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# Incentives

Incentives are rewards or penalties that encourage or discourage behavior.

# INCENTIVES

## Definition/Background

Economic incentives are the additional rewards or penalties that encourage people to engage 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 tradeoffs 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]
- **Noah Webster: Weaver of Words** by Pegi Deitz Shea. Calkins Creek, 2009. Noah Webster's goal is to help a young nation have common language; his incentive is universal education. [Grades 3-5]
- **Swindle** by Gordon Korman. Scholastic, 2008. When sixth grader Griffin Bing tries to help his family with a financial problem he learns the George Herman Ruth baseball card he sold for \$120.00 is worth a great deal more. [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 for economic education to learn about specific opportunities.

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