

Teacher Overview

This lesson will help your students understand how markets work by engaging them in an activity where the price of a product is determined by buyers and sellers voluntarily trading and cooperating with each other.

When to Use This Lesson

Going Bananas can be used throughout the school year however, it is recommended you use it during the Business Finance Unit. This activity will help students see how Market Day is a small market and they will recognize their role in that particular market.

Time



BEFORE CLASS PREPARATION

- > Review Activity Guide.
- > Prepare all handouts, worksheets, and cards.
- > Set up your classroom prior to the class entering.
 - You will want to make sure you have enough open space for a marketplace for your students.
- > Separate your buyers and seller cards.
 - If you have a buyers table and a sellers table you should also have those set up prior to class time.

LEARNING OBJECTIVES

- > Principled Entrepreneurship LO 1c, 4a, 4l
- > Innovation 4e
- > Business Finance LO 1.h

KEY TERMS

- > Scarcity
- > Supply
- > Demand
- > Equilibrium Price
- > Risk
- > Cost
- > Profit
- > Sunk Cost

FOUNDATIONAL VALUES

- > Sound Judgment
- > Win-Win Focus
- > Freedom

MATERIALS

- > Student buyer and seller cards; 32 of each
Seller cards should be printed on a different color paper than buyer cards. This activity works best with a class of 20-30 students but you can do it with up to 50. (See table on page 2 for suggested quantities of each buyer and seller card)
- > "How to Play Going Bananas" Handout
- > Student Transaction Sheet Handout - one per student
- > Copy/PowerPoint Slide/Overhead transparency of Market Tally Sheet
- > Tables - one for buyers cards and one for sellers cards

ACTIVITY INTRODUCTION

Explain to students that they are going to take part in a market simulation where some of them are going to be buyers of bananas and others are going to be sellers of bananas.

SUGGESTED QUANTITIES OF EACH BUYER AND SELLER CARD

BUYERS CARDS		SELLER CARDS	
Buy Price	No.	Sell Price	No.
\$3.50	2	\$3.50	4
3.70	2	3.70	6
3.90	2	3.90	6
4.10	2	4.10	4
4.30	4	4.30	4
4.50	4	4.50	2
4.70	6	4.70	2
4.90	6	4.90	2
5.10	4	5.10	2

ACTIVITY DIRECTIONS

- > Distribute the handout "How To Play Going Bananas."
 - Have students read silently and then review the procedures and answer student questions.
- > Designate one student to oversee the distribution of the buyer and seller cards during the activity and another to record each transaction on the tally sheet.
- > Buyer and Seller cards should be kept in separate piles, facing down, and each pile should be shuffled between rounds.
 - While the buyer and seller cards are different colors, placing the piles on separate tables at opposite ends of the room will further minimize the possibility of students taking cards from the wrong pile.
- > Divide the class into two equal groups of students. One group will be the sellers, the other the buyers.
 - Explain that buyers will be buyers throughout the activity and that sellers will be sellers throughout the activity.
- > Hand out individual score sheets on which participants can record their transactions.
 - Review details of the score sheet if necessary.
 - Make sure both buyers and sellers understand how to calculate "profit" on their score sheets.
 - Emphasize that the sellers are responsible for reporting the selling price for each transaction.
- > Explain that you will conduct a number of rounds of trading sessions of five minutes each. (You may want to do one practice round.)

ACTIVITY DIRECTIONS CON'T

- For tallying purposes ask students to make all transactions in ten cent increments (i.e., \$4.10, \$4.20, etc.)
- > Explain that after each transaction, both buyers and sellers must get a new transaction card from their respective table.
 - Also, they are to take their card without looking at the numbers on it so as to not be able to “cherry pick.”
- > Encourage students to make as many deals as they can in the time permitted.
 - Explain that it is permissible to take a loss in order to get a new transaction card.
 - In order to encourage participation, explain to students that if they make no transactions in a round, they must count the amount on their card as a loss at the end of the round.
- > After each trading round, allow students a few minutes to figure their net losses and gains.
- > During non-trading time between rounds, direct students’ attention to the market record on the tally sheet.
 - Remind them that one of the functions of markets is to convey information and indicate that the game tally may reveal things they would be interested in knowing, as buyers or sellers.
 - For example, deals that were made at high prices and deals that were made at low prices, and the numbers of transactions made at various prices.
- > After the final round, have students calculate their total profit or loss for all rounds.

ACTIVITY DEBRIEF

- > Ask for a show of hands from those who made money, from those who lost money. Ask who made the most money (buyer and seller).
 - Call on a couple of the money-makers and ask why they think they were successful.
 - Call on a couple of the students who lost money and ask why they think they were unsuccessful.
- > Ask students what conditions made the market work well. (Equal number of buyers and sellers, like products for sale, equal or full knowledge about the products, clear rules concerning what you could and could not do in the market)
- > Direct students’ attention to the class tally sheet and ask if they can make any statements about price in the various rounds. Follow-up question: What was the most frequent transaction price in each round?
- > In which round was there the greatest spread in transaction prices? Why?
- > Why did the transaction prices become more clustered in the final rounds? (Competition is the most important cause for the clustering of prices. This phenomenon represents the tendency of a competitive market to move toward an equilibrium or market-clearing price. Many factors help to account for this - better information, more astute buyers and sellers, better identification of particular buyers and sellers, etc.)
- > Who determined the “market price” for bananas - buyers or sellers? (Both. It is the interaction of buyers and sellers that determine the market clearing price. It is important to note that buyers compete with buyers to bid prices up and sellers compete with sellers to bid prices down.)

ACTIVITY CON'T

- > What role did the freedom to make your own market decisions play in your success?
- > Upon what did you base your trading decisions during the activity?
- > When you take a loss in a transaction, is this a poor use of resources? Explain.
- > Can taking a loss in a transactions have a positive impact on the market? Explain. Did you fail to demonstrate sound judgment by taking a loss in a transaction? Explain.
- > As you made trades what was your goal motivating you to trade? Was your goal to gain wealth for yourself or to increase wealth for your trade partner(s)? Does your thought process in seeking trade partners impact your ability to make future trades and the level of satisfaction in the marketplace?

Optional Extension

Once students have played Going Bananas, it is easy to go back at a later time and play additional rounds to illustrate different market phenomena. It is best to play additional rounds at another time rather than trying to show all the possibilities in one activity. As students' understanding of markets develops, and as the semester of study progresses, returning to the game to play an additional round can be very effective. For example, the teacher could set a price ceiling or floor and run the activity again. They could also limit the number of sellers or buyers.

Supplemental Teacher Resource:

<http://www.fte.org/teacher-resources/lesson-plans/efllessons/in-the-chips-a-market-in-computer-chips>

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