

Classroom Auctions

Auctions are a powerful way to distribute scarce goods. It is okay to assume that most students know what an auction is and have an idea of how they work. However, it is not safe to assume that a student really understands the workings of an auction and how to behave during an auction.

For your first classroom auction, take the time to lay ground rules and go over the basics. It is also a good idea to announce auction items prior to any classroom activities to remind students what their incentives are for doing the activity. When it is time to start the first auction, ask students who owns the auction. The answer is that you, the teacher, own the auction. You own the goods being auctioned and so you decide when to call "Going once, twice & SOLD!"

Hold auctions frequently and regularly. Vary auction items in demand and value for your students. For example, hold a regular auction every other week, and in it, include lower-value items that appeal to many. Items like food, soft drinks, etc. are relatively low cost to you and can be quickly consumed by the student. Then, at a longer interval, like once a semester, hold an auction for higher-value, more durable goods like a donated computer, iPod, or perhaps a chance to earn a considerable amount of extra credit. This will help your students understand perceived value for currency.

Other guidelines to cover:

- > Items will be auctioned in whole dollar amounts for YE currency ONLY.
- > If you bid it and win, then you must have the currency or you will not be allowed to participate in the rest of the auction (or some

similar type of consequence).

- > If the teacher hears your bid then it counts. Students will find it amusing to say a bid, normally something higher than the current bid, only to laugh and say they were just kidding. It is your prerogative whether they get a warning or not, but allowing students to "joke around" with false bids is negatively disruptive to the auction and diminishes the value of the entire exercise. A recommended consequence is similar to the bullet above: elimination from participating in the remainder of the current auction.
- > If you auction gift cards, please have students sign for them on the YE Incentives form. This helps to track where classroom budgets are being spent and prove that they aren't being used for personal reasons.

Holding an auction to demonstrate Inflation...

It is helpful to do this at the very beginning of the year as it leads nicely into Economics discussions. Choose an item to auction each day for the first week or two. Make sure it is either the same thing each day or the actual dollar value of the items is the same. Packs of gum work really well.

With about five to ten minutes left in the class, hold your auction. The first day you hold the auction you should probably start with \$1. Keep track of the final bid for each day where the kids can see it. This will help you choose where to start the bidding as well as assist you with your debrief at the end of the auction period. See the Gum Auction Activity Guide for a more detailed description.

Dutch Auction

This is a variation of auctions that forces those interested in bidding to consider exactly how much they are willing to pay. When you are going to do a Dutch auction, it is important to make sure that the students understand the change from a traditional auction and how to determine a winning bid. Basically, a Dutch auction works backwards of a traditional auction: you begin with a high bid and work your way down. The bidders don't say anything until the price they are willing to pay is called. Then, the auctioneer begins the "going once" process and allows for other bidders to increase the bid and continue as a traditional auction. Then, once bidding has slowed, call once, twice, sold and collect the funds just like a regular auction. A Dutch auction is a good strategy for when students have a significant amount of wealth. It helps to speed up the auction when students want to try to get an item for very low bids. It is a great strategy for infrequent, high value auction items like technology or grade opportunities. The learning opportunity is in the way that students have to really think about how much they value an item and what they are willing to pay. A variation on a Dutch auction is to not allow bidding after the first bid. Basically, start high and the first person to bid wins.

Silent Auction

In addition to traditional and Dutch auctions, you can host silent auctions. Silent auctions offer an opportunity to drive home the concepts of subjective value as well as knowledge.

To start a silent auction you should display the items that you want to auction. Consider number of items ranging from chips and cookies to gift cards and some larger items. Make sure all items are visible to all students and they know what each item is.

- 1 Students will have the opportunity to bid on as many items as they would like to bid on.
- 2 They are not able to discuss with one another what items they are bidding on or the amount they are bidding. This is what makes it a silent auction.
- 3 Students MUST have the money to buy ALL the items they win. If they win more than one item they need the total they put down for all of the winning bids. You should have a consequence if they do not have enough money. A suggested consequence: they do not win ANY items.
- 4 On individual pieces of paper, students will write their name, the item they are bidding on, and Y dollar amount of their bid. Only one bid per item per student is accepted.
- 5 Students will place their bids in a jar that corresponds with that item. Another option: you can collect all the bids as students complete them.
- 6 Tally up the highest bid for each item and announce the winning bid and who won.
- 7 In the event of a tie, you, the teacher, have the discretion. A few suggestions: hold a traditional auction between those who tied, flip a coin, draw a bid from the jar randomly, let them negotiate a deal.
- 8 Collect payment and distribute items.

The silent auction debrief should be focused on subjective value and lack of knowledge. Use the following questions along with your observations during the auction to help students understand how this affects them on a daily basis and in different market conditions.

- > What did you value each item at before the auction? Did that change after the auction?
- > Did your perceived value of the item go up or down when you heard who won it and for how much?
- > Why did your perceived value change after

learning what the winning bid was?

- > Would you have bid differently if you knew what your classmates bid? Are there times when you don't have the knowledge of what other people value things at but must still make decisions?
- > Are there ways you could have found out what others valued the item at? Past conversations? Prior knowledge of their wants, needs, values, or preferences?

Debriefing Auctions & YE Dollars:

Take the time to point out what is happening in the auction. What factors are at play? Refer back to the 8 Foundational Values and the 10 Economic Concepts of the YE Classroom.

- > **Be Principled** - How are the concepts of trust, integrity, respect and toleration at play during the auction? As students experience more auctions in their classroom, how does their behavior changed in regard to this Foundational Value? What have they learned about their classmates in regard to the Foundational Value?
- > **Win-Win Focus** - How are the items improving their lives or the lives of others? Are students combining their money to purchase items? Are students purchasing items for someone else? Perhaps someone else outside of the class? Perhaps to sell the items later, for cash?
- > **Opportunity Obsession** - How have the currency and the auctions changed the way students are looking at learning, school, work, how they interact with their peers or adults? Are they becoming more or less aware of the opportunities all around them? This ties in well with Win-Win.
- > **Sound Judgment** - Are students interested more in the items that can be consumed now or are they more interested in the higher value items that are less frequently auctioned? Why? How has the auction changed the

way they are thinking about the classroom activities and experience of YE?

- > **Knowledge** - In participating in the classroom economy, what have they learned? What have they learned about themselves, their peers, markets, etc.? How has their knowledge about these things changed from before they first entered the class? Has this experience changed anything about the other subjects they are studying in school? Has this experience changed what they do in their free time?
- > **Passion** - Think about the first YE dollar you earned. How has your value of that dollar changed over time? How does the opportunity to earn YE dollars affect your interest in the activities of the YE classroom? What item sold at auction do you really want to have? What item did you really want that you didn't win? Has the experience of the YE currency and the auctions changed the way you think about work outside of school?
- > **Freedom** - Does the YE classroom economy make you more or less free? How? Would you like to be able to have other classes that use the same approach?
- > **Responsibility** - Has the classroom economy changed how you feel about success? Failure? How has this experience changed how you think about your future? Your past? How has it changed your goals?
- > **Personal Choice** - Have the currency and auctions given you more or less choices in regard to what you buy? In regard to your engagement in the class and the activities? How has it changed the way you make choices for purchases? How has it changed the way you make choices with your free time or your other classes and homework?
- > **Voluntary Exchange** - How has the currency changed the way you trade with your peers or adults? How has it changed the way you think about buying and selling? Has it helped

you during games of trade like PIT or Trading Game? Has anyone bought or sold YE dollars for cash? Why?

- > **Freedom to Enter & Compete in Markets** - How has the currency or auction affected your decision to participate (or not) in classroom activities? Have you, at any time, felt like you weren't free to compete? When? How? Why do you think that was? What should we do to make that better?
- > **Rule of Law** - Have the rules changed since we first started the currency and auctions? How? Are there rules that need to be changed? Why? Which ones? How should we go about changing the rules? Why is it important that we all know and follow the rules of the classroom economy? How does knowing that you own the currency and the items you can buy with it affect the way you make choices? What if you didn't actually get to keep the auction items? How would your behavior and choices change?
- > **Scarcity** - How has the economy affected scarcity in the classroom economy? How have prices changed over time? (Inflation) How does time affect the currency and auctions? What items in the auction get your attention and what do not? What items have gone down in price? Why? What items have gone up in price? Why? (Supply & Demand)
- > **Self Interest** - How have you changed in regard to how you feel about auctions and currency over time? What auction items do you think help you the most? Least? Why?

Supply and demand – How have bids and prices been affected by increases in currency and the addition of different auctioned items?

- > **Subjective Value** - What items seem to have the most value in terms of the price that they were auctioned off for? Was anything auctioned off that nobody wanted? How did you know? Why do you want the items you bid on? How do you know they are worth what you are paying? How much do you think about the auction while you are participating in an activity that allows you to earn YE dollars? Do you prefer things you can consume now (chips, candy, soda) or do you prefer things you have to save up to buy? How was competition affected by auctioning off different items?
- > **Sunk Cost** - When is it too late to try to earn more currency? When is it too expensive to buy at auction? How do you know that it's time to change your approach? What about the currency helps you to know that you should stop and pivot?
- > **Comparative Advantage** - When earning YE dollars, how do you know what you should focus on? How does the classroom economy help you know where to put your efforts? How does it help you to cooperate in groups?
- > **Opportunity Cost** - When have you been able to compare two choices and make a better decision because of the currency (price/cost/4 S's)? What have you said "no" to? How has the currency changed the way you consider choices?

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