



# INCENTIVES

Incentives are rewards or penalties that encourage or discourage people's behavior.

## 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. Incentives can be in the form of money (an allowance, a bonus) or in something intangible (extra recess time or a day off). Prices, wages, profits, subsidies, and taxes are common economic incentives. 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. 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.
2. Bring in store sales inserts from local newspapers. Ask the students to create a collage that displays the various incentives businesses use to get consumers to shop in their stores.
3. 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.

### 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

- **Henry's Freedom Box** by Ellen Levine. Scholastic Press, 2007. The true story of Henry Brown whose incentive to escape slavery was so strong that he had himself mailed to freedom in a crate. [Grades 1-4]
- **The Mysterious Benedict Society** by Trent Lee Stewart. Little, Brown, 2007. A team of four children have different incentives for infiltrating the Learning Institute for the Very Enlightened to discover the purpose behind sinister subliminal messages. [Grades 4-5]
- **Surviving the Applewhites** by Stephanie S. Tolan. HarperCollins, 2002. Juvenile delinquent wannabe Jake Samples becomes a reluctant student at the Creative Academy, run by the eccentric Applewhite family where each member has a different incentive to achieve a personal goal. [Grades 5-8]

## 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 for economic education to learn about specific opportunities.

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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 **2008-2009 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.

**Entries must be received by April 30, 2010.** See [www.vcee.org](http://www.vcee.org) for more details.

For more resources on teaching economics and the Federal Reserve System go to [www.richmondfed.org/educational\\_info](http://www.richmondfed.org/educational_info). Among these free and easy to use resources you'll find lesson plans, workshop information and publications.

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