

Teacher Overview

The purpose of the gum auction is to demonstrate how inflation organically occurs in the marketplace when the supply of money increases. As your students earn more classroom currency, they will be more willing and able to pay a higher price for a basic item like gum.

When to Use This Lesson

You want to do the gum auction at least five times to demonstrate the regular increase in price. Depending on your class and school schedule, you may need to begin holding gum auctions before you begin the Economics Unit. Ideally, you would have your final gum auction the last class period before your cover inflation in your classroom.

Time



*Approximately 3 minutes each time you hold a gum auction

BEFORE CLASS PREPARATION

- > The most important part of holding your gum auctions is planning. You want to make sure you have planned to hold enough auctions to demonstrate a general increase in price over time. To plan, it might be best to determine which day during the 4 Ss lecture/discussion you will cover inflation and then plan backward from there. Inflation should be covered while discussing the concept of scarcity.
- > If the gum auctions will be your first auctions of the year, you will want to thoroughly review the classroom currency and auction guides.

LEARNING OBJECTIVES

- > Principled Entrepreneurship LO 4c, 4f

FOUNDATIONAL VALUES

- > Sound Judgement
- > Be Principled
- > Freedom

KEY TERMS

- > Supply
- > Demand
- > Inflation
- > Value of money

MATERIALS

- > YE dollars
- > Packs of gum - It is always good to have a variety of flavors though try to keep the size of the packs available the same.

ACTIVITY INTRODUCTION

- > To introduce the gum auction to your students, you want to be as vague as possible as to the significance of the auction. You want to let them know you will hold a series of auctions for the same item.
- > These auctions will be conducted just like the other auctions that have been held in your classroom.
- > If these are the first auctions you will be holding in your classroom, you might want to review the classroom currency and auction guides.

ACTIVITY DIRECTIONS

- > Tell students that items will be auctioned in whole dollar amounts for YE currency ONLY.
 - You choose the starting price each day because it is your auction and your gum. For the first day, start at \$1.
 - For each day following, it is good to start either at the previous selling price or one dollar higher.
 - If your students do not want to pay your "high" starting price because they think it is too high, use your discretion about what to do.
 - You can choose to lower your price or not sell.
 - Either way, remind students you can do what you want because it is your auction and your gum.
 - You own the property rights and, therefore, have the decision rights.
- > Tell students if they bid and win, they must have the currency or they will not be allowed to participate in the rest of the auction.
- > Tell them if you hear their bid, then it counts, so they shouldn't bid and then try to say they were joking.
- > Tell them if they win they will have CHOICE.
 - CHOICE means they have their choice of ONE pack of gum from the variety of flavors.
 - If you give them choice of flavor, they will be more interested in bidding.
- > Keep track of the winning bid each auction. Display this in a place where kids can see it every day when they are in class.
 - If there is an auction that you did not sell, make a note to reflect that.

ACTIVITY DEBRIEF

The debrief of the gum auction should be focused on the inflation that naturally took place in regard to the price of the gum over time. As the wealth of the students increased, so too did the price of the gum. The best time to connect this learning is during your Four Ss lecture/discussion when you discuss inflation. Please reference the Four Ss section of the 10 Economic Principles Lesson and PowerPoint for notes on this debrief.

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