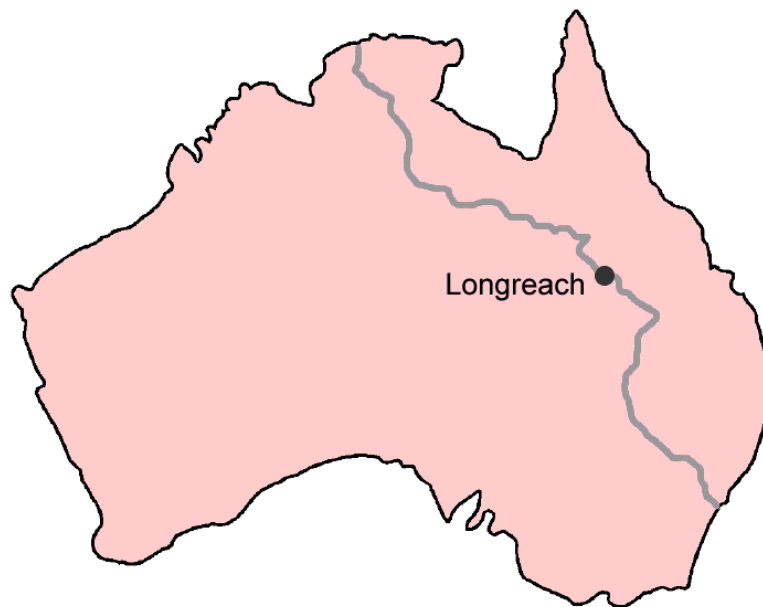
This activity is a story that contains examples of a wide variety of resources. Students are to **classify the resources** while reading the story.

**Suitable for Junior and Level 1 Economics**

## Instructions

Students are to list the key headings for resources in their books (**Natural, Human, Capital and Enterprise**) creating 4 columns.

They are to read the following story and categorise the different types of resources which are underlined in the story.



## The Journey

This is a strange story of events that happened over twenty years ago. I was a young man working in the bush in Australia. I decided to hitch from Sydney to Darwin to find work in the uranium mines in the Northern Territory. I was recently reminded of this journey by the deadly floods in

Queensland earlier this year. Twenty years ago the situation was similar with massive flooding in the north of Australia.

At the time I had a friend working in Jabiru where they mined uranium. I remember catching a train out of Sydney to Bathurst to start my journey. I spent the first night sleeping under a bush in a field just out of town as I couldn't afford a motel for the night.



Over the next few weeks I hitched lifts on the huge trucks operating on the inland highway through towns such as Dubbo and Burke. Many of these truck drivers were owner operators. One morning I got a lift with an elderly lady who was a retired local nurse. She reeked of gin. While telling me that the Lord would be my redeemer she plowed through a farm fence. We ended up sitting in the middle of a paddock surrounded by puzzled cows with her still telling me that the Lord was on my side. I tended to agree and politely declined to continue the ride though miraculously the car was still functioning.

It became clear to me that I had grossly underestimated the distances that I would be covering. The highway stretched for thousands of miles through barren flat lunar landscapes. Every few hundred miles were service towns based on the local farming industry which was mainly sheep. You could drive for hundreds of miles without seeing another vehicle.

After Bourke, I managed to hitch a lift with Kev from Melbourne. Kev told me he was a chef heading north to find work. He was a bit of a dodgy character. His reasons for leaving Melbourne seemed to revolve around the police. He said they had been unreasonable about some plants that he had been growing in his flat. I didn't ask too much.



Kev and I eventually made it to a small town called Longreach. Just out of town we found the road blocked by the Thompson River which was in full flood.

We retreated to town which was quickly filling up with frustrated travellers, mainly buses and trucks. Longreach has an interesting history which is recorded in an excellent Settlers Museum. It is the birthplace of

the Queensland and Northern Territory Air Service which operated planes from the 1930s throughout this vast region. This airline was to become Qantas which is now the national airline of Australia.

After several days of sitting on the verandah of the local hotel drinking lemonade we heard that a character called Rooster had started a venture using his flat bed truck. He was ferrying cars across the swollen river to the highway on the other side.

Kev and I decided to share the bill as both of us were starting to tire of the Longreach nightlife. We paid Rooster \$100 and he ferried the two of us on his truck in Kev's car across the river to the highway on the other side.

It was eerily deserted because no traffic could get through. The surrounding landscape was flat monotonous tussock. The next town called Winton was several hundred kilometers away. Kiwis were not popular in Winton after a recent dispute between New Zealand and local sheep shearers over the different shearing combs each used. The kiwi combs were wider and faster and the Australian shearers resented this. It had lead to several brawls which had been widely reported.



Kev and I started driving towards Winton. Without warning there was a flash and a loud explosion little more than 50 metres in front of the car. Kev slammed on the brakes and we skidded to the side of the road. We leapt out of the car. Both of us were in shock, unsure of what had just happened. There was a plume of smoke rising from tussock about 100 metres off the road to the right.

We nervously made our way towards the smoke. It became apparent what had happened.

While on the truck crossing the river we had noticed a survey plane circling overhead monitoring the flooding. This plane had just hit the overhead power lines beside the road.

It was a terrifying feeling scrambling towards the wreckage. There was a deep sinking feeling in the pit of my stomach. I was about to see a horrific sight.

There had been three men in the plane. One was obviously dead hanging at a grotesque angle from the remains of the fuselage. The other two were alive but only just, with horrific injuries and smouldering clothing. We dragged them away from the smoking plane.

I administered first aid as best I could. I am no doctor. Kev headed back to the car to drive to the river to raise the alarm. There were no cell phones in those days. The internet was a thing of the future.

It was a long long wait with the two badly injured survivors, one of whom was the pilot. I recognised him because two days earlier at the pub in Longreach we had shared a few lemonades and had a laugh with the local hotel owner.

Strangely a group of aboriginal farmhands materialised out of nowhere. They were able to provide extra help and makeshift shelter from the raging sun. It was still a very long lonely wait.

It was a huge relief to hear the thumping sound of rotor blades. The rescue helicopter landed in a flat elevated area nearby. The paramedics quickly took control. Kev and I were no longer required.



The two of us wearily made our way back to the car. Both of us were exhausted by the huge surge of adrenaline and the trauma of what we had been through.

We drove into Winton for the night then on to Mount Isa. Isa is a mining town based on lead, zinc, silver and copper.

Kev decided to stay in Isa and find work. He said, "*Mate, my nerves are bloody well shot*". I never saw Kev again. I have sometimes wondered if the two blokes from the plane survived their injuries. I never heard but I hope so.



# Refugee Simulation

This activity is a fun way for students to explore **the difference between needs and wants**.

**Suitable for Junior and Level 1 Economics**

## Instructions

- Arrange students into family groups of 4.
- Each group needs 2 large sheets of paper and a pen.
- You will need 1 hour.
- Simulation controller has total power.
- Time control is vital.
- No guns or weapons.
- The teacher reads the scenarios to the class allowing time at each stage for groups to make their decisions.

## World war has broken out ...

New Zealand has aligned itself to other countries in the Pacific area; an invasion force has landed in New Zealand. The invaders are gradually moving through the country pillaging cities and towns. Any men of fighting age are being rounded up in concentration camps.



1. Soldiers are coming. Your family is fleeing. Your group has 15 minutes to pack 2 suitcases. Head up your pages, **"Suitcase A"** and **"Suitcase B"** (i.e. 2 columns). You are allowed 20 items in each suitcase. Write each item under the suitcase they are to go in. **You must be able to carry the cases and all items must come from your home. Remember you are part of a family.**
2. Your family gets into an old truck. The truck hits a pothole and one of your cases falls out. The truck will not stop. You have 2 minutes to decide which case is lost.

3. The truck eventually breaks down. You are forced to walk. Each group has to leave their heaviest item. You also find all the fragile items in your case are broken. Cross off these items. You have 2 minutes to organise this.
4. Your family starts walking. You walk for 3 days. If you had food, it has all gone (cross off any food items on your list). If you did not pack food you become very weak and have to discard half your items. You have 3 minutes to discard them (only if you did not bring food).
5. Your family reaches a port. You try to book a passage on a boat. The captain demands a valuable item from each person. You have 3 minutes to hand the item over.
6. Before you board you have to buy some food. All your money is gone. You are forced to barter. Swap 2 items for bread and cheese - add bread and cheese to your list. (You have 3 minutes to decide what to swap).
7. You board the ship but the captain is dishonest. He demands another valuable item from each group. You have 2 minutes to decide what to hand over.
8. The ship is crowded and you are forced to stay on deck. A storm destroys anything affected by water. All food is ruined - cross off your list. All passports, photos and any other paper items are ruined. Cross them off your list. You have 2 minutes.
9. The ship is taking on water. You must jettison half of your items. (You have 4 minutes to rewrite the list of remaining items.)
10. You arrive at your destination. It is bitterly cold. If you do not have at least 1 item of warm clothing on your list, you die. **Sorry!!!!!!**



## Focus Questions

1. What were the initial items you selected?

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2. What items were remaining?

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---

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3. From your initial list, categorise the items as either needs or wants.

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# My Mate Dave

This activity is a story which contains highlighted examples of **basic economic concepts**. Students are to match the example with the concept.

**Suitable for Level 1 Economics**

## Your Task

There are a number of underlined phrases in the following story. Each represents an economic term or concept that you have studied this year.

Write the number of the phrase in your book and select from the list below the appropriate term that matches:

- Productivity
- Economies of scale
- Sole trader
- Vertical integration
- Tertiary industry
- Limited liability
- Investment
- New technology
- Partnership
- Horizontal integration
- Entrepreneur
- Shareholders
- Unlimited liability
- Opportunity cost
- Diversification
- Division of labour
- Specialist

## My Mate Dave ...



I first met Dave at university. Dave was in his 10<sup>th</sup> year of completing a BA specialising in rugby and beer consumption. When I first met him he was trying to sell copies of that year's exams which he reckoned had fallen off the back of a truck - Dave fancied himself as a bit of a **wheeler and dealer, an ideas man (1)** though I've heard him called many other names besides.

I lost touch with Dave after I left university as he travelled overseas for several years doing a bit of this and a bit of that. I bumped into him again at a fleamarket one Saturday morning where he was running a stall. Dave was the type of character who could never really work for someone else as he always had schemes for making millions.

Dave's latest venture involved buying items at bargain prices through a newspaper advertising secondhand goods. He would resell the items at a substantial mark-up at flea markets in the weekend. **Dave had bought a van and set himself up in business with minimal hassle buying and selling used goods (2).**

Eventually Dave tired of having to get up early on the weekends to get to the market so he employed a mate to do the market side of things. Dave wanted to expand his business.



**Dave reckoned there was a market for jukebox rentals particularly for parties and weddings. This would provide an additional source of income for the business (3).** Dave was also considering the possibility of producing tropical fish for office displays. **He didn't have enough money to do both so decided to just do the jukebox rentals which seemed more lucrative and less smelly (4).**

Dave's business prospered so eventually he sold it to a retired goat farmer from a country town.

At this stage Sky TV was becoming popular so Dave decided to set up a business as a Sky aerial installer. This required a substantial amount of money which is where Marty comes into the story. Marty was a plumber by trade but shared Dave's desire to be self-employed rather than have to take orders from someone else.

**Marty and Dave decided to go into business together and share the cost of stock and rental of premises from which to operate (5).** They leased a shop and acquired a number of aerials.

Business boomed. Dave and Marty were making lots of money **installing and selling aerials (6)** but it was too good to last. Marty shot through overseas with Dave's girlfriend (Sue) and a large quantity of aerials. Dave was devastated as aerials are extremely expensive (Dave is not renowned for his emotional sensitivity).

The business folded owing money to a number of suppliers. Unfortunately **Dave had to sell his house, his heavy metal collection and all his motorbike posters to pay off the business debts for which he was liable (7).**

Dave is a fairly irrepressible character and after a period of depression lasting about 45 minutes he spotted an ideal business opportunity. He borrowed money from his family and friends and took a lease out on a small factory.



Dave moved into producing possum sausages.

Dave decided to play it safe this time so he formed a company so that if things went wrong he **wouldn't lose his personal assets again (8).** Dave's long-suffering mother and sister were the other two **owners of the company (9).** They also worked for Dave in the factory along with a few other family members.

Initially things were a bit disorganised but then Dave decided to re-organise the production methods. **Dave assigned his sister (Trish) the job of skinning the possums and his brother Jim had the task of feeding the possums into the sausage machine. Dave's mum had the task of operating the packaging machine and cleaning up the leftover possum bits at the end of the day (10).**

When Dave's older brother, Sid was released from prison he had the task of delivering the sausages to the various retail outlets. Dave was responsible for marketing and finance.

This re-organisation was very successful and **output per person (11)** skyrocketed as they became very efficient in their jobs.

The factory production climbed steadily. Dave was able to get big discounts on possums as his factory was one of the biggest buyers of possums. **This meant that the cost per sausage produced fell substantially (12).**

Dave decided to expand. **He bought the factory next door that produced plastic raincoats (13). He also bought the café on the corner and introduced possum sausages onto the menu (14).**

He bought a pie-making machine and started producing possum pies. He also employed a fashion designer who developed a range of possum fur garments including underclothes, socks and jumpers, possum ties and possum skin wetsuits.

The possum garments were an immediate hit. There was however a degree of controversy after it was reported in the local paper that a pedestrian (decked out in the full range of possum clothing) was hit by a car that mistook him for the real thing.



Dave also decided to expand his possum pie production. He **bought and installed a possum pie producing machine (15)** which he imported from Czechoslovakia. This machine was the **latest on the market (16)**. The possums were fed into one end and the fully packaged pies were produced at the other end. Dave also employed a **Czechoslovakian engineer who had trained specifically in this type of machinery to help run the machine (17)**.

Dave also introduced a new marketing technique - mail order possum pies.

Unfortunately one day tragedy struck. One hot summer afternoon the Czechoslovakian engineer was doing routine maintenance on the machine. He noticed a particularly large possum protruding from the feeder. As he struggled to remove the possum he fell into the machine. Dave's mother was the only other person in the factory at the time. She's a lovely lady but deaf as a post and blind in two of her eyes (strange family). She heard and saw nothing.

The engineer was processed, packaged and distributed in a mail order of pies that was sent off that afternoon.

At this point I'll conclude my tale about Dave and his business ventures but highlight the moral of the story ...

If you're ever in business and someone like Dave owes you money it's worth believing him when he says:

**"THE CHEQUE'S IN THE MAIL".**

# Economic Wordles

This is a lateral thinking fun activity that can be used as a brain tease (takeaway activity).

Students must determine what economic term or phrase each Wordle represents.

**Suitable for All Levels**

**Be Careful ! Some students become obsessed with solving these.**

1. Wellington

10. (82%) et

2.  $\frac{\text{LAB}}{\text{our}}$

11. ISM

3. ge

12. ... N O M I C

4. knightadd

13.  $\begin{matrix} P & & & & T \\ & R & & & \\ & & O & & H \\ & P & & & E \\ P & R & O & P & H & E & T \end{matrix}$

5. demand

6. disused wharf

14. ugly hair gel

7. one tongan

15.  $\begin{matrix} R & & & & E \\ & A & & & \\ & & T & & \\ & A & & & E \\ R & & & & \end{matrix}$

8. a tongan and a samoan

9. Rugby World Cup 2011

16. C T O A X M E



17. angry rubber band

20. FLIONAT

18. disfigured Paris

21. Trester

19.  
L W O  
F

22. rusty old truck

Inspection Copy

## Wordles – Answers

1. Capital
2. Division of labour
3. Shortage
4. Surplus
5. Demand curve
6. Export
7. Monopoly
8. Duopoly
9. Perfect competition
10. Market
11. Capitalism
12. Economic growth
13. Medium of exchange
14. Gross domestic product
15. Exchange rate
16. Income tax
17. Cross elasticity
18. Scarcity
19. Circular flow
20. Inflation
21. Interest
22. Marginal utility

# 2

## Economic Decision Making

### Introduction

This section is a business simulation.

Each student (or group) is a business owner of a small software firm. In each round they must make a decision about their firm. They must write down the decision. The teacher then rolls the dice to determine the outcome of their decision. Students then record the effect on their profit for that round. The aim is to maximise the profit of their business over the course of the activity.

Students are competing against each other to maximise their profit.

# Economic Decision Making

This simulation aims to show students some of the decisions they may have to make as a business owner.

It also illustrates the use of probability in determining risk.

**Suitable for All Levels**

## Equipment Required

- 1 dice (teacher rolls dice each round).
- Copy of profit record sheet for each student (or group) (page 35).
- Copy of simulation for each student.

## Instructions

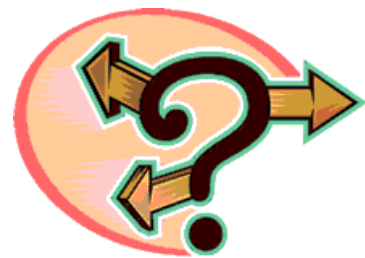
The aim is to maximise the business's profit by the end of the rounds.

Students can work individually or in small groups. They are competing against other groups.

Each round the student must decide what decision he or she will make and write it down. The decision will be based on the outcomes table for each round.

The dice is then thrown.

The student must then record the effect on their business's profit on the profit sheet.



## Doing the Business

### Round 1

You own a company that produces accounting software for other businesses. You employ six staff including four programmers, one sales person and one office administrator. Each day you are required to make decisions about how to run your business.

The aim of this activity is to maximise your profits over the period of the activity.

Your current profit is expected to be \$2 million for the year. You are looking at employing another salesperson. You will need to pay a salary of \$120,000.

Read the possible outcomes below before circling your decision. The dice will then be rolled.

**Circle the Option taken:**

Employ

Don't Employ

Options	Outcome
<b>Don't Employ</b>	No change (add \$2 million).
OR <b>Employ</b> the extra salesman ⇒ Dice Throw	
1 or 2 Salesman ineffective	Profit falls by 5% (\$2 million - 5%)
3 or 4 Salesman is effective	Profit rises by 10% (\$2 million +10%)
5 or 6 Salesman is very effective	Profit rises by 20% (\$2 million + 20%)

## Round 2

A major customer has become insolvent. He owes you \$150,000. You must decide whether to take legal action to try to recover the debt. The legal action will cost \$20,000 and the outcome is unsure.

**Circle the Option taken:**

**Take Legal Action**

**Take No Action**

Options	Outcome
<b>Take no action</b>	Lose \$150,000.
OR <b>Take Legal Action</b> ⇒ Dice Throw	
1, 2 or 3	Legal action unsuccessful. Lose \$170,000.
4, 5 or 6	Legal action successful. No change.

### Round 3

Your sales team has been very successful. They have several new customers who are keen to start using your software if you can provide a good service. You need to employ two more programmers. You are unsure how productive these new workers will be but base your decision on past experience.

**Circle the Option taken:**

**Employ**

**Don't Employ**

Options	Outcome
<b>Don't Employ</b> or take on new customers.	No change
OR <b>Employ</b> ⇒ Dice Throw	
1 or 2 New staff do not perform. You dismiss them after 4 months but have lost the customers.	Subtract \$100,000
3 or 4 New staff are competent.	Add \$100,000
5 or 6 New staff are very productive.	Add \$200,000

## Round 4

A key staff member wishes to attend a conference in the United States. It will cost \$25,000 for course fees and travel. You must decide whether to say yes or no.

**Circle the Option taken:**

Yes

No

Options	Outcome
Yes	Minus \$25,000
OR No ⇒ Dice Throw	
1,2 or 3 Staff member leaves. You lose key customer.	Minus \$120,000
4, 5 or 6	No change



## Round 5

A major customer has prepaid his account of \$1 million. You want to invest this money. You must decide between putting it in a term deposit at the bank or investing in a diversified portfolio of shares, bonds and cash.

Circle the Option taken:

Term Deposit

Portfolio

Options	Outcome
<b>Term deposit</b> at bank at 5%	Add \$50,000
OR <b>Diversified Portfolio</b> ⇒ Dice Throw	
1, 2 or 3	Minus 10% of \$1 million
4, 5 or 6	Plus 20% of \$1 million

## Round 6

You want to develop a new software package that allows firms to monitor their carbon footprint. The development and marketing of this program will cost \$300,000. You have already conducted market research which suggests many firms would be interested in this software.

**Circle the Option taken:**

**Do Nothing**

**Develop Software**

Options	Outcome
Do nothing	No change
OR <b>Develop Software</b> ⇒ Dice Throw	
1 or 2 New software is unsuccessful.	Minus \$300,000 (development costs)
3 or 4 Product is moderately successful.	Plus \$250,000
5 or 6 Product is very successful.	Plus \$400,000

## Round 7

You have a software package for payroll which has been very successful, You would like to increase the advertising budget for this product to increase the customer base. The advertising would be done using various media including radio and print.

**Circle the Option taken:**

Do Nothing

Advertise

Options	Outcome
<b>Do nothing</b>	No change
OR <b>Advertise</b> ⇒ Dice Throw	
1 Advertising campaign is unsuccessful.	Minus \$70,000
2, 3 or 4 Advertising is moderately successful.	Plus \$50,000
5 or 6 Advertising is very successful.	Plus \$150,000

## Round 8

You are deciding whether to take out insurance against loss of earnings for your business in the event of an earthquake or fire or floods or other acts of god. The insurance will cost \$5,000 per year.

**Circle the Option taken:**

**Don't Insure**

**Insure**

Options	Outcomes
<b>Insure</b>	Minus \$5,000
OR <b>Don't Insure</b> ⇒ Dice Throw	
1 Major earthquake destroys your premises.	Minus \$1 million
2, 3, 4, 5 or 6	No change

**Students are to add up their final profit**

## Student Profit Record Sheet

Round	\$ Amount Gained or Lost
1	
2	
3	
4	
5	
6	
7	
8	
<b>Total Profit/Loss</b>	