

Teacher Overview

I, Pencil offers teachers the opportunity to reiterate many of the themes of previous lessons, but with a specific emphasis on the market process, the invisible hand, spontaneous order, and voluntary cooperation.

The key text for this lesson is Leonard Read's "I, Pencil" essay, which helps demonstrate how markets coordinate the actions of thousands of free individuals through market prices and incentives.

There are multiple supplemental videos you may wish to show to help spur class discussion and bring the concept to life. None of these supplements are required, but they may be helpful in illuminating some of the key ideas of this text.

When to Use This Lesson

I, Pencil should be used when discussing business finance. It is recommended you use I, Pencil as a way to introduce the concepts of costs and channels. Students should have a basic understanding of the market and economics.

BEFORE CLASS PREPARATION

- > Read and understand the I, Pencil Activity Guide. Determine which resources will be the most beneficial for your students to experience to help them understand the importance of understanding costs and channels.
- > Review I, Pencil - Leonard E. Read (Text, PDF, and audio)
- > Watch I, Pencil: The Movie from Competitive Enterprise Institute
- > Decide which format of I, Pencil will be the best for your students to comprehend what Leonard E. Read was saying.
- > Purchase enough #2 pencils for each student to receive one.
- > Print enough I, Pencil texts for each student to receive if you plan to use printed copies.

Time



The amount of class time required will depend on the way you choose to have students experience I, Pencil. For instance, if you have them read I, Pencil, you may need to plan for more than 60 minutes for this activity.

HELPS DEMONSTRATE HOW MARKETS
COORDINATE THE ACTIONS OF THOUSANDS
OF FREE INDIVIDUALS

MATERIALS

- > #2 pencils - one for each student
- > Optional - I, Pencil text - one copy for each student

FOUNDATIONAL VALUES

- > Knowledge
- > Be Principled
- > Sound Judgment
- > Freedom

LEARNING OBJECTIVES

- > Principled Entrepreneurship 4g, 4l, 4n, 6e, 6f
- > Innovation 3a

ACTIVITY INTRODUCTION

- > Hold up one of the pencils and ask your students what it is. The obvious responses will be "a pencil".
- > Now ask your students if they think it is easy or difficult to make one of these pencils? More than likely their response will be "easy" simply because in their eyes a pencil is an relatively "simple" product.
- > Tell your students that today they are going to spend some time thinking about what it takes to make one of these simple pencils and get it to them so they are able to do their school work.

ACTIVITY DIRECTIONS

- > Give each student a #2 pencil. Ask students to list, in their groups, all the people involved in making that pencil and getting it into the hands of the consumer. Give them about 3 minutes to work on their list.
- > After the 3 minutes are up ask the groups to share from their lists. List what they share on the board. Continue sharing until everything listed by the groups is on the board.
- > Ask students if, now that they are looking at the entire list, they think anyone was left out. Add to the list if they come up with anyone else. · Watch I, Pencil: The Movie from Competitive Enterprise Institute.
 - Or read/listen to I, Pencil - Leonard E. Read (Text, PDF, and audio)
- > Now ask students if they left anyone off their list. Add these names to the list on your board.
- > Ask students if they realized how many people it took to make something as simple as a #2 pencil.
- > Ask students to consider that each step taken to make the pencil cost someone money. Ask them who might pay for each of these steps?
 - The goal is get them to realize that eventually the customer is the one who pays for all these steps because the increase in costs is handed down to the customer.
 - You want students to realize it is important for them to be able to identify all costs associated with bringing a product to market.

ACTIVITY DEBRIEF

- > According to the article, who can make a pencil? Why is this the case?
- > After considering the video or article, why should all creative energies be uninhibited? Do free markets produce good or bad outcomes? Why is this fair?
- > Explain the following: "bits of know-how" and "local knowledge." G.K. Chesterton stated "we are perishing for want of wonder, not want of wonders." In your opinion, what does this have to do with the rest of the article? What "wonders" are we overlooking?
- > What conclusion would you come to after realizing how a pencil is made? What does this tell you about the use of knowledge in society or the incentives of all of the actors who make a pencil?
- > Which method of production will most likely lead to a better outcome (better product/ cheaper), the voluntary cooperation of individuals pursuing their own interests or a small panel of experts?
- > How might self-interest and commerce help to foster peace and tolerance among diverse populations?
- > Hint: Is it good business to mistreat your customers or trading partners? Do you really care what religion, ethnicity, or gender the clerk at the store is?

SUPPLEMENTAL RESOURCES FOR I, PENCIL

- > I, Pencil – Animated Audio Book – Professor Chesterton <https://www.youtube.com/watch?v=l6IFPRaO5I0>
- > I, Pencil – Milton Friedman from The Power of the Market <https://www.youtube.com/watch?v=R5Gppi-O3a8>
- > Lesson of the Pencil – Milton Friedman <https://www.youtube.com/watch?v=4ERbC7JyCfU> · I, Pencil: The Movie, <https://www.youtube.com/watch?v=IYO3tOqDISE>
- > I, Pencil Extended Commentary: Spontaneous Order, <https://www.youtube.com/watch?v=yFeGNX06Zmk>
- > I, Pencil Extended Commentary: Trade and Specialization, <https://www.youtube.com/watch?v=Kw1kODe7eDU>
- > I, Pencil Extended Commentary: Connectivity, <https://www.youtube.com/watch?v=PwHvizPqpWI>
- > I, Pencil Extended Commentary: Creative Destruction, <https://www.youtube.com/watch?v=8N08Kkjq9gA>
- > I, Pencil Extended Commentary: The Importance of I, Pencil, https://www.youtube.com/watch?v=N_AgyjP6xH8

ALTERNATE/ADDITIONAL OBJECTIVES I, PENCIL:

- > Predictions Markets - Spontaneous Order and Dispersed Knowledge, Stossel in the Classroom, <https://www.youtube.com/watch?v=4Fkv1MAkZEw>
- > Adam Smith: The Invisible Hand, Learn Liberty, <https://www.youtube.com/watch?v=EBifN69gcKY>
- > Running the Country, Stossel in the Classroom (spontaneous order), <https://www.youtube.com/watch?v=OAJlpnvYUWE> · The Role of Incentive – Lawrence Reed, <https://fee.org/articles/the-role-of-incentive/>
- > Potty Training, Freakonomics (incentives), <https://www.youtube.com/watch?v=W2hhIWbz0Ns>
- > The Parable of the Parking Lots, Henry Manne (spontaneous order), http://www.nationalaffairs.com/doclib/20080523_197102302theparableoftheparkinglotshenrymanne.pdf
- > Competition and Cooperation, Daviz Boaz, Freeman Article (voluntary cooperation), <https://fee.org/articles/competition-and-cooperation-1/>
- > Competition and Cooperation, Steven Horwitz, Freeman Article, <https://fee.org/articles/competition-and-cooperation/> · Price Gouging, Stossel in the Classroom, <https://www.youtube.com/watch?v=R6ojYtKazgQ>
- > Is Price Gouging Immoral? Should It Be Illegal?, LearnLiberty (price signals), https://www.youtube.com/watch?v=h9QEkW6_O6w
- > What Do Prices “Know” That You Don’t?, Learn Liberty, <https://www.youtube.com/watch?v=WPY-QKXofQs>
- > The Price System, Part 1: Information, LearnLiberty, <https://www.youtube.com/watch?v=BbGKkV-WoYg>
- > The Price System, Part 2: Profits & Losses, LearnLiberty <https://www.youtube.com/watch?v=YPDUMEQAIL0&feature=endscreen&NR=1>