

Unit 5

What is an Economy?

VELS Humanities - Economics

The key elements of the *Economics knowledge and understanding* standard addressed by this unit are:

- "Students describe the nature of the economic problem (scarcity) and explain how selected goods and services are produced and distributed. Students describe the difference between ... their own roles as producers and consumers of goods and services."

The key elements of the *Economics reasoning and interpretation* standard addressed by this unit are:

- "... students use the inquiry process to plan economic investigations about economic issues in the home, school or local community and form conclusions supported by evidence."

Refer to the Level 4 Humanities - Economics Domain Learning Focus statement on page vii to provide a context for the standards.

Consumer and Financial Literacy Framework

This unit addresses the following outcomes:

R2 R3

See page viii for more information.



● ACTIVITY 1 - Scarce as Hen's Teeth

Learning Objectives

- Students experience the nature of the economic problem (scarcity) and describe how supply and demand of goods can affect their price.

Key Terms

- scarce
- scarcity
- demand
- supply

Lesson Duration Preparation

» 45 minutes

» copy *Information Cards for Buyers and Sellers*

» copy *Skeleton Island - \$100 for each Buyer*

» copy *Skeleton Island - Water, Fishing Rod and Insect Repellent for Sellers*

Note The *Skeleton Island* game requires *Buyers* and *Sellers* at a ratio of 1 seller : 4 buyers. For example: in a class of 25 students you will have 5 sellers and 20 buyers.

Teacher Notes

Consider any current or topical example of supply and demand which students may personally relate to. For example:

- the price of a particular food can fluctuate if production has been affected by drought, bushfire or cyclones.
- the price of memorabilia autographed by well-known celebrities can increase dramatically once the celebrity dies because supply of autographed items stops.

● Introduction

Play Item and Price Match on the board. Ask students to match each item.

Item	Price
Diamond	\$
Litre of milk	\$\$\$\$\$
Pair of shoes	\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$\$
Trampoline	\$\$

Ask the students:

- “Why are these items priced differently?”
- “Which item here is most rare (scarce)?”
- “How has this affected the cost of the diamond?”

The class will play a game which shows how sellers (like supermarkets, shopkeepers etc) set prices. The game also explains why scarce goods and services cost more money. The term scarce may need to be defined first. (Scarce means difficult to locate or rare.)

● Task – Buying and Selling On Skeleton Island

The Buying and Selling game needs students taking on the role of buyers or sellers. There needs to be a ratio of approximately 1 seller: 4 buyers. For example, in a class of 25 students you will have 5 sellers and 20 buyers.

The buyers are each given \$100. This is found on *Skeleton Island- \$100 for each Buyer* sheet.

Buyers need to cut up their sheet to separate the dollars.

The objective for buyers is to survive as many days as possible.

Each buyer needs:

- 1 litre of water each day
- 1 fishing rod
- 1 bottle of insect repellent.

The winning buyer will have at the end of the game a fishing rod, insect repellent and the most water.

The game is played over “days”. A “day” on Skeleton Island passes every 2 minutes.

At the end of each day, buyers are out of the game if they:

- Have not bought a new bottle of water
- Have no more money.

The sellers are given 3 products to sell in this desert island survival game:

- 20 bottles of water
- 3 fishing rods
- 1 bottle of insect repellent.

The objective for sellers is to sell all of their stock and make the most money.

● Before starting the Game

- The Sellers need to cut up their water bottles, insect repellent and fishing rods.
- The Buyers need to cut up their money.
- The Teacher will signal the start and end of each day by blowing a whistle or ringing a bell.
- The Sellers need to position themselves in different parts of the room.
- The Sellers need to work out what price they are going to sell each item for. This price
- can be negotiated because bargaining is allowed.
- The Sellers and Buyers need to be clear on their role. Each Buyer and Seller needs their information card.

● After the Buying and Selling game - whole class or small group discussion

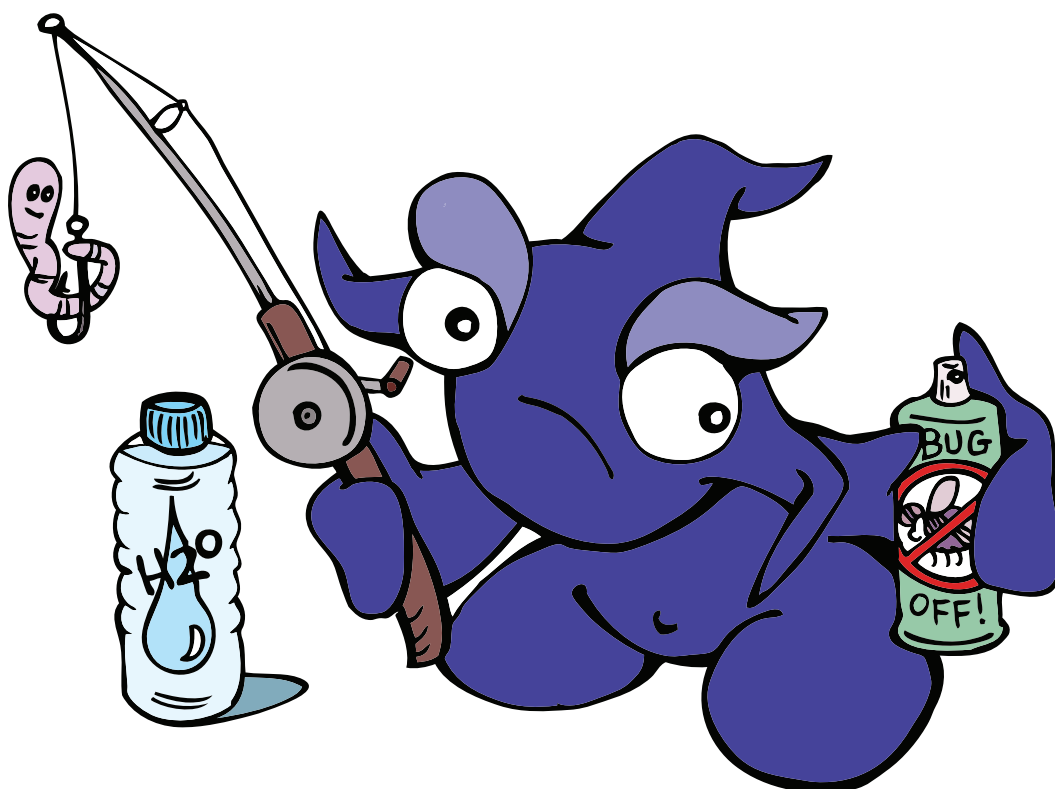
Ask students:

- "What did you learn from the game about how prices are set?"
- "Which item was most scarce? How did that affect its price?"
- "Which item was least scarce? How did that affect its price?"
- "Did the sellers set the same price for the same items?"
- "How did the buyers choose which sellers they purchased items from?"
- "Which sellers sold out first and why?"
- "How did the winning seller earn the most money? How did you set prices for the items?"
- "How did the winning buyer survive for so long? How did you manage your money?"
- "Why were the water bottles cheaper than the insect repellent?"
- "How did the buyers manage their money?"

In their workbooks students consider:

- In this game the buyers only had a limited amount of money. How is this like real-life?
- When an item is hard to find it is "scarce". What happens to the price of goods when they become scarce?

→ Students explain how the supply and demand of goods and services can affect price.

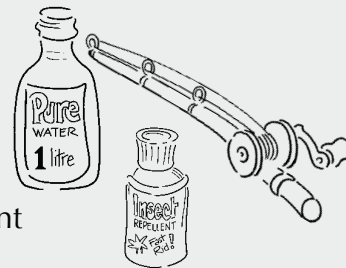


Information for Sellers

You are a Seller.

Each seller will be selling:

- 20 water bottles
- 3 fishing rods
- 1 bottle of insect repellent



Buyers will buy these items from you.

Buyers each have \$100 to spend.



You choose the selling price for each item.

Remember, you are competing against the other sellers.

The winning seller will be the one who has sold all his/her stock and has the most money.

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Information for Buyers

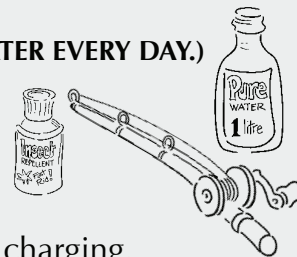
You are a Buyer.

You have to buy 3 products to survive on Skeleton Island.

These are:

- 1 litre of water **(YOU MUST BUY A BOTTLE OF WATER EVERY DAY.)**
- 1 fishing rod
- 1 bottle of insect repellent

You have \$100 to spend.



It is up to you to compare the prices the sellers are charging.

You can bargain with them to get the best price.

The winning buyer will have survived the longest and will have:

- at least one fishing rod
- at least one bottle of insect repellent
- a bottle of water **for each day** on Skeleton Island
- and the most money left over.

Skeleton Island - \$100 for each *Buyer*

TEN DOLLARS \$10 SKELETON ISLAND	TEN DOLLARS \$10 SKELETON ISLAND	TEN DOLLARS \$10 SKELETON ISLAND
TEN DOLLARS \$10 SKELETON ISLAND	TEN DOLLARS \$10 SKELETON ISLAND	FIVE DOLLARS \$5 SKELETON ISLAND
FIVE DOLLARS \$5 SKELETON ISLAND	FIVE DOLLARS \$5 SKELETON ISLAND	FIVE DOLLARS \$5 SKELETON ISLAND
FIVE DOLLARS \$5 SKELETON ISLAND	FIVE DOLLARS \$5 SKELETON ISLAND	TWO DOLLARS \$2 SKELETON ISLAND
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Skeleton Island - Water, Fishing Rod and Insect Repellent for *Sellers*

