

# Table of Contents

<b>Foreword</b> .....	<b>1</b>
<b>Introduction</b> .....	<b>3</b>
<b>Chapter One</b> .....	<b>3</b>
Teaching Economics With Project Based Learning .....	8
<b>Chapter Two</b> .....	<b>8</b>
Teaching Strategies for <i>Project Based Economics</i> .....	10
<b>Chapter Three:</b>	
<b>Sample lesson—Make More Money?</b> .....	<b>16</b>
Letter From AJ .....	<b>22</b>
Guidelines for Conducting the Interview and Playing the Role of “AJ” .....	<b>23</b>
Median Earnings for Full-time, Year-Round Workers .....	<b>24</b>
<b>Chapter Four: <i>The Invisible Hand</i></b> .....	<b>25</b>
Purpose and Overview.....	<b>25</b>
<b>Daily Directions</b> .....	<b>28</b>
Teaching <i>The Invisible Hand</i> .....	<b>28</b>
Step-by-Step Teaching Guide.....	<b>31</b>
<b>Teacher Materials</b> .....	<b>54</b>
<b>Economics Review</b> .....	<b>54</b>
Unfettered Markets: An Intuitive Approach .....	<b>54</b>
Price Controls: Price Ceilings and Floors .....	<b>57</b>
Markets: A User-Friendly Guide.....	<b>59</b>

# ● Table of Contents ●

General Characteristics of Firms in Each Type of Market.....	60
Competition and Free Markets .....	66
Markets With Price Controls: Case Studies.....	67
<b>Concept Definitions .....</b>	<b>71</b>
<b>Assessment Tools .....</b>	<b>73</b>
Rubrics .....	73
Test for <i>The Invisible Hand</i> Answer Key.....	77
<b>Student Materials.....</b>	<b>82</b>
Transcript of Voicemail From Les Singer .....	82
Transcripts of Voicemail Messages.....	83
Point Allocation Chart .....	86
Memo From Les Singer and Op-Ed Piece .....	87
Transcript of Final Voicemail From Les Singer .....	89
Test for <i>The Invisible Hand</i> .....	90
<b>Teacher Feedback Form.....</b>	<b>96</b>
<b>Release Form for Photographic Images .....</b>	<b>97</b>

## Foreword

Students learn more when they care about what they are learning. Students understand concepts better if they see how these concepts apply to the world outside of school. Students retain information longer if they are actively engaged in discussion and demonstration of what they are learning.

These are hardly new ideas, but too much of what happens in American classrooms does not meet this ideal. *Project Based Economics (PBE)* is built upon these principles. It addresses the concepts and content defined by the *Voluntary National Content Standards in Economics*, but does it in such a way that this material becomes meaningful and involving to students. *PBE* reverses the traditional method of “teach the concepts first, then give students the opportunity to apply them.” Instead, *PBE* places students in an interesting scenario with an open-ended problem to solve and asks them to arrive at a justifiable solution using economic concepts. The project thus “pulls” students through the content. The teacher’s role is to clarify, facilitate, and guide, rather than “push” unmotivated students toward the learning objectives.

Additionally, the *PBE* methodology helps teachers build valuable interdisciplinary “21st-century skills” including collaboration, critical thinking/problem solving, and making a presentation. We have found that *PBE* works well for diverse students in a variety of school settings. Research comparing students’ economic knowledge gained from *PBE* versus that gained by students who received traditional instruction has demonstrated that the *PBE* students learn more, and that this difference is statistically significant.

These units were developed collaboratively by the Buck Institute for Education, and the HIRE Center, California State University–East Bay. They have been pilot-tested and critiqued by a group of energetic and insightful teachers throughout California. Although too many teachers have been involved in the development of these units to thank each teacher by name, we are extremely grateful for their time, insight, and contributions to making these units successful. In addition, there have been a number of university professors, staff developers, and school district staff who have contributed to unit development. We have benefited from their observations and suggestions, and offer a collective “Thank you!”

Please visit the Interact website ([www.teachinteract.com](http://www.teachinteract.com)) to find out about professional development offerings and conference presentations.

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# The Invisible Hand

## Chapter Four

### Purpose and Overview

#### Time required

5–6 class periods

5–6 class periods

#### Project scenario

In a market economy, market forces set a price at which consumers are willing and able to purchase all the goods they want and producers are able to sell all they want. When a government sets a price below the market-determined price (i.e., sets a price ceiling), shortages occur and create nonprice distributional mechanisms such as black markets and waiting in queues. To explore how benefits and costs arise with all methods of allocating goods and services, students are presented with the following problem-solving scenario in this project:

*U.S. Department of Energy Secretary Les Singer asks his policy group for help in planning how to implement legislation on gasoline price controls that was passed by Congress. He asks the policy group to start the process by trying to decide which consumers should be given high, medium, or low priority when gasoline is allocated. The group listens to messages from consumers who are concerned that shortages may occur with price controls and explain why they need gasoline. The situation soon is complicated when a critical op-ed piece appears in a petroleum industry newsletter and reporters start asking questions about possible negative effects of price controls. Secretary Singer, realizing he doesn't know enough about economics to respond to these concerns, asks his policy group to write a memo to him explaining why price controls might cause problems in a free market system. Finally, he asks the policy group to write an op-ed piece announcing the Energy Department's plan for implementing price controls.*

#### Concepts to be learned

To successfully resolve the problem and complete the products required in this project, students need to understand and be able to apply the following economic concepts:

- Black market
- Demand
- Equilibrium price
- Equilibrium quantity
- Market
- Market economy
- Nonprice rationing
- Opportunity cost
- Price
- Price ceiling
- Price control
- Scarcity
- Shortage
- Supply
- Tradeoff
- Unfettered market

Although an understanding of the following economic concepts is not essential to complete project tasks, teachers can use the unit to explain additional economic concepts including:

- Command economy
- Price floor
- Surplus

## NCEE content standards addressed

*The Invisible Hand* addresses the following *Voluntary National Content Standards in Economics* codified by The National Council on Economic Education, in partnership with the National Association of Economic Educators and the Foundation for Teaching Economics. For more information see [www.councilforeconed.org/resource/voluntary-national-content-standards-in-economics](http://www.councilforeconed.org/resource/voluntary-national-content-standards-in-economics).

Standard #	Economic Concept
1	Scarcity
2	Opportunity cost
3	Market systems (allocation of goods and services)
4	Economic incentives
7	Market economies
8	Supply and demand

*The Invisible Hand* can also be used to teach the following standards:

5	Free trade and voluntary exchange
9	Effects of competition

## ● Teaching *The Invisible Hand* ●

### Sequence of the unit

Like the other BIE *Project Based Economics* units, students complete *The Invisible Hand* by following a standard set of activities in a proscribed order. But within these activities, there will be variation in the timing and in the way students complete them.

The sequence of instructional activities is described below. This sequence is logical, and is based upon extensive pilot testing in high school economics classrooms. It is also informed by research into effective instruction. Although changes may be necessary to meet time constraints, address the needs of specific student populations, or include additional instructional materials and learning opportunities, we strongly encourage teachers to adhere to the sequence of activities as closely as possible—at least during the first several times *The Invisible Hand* is taught. Each instructional activity is discussed in more detail in the following section, the **Step-by-Step Teaching Guide**.

### **Pre-project planning**

0. **Prepare** for successful project implementation.

### **Launching the project**

1. Students listen to the **voicemail from Secretary Singer**, read the transcript, and discuss it as a whole class.

### **Framing the inquiry**

2. Students develop the **initial “Know” list** with you (whole-class discussion).
3. Students develop the **initial Driving Question** with you (whole-class discussion).
4. Students develop the **initial “Need-to-Know” list** with you (whole-class discussion).

### **Problem-solving and learning activities**

5. Provide (optional) **Clarifying Lesson #1** on *market economies*.
6. Students individually write **first Project Log entry**.
7. **Review individual Project Log entries** to assess understanding of economic concepts.
8. Students listen to and discuss the **voicemail messages** forwarded from Secretary Singer (whole-class discussion).



9. Students **revise the Know/Need-to-Know list** with you (whole-class discussion).
10. Students use worksheet to **allocate points** to decide who should get gasoline (in pairs/threes) and discuss results as a whole class.
11. Provide **Clarifying Lesson #2** on *black markets*.
12. Students individually write **second Project Log entry**
13. **Review individual Project Log entries** to assess understanding of economic concepts.
14. Students read the **memo and Op-Ed piece** and discuss it as a whole class.
15. Students **revise the Driving Question** with you (whole-class discussion).
16. Students **revise the Know/Need-to-Know List** with you (whole-class discussion).
17. Provide **Clarifying Lesson #3** on *demand and supply*.
18. Students individually write **third Project Log entry**.
19. **Review individual Project Log entries** to assess understanding of economic concepts.
20. Students write **memo on markets**, in small groups, in pairs, or individually.
21. Use the supplied rubric to **assess memos** on markets.
22. Students listen to **final voicemail** from Secretary Singer and discuss it as a whole class.
23. Students **finalize the Driving Question** with you (whole-class discussion).
24. Students **revise the Know/Need-to-Know List** with you (whole-class discussion).
25. Provide **Clarifying Lesson #4** on *price controls and market prices*.
26. Students individually write **fourth Project Log entry**.
27. **Review individual Project Log entries** to assess understanding of economic concepts.
28. **Share supplied rubric with students** to guide their work.
29. Students review the **final Know/Need-to-Know List** with you (whole-class discussion).

### ***Presentation, assessment, and debrief***

- 30.** Students **discuss policy on price controls** in small groups.
- 31.** Students **write Op-Ed pieces** in small groups, pairs, or individually.
- 32.** Students **report on and compare Op-Ed pieces** (whole-class discussion).
- 33.** Use the supplied rubric to **assess Op-Ed pieces**.
- 34.** Conduct a **debrief to clarify and consolidate** students' understanding of key economic concepts (as necessary).
- 35.** Manage **student reflection** on the 21st-century skills practiced, and the process of learning in PBL.
- 36.** Use the supplied **multiple-choice test** to assess individual students' knowledge of key economic concepts.
- 37.** Make **notes on adjustments to the unit** to improve student learning for the next time the unit is taught.

## Step-by-Step Teaching Guide

Each of the above instructional activities is discussed in more depth below, with tips for successful classroom implementation.

### Pre-project planning

#### 0. Prepare for successful project implementation.

There are a number of issues that must be considered before embarking on a project with students. These include:

- How much time will be devoted to the project?
- What economics content resources need to be prepared in advance (textbooks, articles, websites, etc.)?
- Do all students have the skills they need to tackle the project—including basic literacy skills as well as the ability to work in teams, make presentations, and conduct research? If not, is it necessary to pre-teach some of these skills, make sure students who need it have adequate support, or deal with these challenges in other ways?
- How will student groups be formed? (*See comments in Chapter Two.*)
- How will groups report on their progress and be held accountable? Do report forms or other tools need to be developed?
- Is it necessary to arrange access to the library/media center or computer lab?
- Do parents or administrators need to be informed about the process of Project Based Learning and be assured that time spent on the project is focused on standards-specific learning goals?

In addition to considering the above issues, be sure student handouts and clarifying lesson/mini-lecture materials are ready—or at least underway.

Finally, **decide if the culminating product will be done as a small group, in pairs, or individually.** This will affect how you present the task to students, use time, and assess their learning. Students are asked to write an Op-Ed piece—a relatively short persuasive essay. Although the scenario places students in the role of members of a Policy Group, you may ask them to discuss it first, then write in pairs or individually if you wish.

**Important Note About Audio/Visual Materials:** This unit features voicemail messages as part of the scenario. You may find these recordings on the accompanying CD-ROM. As an acceptable alternative, you and/or students may simply do a “dramatic reading” of the voicemail messages using the transcript provided in the ***Student Materials***.



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**Note About Audio/  
Visual Materials:**

This unit features voicemail messages as part of the scenario. You may find these recordings on the accompanying CD-ROM. As an acceptable alternative, you and/or students may simply do a “dramatic reading” of the voicemail messages using the transcript provided in the ***Student Materials***.

## Step-by-Step Teaching Guide

### Launching the project

#### 1. Students listen to the voicemail from Les Singer and/or read the transcript, and discuss it as a whole class.

The voicemail message is two minutes long and contains several important details. In order to more carefully analyze this message, students should also follow along with the transcript. As an alternative to playing the audio recording, you or students may do a “dramatic reading” of the transcript.

*An audio recording of the voicemail messages is included on the accompanying CD-ROM.*

*A transcript of the voicemail from Secretary Singer may be found in the **Student Materials**.*

The transcript could be projected so it can be read by the whole class. Alternatively, copies of the transcript could be duplicated and given to students.

#### Potential Hurdle

It is essential that the entire class be able to read and comprehend the text. If necessary, employ regular literacy-building strategies.



**Potential Hurdle:** Because this memo sets up the scenario and the problem to be solved, it is essential that the entire class be able to read and comprehend the text. If necessary, employ the same literacy-building strategies you would normally use for this kind of reading material.

**Synopsis of voicemail:** The two-minute message identifies the students' role, tells them that price controls on gasoline have just been legislated, and requests that they rank various groups in American society according to how important it is that they receive gasoline. The message seeds the idea that setting the price of gasoline may not be easy because the controls could result in shortages. It promises students two more resources: a sampling of phone calls from consumer groups wanting gasoline, and a worksheet to help prioritize groups.

#### Economics Content Note

Do not at this point explain to students the meaning of the economic terms in the memo. They will do this for themselves once they begin working to solve the problem.



**Economics Content Note:** The voicemail message contains a number of economic terms, such as distributional concerns, price control, price ceiling, and so on. This is intentional. It is assumed that students will either not understand these terms or have misconceptions regarding their meanings. **Do not**, at this point, explain to students the meaning of these terms. Tell students they should put these terms on the list of what they “need to know” to solve the problem. Figuring out the meaning of economic terms is something students should, as much as possible, do for themselves (with your monitoring and guidance) once they begin working to solve the problem.