

# SAMPLE MATERIALS

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# Chapter 3

## *How to Start a Mini-Economy*

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### **Five Basic Steps**

Teachers are often enthusiastic about starting mini-economies in their own classrooms but sometimes are overwhelmed by the seemingly complex nature of the task. The guidelines presented in this chapter will help any teacher who wants to take that first step in implementing this unique form of instruction.

Although the exact sequence may vary, a program can begin with these five steps:

#### **Five Steps for Starting a Mini-Economy**

*Step 1:* Design the Classroom Money

*Step 2:* Decide How Students Will Earn the Money

*Step 3:* Determine What Items and Privileges the Money Will Buy

*Step 4:* Determine How to Distribute Items and Privileges

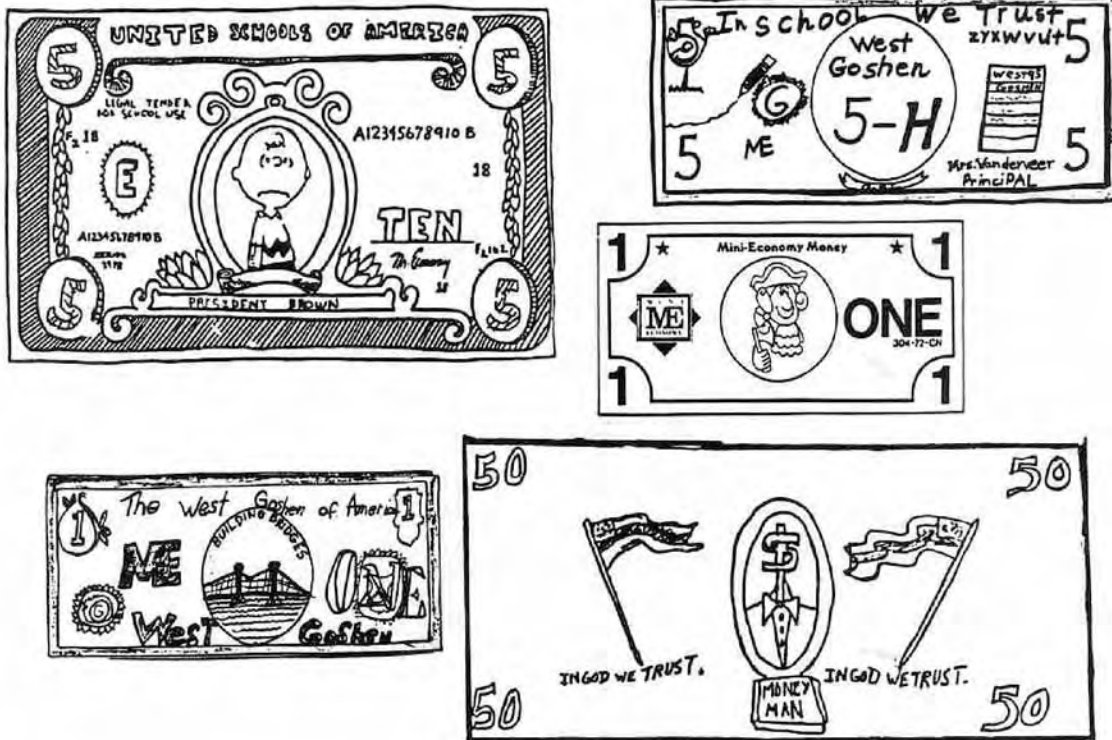
*Step 5:* Do It!

## Step 1: Design the Classroom Money

The production and consumption of goods and services in modern economic systems is helped immeasurably by the use of money. The classroom economy will be no different; some form of classroom currency will be necessary. It can be designed by the teacher or by a more “artistic” person, perhaps the school art teacher. Many teachers let their students design the currency and then vote on the design they like best. You can also copy the currency provided in Appendix A of this publication.


It is not absolutely necessary to use “dollars.” Students can create other names for their currency. One fifth grade student designed a currency using sheep as a theme, with different money denominations using ewes, lambs, wools, and rams. Some teachers use metal fender washers to simulate gold and silver coins. These can be found at local hardware stores. A request to the president of a company producing the washers will usually result in a reasonable number being donated to the class. Using these “real” coins is always a favorite with the children. And using them with paper currency (gold and silver certificates) illustrates the original link between paper money and the precious metals.

Primary teachers especially like to use “real money” coins in their mini-economies since it lets their students apply many arithmetic skills found in their curriculum. Teachers simply use the coins provided in the back of many math textbooks. It works great!



## Step 2: Decide How Your Students Will Earn Money

There are three basic ways for your students to earn money in the mini-economy: **classroom jobs**, **classroom businesses**, and payment for **desired behavior**.

 **Classroom Jobs:** Classroom jobs are the most common and realistic way for students to earn money. There are many different types of jobs, some of which are listed below. It is best if every student has at least one job, though some students will want more than one. Post job descriptions listing the necessary qualifications and let students apply. (Only neat applications will be accepted, of course!) Some teachers require letters of reference and conduct interviews. To keep things manageable, ask the principal, students in the high school economics class, or parents to conduct some of the interviews.


You will have to decide if you want to vary the pay for different jobs. Some teachers do, since this is more realistic and illustrates that some jobs require more effort and skill than others. Be sure to post the salaries and skill requirements on job listings. A job description form is provided in Appendix A, or you can create your own.

Classroom jobs provide an excellent opportunity for you to teach some important economic concepts. Explain how job specialization increases the productivity and income of a community, but results in more interdependence. Point out that wages are a reflection of a person's productivity, and that one can increase productivity by getting better education and training.



## Types of Classroom Jobs

- \* Accountant
- \* Take-home Announcements Monitor — ensures that announcements get sent home
- \* Class Messenger
- \* Custodian — cleans bookshelves, board, and erasers, etc.
- \* Attendance Officer — takes daily attendance
- \* Police Officer
- \* Bank Teller
- \* Auctioneer
- \* Playground Equipment Supervisor — keeps track of all playground equipment
- \* Real Estate Title Recorder
- \* Mail Carrier — delivers “mail” to students in class and to other classrooms
- \* Librarian — keeps books shelved and orderly
- \* Horticulture Specialist — takes care of classroom plants
- \* Pet Caretaker — takes care of classroom pets
- \* Aquarium Keeper — feeds fish and cleans aquarium
- \* Tax Collector
- \* Restroom Monitor
- \* Store Keeper — runs class store
- \* Clean Desk Inspector
- \* Paper Assistant — passes out or files all graded work
- \* Audio Visual Technician — sets up and operates AV equipment
- \* Job Monitor — keeps track of who has completed jobs
- \* Homework Monitor — keeps track of assignments for absent students
- \* Insurance Agent
- \* Courtesy Director — greets visitors
- \* News Director — reports on current events
- \* Meteorologist — gives daily reports and predictions, keeps running chart of weather data
- \* English (ESL) Tutor
- \* Computer Technician — operates computer, keeps software, monitors computer schedules
- \* Coat/Book Bag Monitor — keeps coat area clean and orderly
- \* Pencil Sharpener Attendant — empties pencil sharpener daily
- \* “Specials” Attendant — writes on the board each day’s special classes
- \* Eraser Cleaner
- \* Payroll Clerk — helps distribute pay
- \* Bill Collector — helps collect bills
- \* Social Director — plans and organizes class celebrations
- \* Teaching Assistant
- \* Book Critic — reads and reports on books each month
- \* Conservationist — monitors recycling bin
- \* Dietician — reads daily lunch menu, collects lunch money, assists with snacks
- \* Travel Agent — helps organize field trips, runs “Will Return” board, conducts school tours
- \* Game Keeper — takes care of game closet


 **Mini-Economy Businesses:** Mini-Economy businesses are perhaps the most rewarding and beneficial aspect of a mini-economy. Students first must assess classroom demand for a particular good or service. Then they must gather the appropriate productive resources, and finally produce, market, and sell the good or service. This challenging task teaches students many economic concepts and skills. It also means less work for the teacher since the *students* are now producing goods and services for their classmates to purchase. Some samples are listed below. (For a more detailed description of mini-economy businesses, see Chapter 4.)

 ***Goods Produced by Mini-Economy Businesses***

- \* Paperweights
- \* Plants
- \* Art paintings or drawings
- \* Flower seeds
- \* Christmas, Valentine, or birthday cards
- \* Class scrapbook or photo album
- \* Craft items (potholders, corsages, puppets, etc.)
- \* Decorated pencils
- \* Paper wallets
- \* Paper airplanes
- \* Class or school newspaper
- \* Popcorn or candy
- \* Bank checks
- \* Bookmarks
- \* Baseball/football/basketball cards
- \* Wrapping paper

 ***Services Produced by Mini-Economy Businesses***

- \* Face painting
- \* Homework reminder
- \* Tutoring
- \* Postal delivery
- \* Photography
- \* Insurance (auto, medical, absence, etc.)
- \* Accounting agency
- \* Theater or “night club”
- \* Rent-a-Kid (for odd jobs, tutoring, etc.)
- \* Music, acting, or dancing lessons
- \* Manicures
- \* Desk cleaning
- \* Banks
- \* Advertising agency
- \* Singing telegrams
- \* Pencil sharpening
- \* Drawing lessons
- \* Paperback book swap

 **Payment for Desired Behavior:** Some teachers use their mini-economies to help with classroom management. Teachers pay students for various types of behavior, such as neat work, completed assignments, clean desks, or quiet hallway behavior. Other teachers prefer less teacher control and direction. Their students earn income only by doing classroom jobs or by creating classroom business. Many teachers combine approaches. Some of the many classroom management possibilities are listed below.

 ***Classroom Management Ideas***

- \* Clean desk, floor, or locker
- \* All work done on time
- \* Quiet, straight lines in the hall

- \* A's on tests and quizzes
- \* Neat writing
- \* Reading books (\$ per page; get a written promise and ask a few questions about the plot)
- \* Improvement in work
- \* Winning class instructional games
- \* Extra credit work
- \* Studying quietly




**Remember!** *Don't overemphasize the classroom management aspect of your mini-economy. Use your mini-economy as a curriculum tool to integrate your curriculum and to teach basic principles of economics and personal finance.*

Also, encourage students to devise other ways to earn income. This encourages creativity and keeps interest levels high. Much intuitive learning takes place as students haggle, make decisions, and live with the opportunity costs of these decisions in their daily experiences. Many of the students who have problems in academic areas will demonstrate good business savvy. While they might not earn much income by excelling in their studies or completing assignments, they will find other ways to earn money if given the opportunity.

Although some teachers pay their students large amounts of money for specific classroom jobs or certain behavior, it is probably wise to keep payments to a more realistic level. Parents might object if their daughter earns \$1,000 a day for watering the plants or keeping her desk clean! They could argue that this does not accurately reflect the effort it takes to earn \$1,000.

### Step 3: Determine What Items and Privileges the Money Will Buy

Money has value because it can be used to purchase scarce goods and services. *Likewise, in the classroom mini-economy, students must be able to use their play money to purchase goods and services that they truly value.* If this is not the case, the students will lose interest in earning the play money and the mini-economy will not function effectively.

 **What Do Students Want to Buy?** The things that students value in a typical classroom can be grouped into two basic categories: *tangible items* and *class privileges*. Some examples are listed below. These lists are not at all exhaustive, and teachers will discover many other items and privileges that their students will want to buy.

#### *Tangible Items*

- \* Lost and found items
- \* Stamps and coins
- \* Candy
- \* Plants
- \* Used clothing, books, and athletic equipment
- \* Used CDs
- \* Posters
- \* Plastic jewelry
- \* Baseball and football cards
- \* Pens, pencils, erasers
- \* Other school supplies
- \* Small cars
- \* Small desk calendars
- \* Pennants
- \* Free books from student book clubs
- \* Combs

#### *Class Privileges*

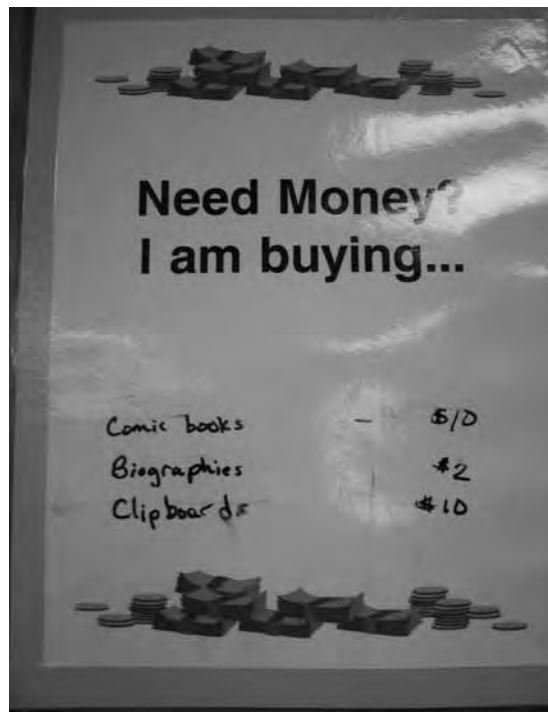
- \* Line leader
- \* Class messenger
- \* Library passes
- \* Extra recess period
- \* Cleaning the chalkboards
- \* Choosing recess activities
- \* Time on the computer
- \* Writing on the chalkboards
- \* Helping the school secretary
- \* Buy back a “no name” paper
- \* Using the class ball at recess
- \* A soda in the class after recess
- \* Lunch at a restaurant with the teacher
- \* Grading homework assignments
- \* Supper at the teacher’s home
- \* Making bulletin boards
- \* Being kickball or softball captain
- \* Moving desk within classroom
- \* Taking attendance

Although some of the class privileges (especially lunch with the teacher) will remain popular throughout the school year, students often like the tangible items best. As the school year progresses, several of the more mundane “privileges” (passing out papers, cleaning the boards, etc.) may become less attractive to the students. If this happens, make these privileges classroom jobs and pay the students for doing them. Enough other privileges and tangible items of value will still remain.



**☞ How Do I Collect Items to Sell?** Since it is true that one child's junk is another child's treasure, encourage students to bring unwanted items from home. One teacher operated a "swap shop" before school. He always traded *one* of his items for *two* of the items brought by the students, ensuring that he always had an adequate inventory of items to sell in his auction! (Why not let a paid student operate the swap shop?) Items also can be acquired inexpensively at summer garage sales or flea markets. Teachers in your school building are another good source; their storage closets are full of interesting things!

Some mini-economy teachers solicit local businesses for items, which can be very successful. You can collect some rather impressive and valuable items. Teachers who have a large end-of-the-year store or auction often use this method. In summary, it is neither difficult nor expensive to gather quite a collection of items that your students value. They will buy just about anything!



## Step 4: Determine How to Distribute Items and Privileges

There are two basic ways to distribute items and class privileges: **class auctions** and **class stores**. One is not necessarily better than the other, and some teachers use both in their mini-economies.

☞ **Class Auctions:** Auctions are effective and very motivating. As in a regular auction, students bid to determine who gets the offered items and privileges. An interesting possibility is to invite an auctioneer to conduct some of the class auctions. This generates much excitement and adds an element of realism to the auction. The auctioneer also can explain some of the intricacies of a real auction. Teachers have found this approach very successful.

Since an auction can sometimes become rather hectic, these tips should be helpful:

- ▶ ***Display the Items/Privileges Before the Auction Takes Place.*** This allows the students to examine carefully what will be offered for sale and lets them plan accordingly.
- ▶ ***Let Students Help.*** During an auction, it is necessary to record the prices of items sold and to collect payments. Student helpers (possibly paid) should assume these responsibilities, freeing the teacher to concentrate on the actual bidding and to keep reasonable order. A simple auction slip (Appendix A) helps avoid confusion by providing a record of what actually took place during the auction.
- ▶ ***Establish Auction Rules.*** Some specific rules are necessary in an auction. These will vary from teacher to teacher. Some teachers require students to state their bids out loud. Although it can become rather noisy, this forces students to commit themselves to a bid, instead of indecisively raising and then lowering their hands at the last minute. Require students to bid in dollar increments, which helps avoid time-consuming bidding wars.
- ▶ ***Don't Hold Auctions Too Frequently.*** The frequency of the auctions is up to the teacher. Bi-weekly or monthly auctions are usually satisfactory, although some teachers prefer only two or three auctions during the entire semester. Younger students will need to have auctions more frequently.

Some teachers enjoy using “silent auctions.” Students meander through the auction room, examining the various items up for sale. Students “bid” on certain items by indicating on a fixed piece of paper next to each item how much they are willing to pay. Students can outbid their classmates by recording a *higher* price on the paper. After a specified time, the auction is over. Those students who recorded the highest prices must purchase the items.



👉 **Class Stores:** This is another effective way to distribute items and privileges. Students can buy necessities, such as pencils, pens, and paper, or many other items and privileges. Some teachers operate a daily store, which is usually open before school or at the end of the day. Others have special “store times” for students to shop.

📎 **Setting Prices:** Unlike the class auction, it will be necessary to set prices for store items. Students should be involved in this. They can make suggestions or even make the pricing decisions themselves. This provides an excellent opportunity to discuss supply, demand, and prices. Students enjoy the challenge of finding the “right” price. (If the price is too high, students will discover there is a surplus of items; if the price is too low, there will be a shortage.) It is better to err on the high side when setting initial prices. If prices are too low, students will purchase all of the store items much too quickly! You can always lower prices later.

To help determine the “right price,” your students may wish to conduct a market survey. Students can ask potential customers how many items they would be willing to purchase at various prices. Market survey forms can be found in the Indiana Department of Education’s publication, *Economics and Entrepreneurship: Operating a Classroom Business*.

📎 **Student Operated Stores:** Small groups of students may want to operate their own stores, selling goods or services that they have produced in their own classroom businesses. This is a great idea since it encourages student creativity, provides many opportunities for teaching economics, and takes the pressure off the teacher to collect items for the store. Various possibilities for these types of classroom businesses are listed under Step 2 above and are discussed in more detail in Chapter 4.

## Step 5: Do It!

The four steps described above provide enough information to start a mini-economy. The last step is simple — do it! However, take this one important word of advice: **don't do too much too quickly**. It simply isn't necessary. Start by announcing to the class that you're going to help them become better citizens and workers by paying them for various behaviors and/or jobs. Discuss or list various possibilities and how much each is worth. (Display a large wad of money during this discussion!) The room will soon be buzzing with excitement, and before long, someone will ask the next logical question, "But what can we buy with our money?" Now is the time to explain the class auction or store. Display some of items that will be sold, and explain the various class privileges that will be offered.

At this point, the students will be highly motivated and will want to start earning money immediately. Lay out any other desired guidelines and begin.

*Start simply and then expand gradually at a pace that is manageable for you and your students.* A class bank with checking and/or savings accounts and bank employees is a natural second step. Insurance, real estate, a postal system, and other businesses may follow. These aspects of an expanded mini-economy are explained in more detail in the next chapter.

## Other Considerations

👉 **Working Together:** Encourage another teacher in the building to start a mini-economy. This allows the sharing of creative ideas and the discussion of successes and failures. Also, working together allows teachers to share worksheets and forms that are common to both mini-economies.

It is helpful to keep in touch with teachers in other school corporations who are doing mini-economies. One interesting way of doing this is to encourage the students to be pen pals. They will enjoy sharing ideas and mini-economy experiences with each other while sharpening their letter writing skills.

👉 **Learning More About Economics:** For various reasons, introductory economics is a subject many teachers avoid during college. Naturally, they tend to feel inadequate about their economics knowledge. Even so, a weak or non-existent economics background need not hinder you from initiating a mini-economy since the basic economics concepts are not especially difficult. Some simple independent study should begin with Chapter Two of this publication — "What Economics is About." Then examine Chapter 4, which explains how to integrate economics instruction into your mini-economy.

👉 **Summer Economic Education Workshops:** Another excellent way to increase your confidence in economics is to attend a summer workshop for teachers at a local university. The workshops will give you the opportunity to learn basic economics and discover creative ways to teach economics to your students. You will also have the opportunity to meet colleagues who are

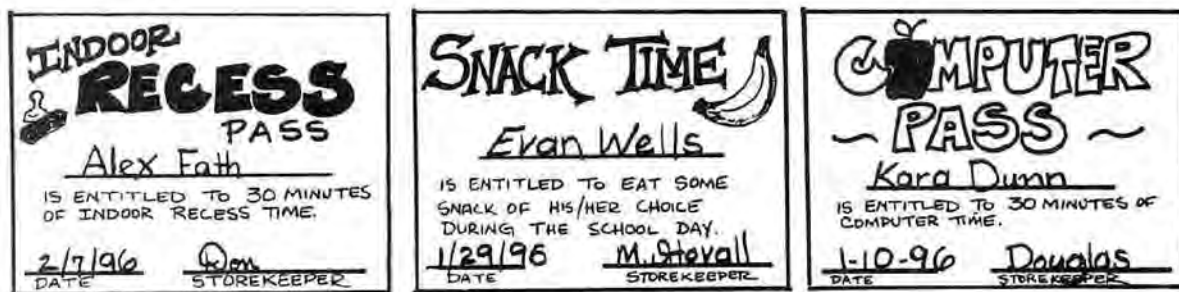
interested in economics as part of their social studies curriculum. In Indiana, these workshops provide two or three hours of academic credit, and the tuition costs are usually covered by the Indiana Council for Economic Education (ICEE). For further information see [www.econed-in.org](http://www.econed-in.org)

**☞ Parent and Community Support:** Parents are strong supporters of the mini-economy program. They are understandably impressed when talk at the evening meal revolves around subjects “they didn’t learn about until high school.” It is very common for parents to encourage the expansion of the mini-economy program to other grades.

The generous support for the mini-economy from the local community is also encouraging. Business people are eager to visit classrooms and will often provide teaching materials and supplies. Representatives from labor and agriculture are also very willing to provide their expertise and help. Some teachers have asked carpenters to help the class build simple mini-economy structures, such as a store and bank.

**☞ Summary:** The mini-economy is a dynamic and effective form of instruction which can be integrated easily into the curriculum. True, it will require some extra work on your part, especially at the beginning. But after the economy is up and running, you will be surprised how smoothly it operates and how minimal the extra work is, especially if you give enough responsibility to the students.

The mini-economy is a challenge, but a truly rewarding one for both teachers and students. It is a unique and effective form of instruction which not only teaches basic economic concepts, but also encourages a more integrated curriculum.



# Mini-Economy Tips



1. Begin slowly, then progressively add new elements. Don't try to do too much too quickly.
2. The classroom money must mean something to your students. They must be able to purchase items or privileges they truly value.
3. Have high expectations of honesty. Specify clearly the consequences of cheating or theft.
4. Keep parents informed. Parents are almost always supportive and helpful.
5. Encourage other teachers in your school to implement mini-economies.
6. Develop ways for all types of learners to earn money and to be successful.
7. Use your mini-economy to integrate your curriculum.
8. Make aspects of the mini-economy as close as possible to real life.
9. Give students responsibility within the mini-economy. Believe in their ability to handle many administrative details.
10. Use your mini-economy primarily as a curriculum tool, not a classroom management tool.
11. Use community resources as much as possible.
12. Contact local newspapers and other media sources to generate positive publicity about your mini-economy activities.