Consumer Goods Game

This can be used either as a closing game at the end of scarcity and choice (it has links to marginal utility theory and demand, so sets the scene) or as the first thing students do in Economics.

Resources:

Economic resource link.

Goal:

To reinforce the idea of opportunity cost, factors of production, shifts in PPFs and the idea of scarcity.

If you don't wish to use the computer game then the same activity can be replicated in the classroom by following these instructions:

Students are given two sets of resources (pieces of lego work well); workers and machines. They can use these resources to make either more machines (capital goods) or consumer goods. Consumer goods make the population happy (at a diminishing rate). Capital goods allow future production to expand. Therefore (although they don't realise this) students are making a decision between current and future satisfaction.

Students should be broken into small groups (3–4 works well) and told that they are in charge of the economy and that their goal is to maximise the happiness of their population over a ten year period. Explain that each year you will record the happiness that they are generating and add it up at the end (you can do this on the whiteboard at the front).

Give them the instructions to look through and then check understanding. Explain that they will have 5 minutes to make their first year's decision and then 1 minute for each year after that.

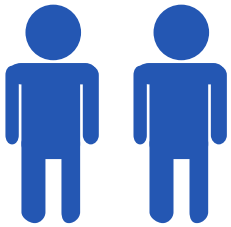
The production game

All economies have three key factors of production – land, labour (workers) and capital (machines). These can be combined to make goods and services that the citizens of the economy wish to consume. Below you are given details on a fictional economy. For simplicity, there is assumed to be as much land as is necessary. Capital and labour are, however, limited. Your job is as a planner – your aim is to make your people as happy as possible over a ten year period.

Your economy can make two types of products:

1) **Consumer goods** (like TVs and CD players). These make your citizens happy.
2) **Capital goods** (machines and robots). These do not make your citizens happy, but help you to make more consumer goods in the future.

Each consumer good requires either 2 workers or 1 machine (capital good).



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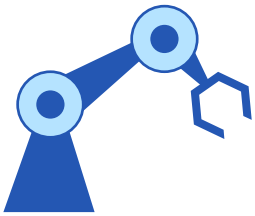
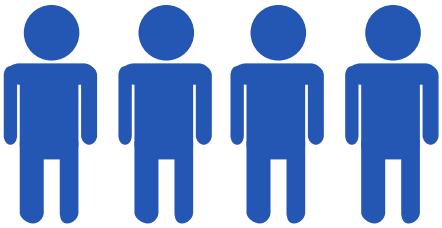


Each capital good requires 4 workers or 2 machines or 2 workers and 1 machine.



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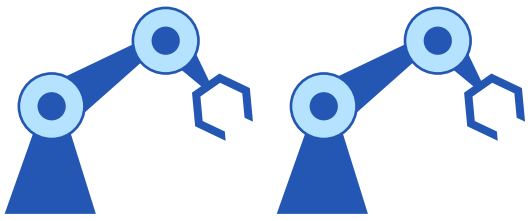

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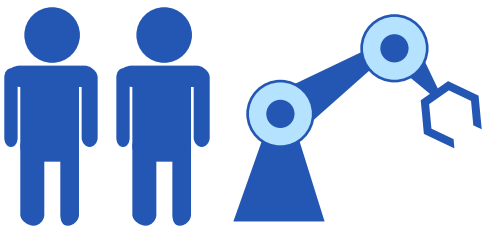

Chart 1 shows how happy your citizens will be from a certain number of **consumer goods** produced in a year.

Consumer goods produced this year	Happiness (also known as utility)
1	20
2	39
3	57
4	74
5	90
6	105
7	119
8	132
9	144
10	155
11	165
12	174
13	182
14	189
15	195
16	200
17	204
18	207
19	209
20	210

To start with, your economy has unlimited land, but only 4 workers and 4 machines.

Each year, your population will grow by 1 worker, but 1 machine will break down.

So, if you make no machines in year 1, at the start of year 2, instead of having 4 workers and 4 machines, you will have 5 workers but only 3 machines (because of the broken one). You can of course make more machines, but making machines means you will be able to make fewer consumer goods, and consumer goods are what make your citizens happy...

After the game:

Once the winner has been determined, each group can present what their team's strategy was. Generally one team will have emphasised short term gratification and one will have gone for Stalinesque capital goods production, which allows you to bring out the key learning themes.

If you are using it as an end of topic 'wrap up' then you can get them to illustrate their decisions using PPFs. If it's the first lesson, then you can talk a bit about how resources create growth and so on.

A potentially useful tool to bring up at this stage is this analysis of capital expenditure as a proportion of GDP:

Go to resource.

Again you could get students to plot where the countries are on their own PPFs in terms of their own distribution of resources between capital and consumer goods.