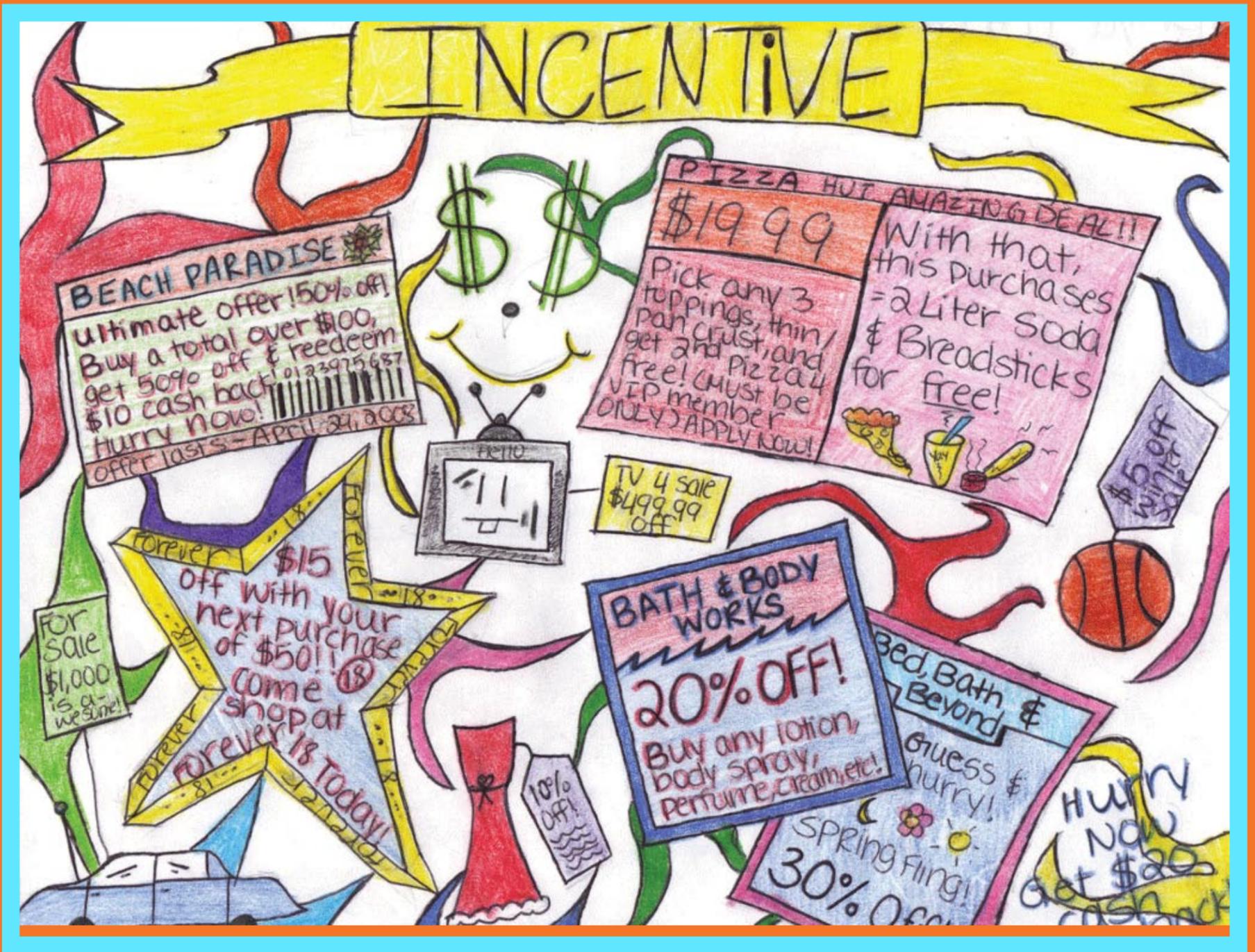


# Incentives



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## INCENTIVES

A benefit offered to encourage or discourage people to behave in a certain way. Incentives can be in the form of money (an allowance, a bonus) or in something intangible (extra recess time or a day off).

## INCENTIVES

### Definition/Background

Economic incentives are the additional rewards or penalties people receive from engaging in more or less of a particular activity. People respond predictably to positive and negative incentives. Prices, wages, profits, subsidies, and taxes are common economic incentives, but incentives can be non-monetary as well. Subsidizing an activity usually leads to more of it being provided; taxing or penalizing an activity usually leads to less of it being provided. People's views of rewards and penalties differ because people have different values. Therefore, an incentive can influence different individuals in different ways.

### Teaching Ideas

1. Discuss with the students the fact that incentives can be both positive and negative. Ask them to talk about the positive and negative aspects of getting good grades, eating healthy food and recycling paper.
2. Give each student an index card and ask them to record examples of the following economic concepts they observe throughout the day: Choice, Opportunity cost, Trade and Specialization (C.O.T.S.). Offer an incentive as a reward to the students with the longest list.
3. Ask students to make a list of three things they do each day because of a positive incentive and three things they do not do because of a negative incentive. Discuss their choices.
4. Create a list of the various incentives a fast food franchise might use to get customers to come into their business.
5. What if the myth "there's a pot of gold at the end of every rainbow" was true? Write a news story about the expected benefits, or positive incentives, of finding the end of a rainbow.

### Lessons & Resources

#### Print Lessons

**Financial Fitness for Life: Grades K-2**, Lesson 11: Ads Make Us Spend (elementary)

**Economics and the Environment: EcoDetectives**, Lesson 4: The Environment: Who Loves Ya, Baby? (middle)

**Choices and Changes: Grades 7-8**, Lesson 13: What Influences My Choices? (middle)

#### Online Lessons

**What Are Incentives?** (elementary)

<http://www.econedlink.org/lessons/index.cfm?lesson=EM379&page=teacher>

**The Economics of Voting** (middle)

[http://www.ncee.net/resources/lessons/capstone\\_lesson28.pdf](http://www.ncee.net/resources/lessons/capstone_lesson28.pdf)

#### Literature

- **To The Big Top** by Jill Esbaum. Farrar Straus Giroux, 2008. Benny and Sam's **incentive** to see the circus leads to an exciting day working to help set up the tent. (The year is 1900 and they get a nickel for all their hard work!) [Grades K-3]
- **Lionboy** by Zizou Corder. Puffin Books, 2004. In the not so distant future, Charlie's brilliant parents discover a cure for asthma and are then kidnapped by The Corporacy who has a great **incentive** to keep sick people dependent on their medications. [Grades 4-7]

## VIRGINIA COUNCIL ON ECONOMIC EDUCATION

VCEE is a nonprofit organization providing Virginia's K-12 teachers with professional development, quality curriculum and other resources to promote economic and financial education. Visit [www.vcee.org](http://www.vcee.org) or contact VCEE or one of its affiliated centers to learn about specific opportunities.

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Contact one of our economic education specialists or go to [www.richmondfed.org/educational\\_info](http://www.richmondfed.org/educational_info) for resources on teaching economics and the Federal Reserve System. Among these free and easy to use resources you'll find lesson plans, workshop information and publications.

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The **Virginia Council on Economic Education**, in cooperation with the **Federal Reserve Bank of Richmond**, is pleased to provide this poster featuring a winning entry from the **2007-2008 Color the Economic Concepts Contest**.

**Teachers in Grades K-8:** Give your students the opportunity to illustrate their knowledge of economic concepts in a creative and fun way. They may be selected for a poster next year! Winning students also receive a \$50 U.S. Savings Bond.

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