

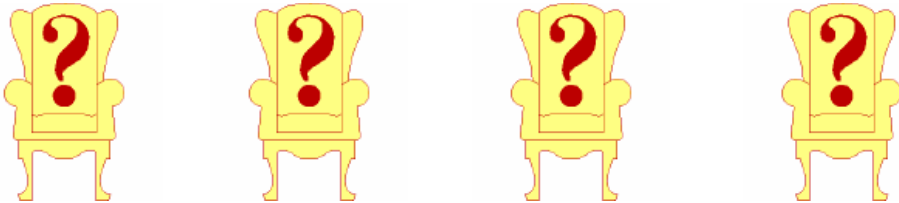


Scarcity

English Auction

❖ Let's rearrange the seats by using the **'English auction'**, it means that **'the person offers the highest bid is awarded'**.

❖ If your offer price is the highest for a seat, you will get it and sit there for the rest of the economics classes afterward.



- T: Class, are you happy with the seat arrangement? I think some are but some are not. Let's rearrange the seats by using the 'English auction', it means that 'the person offers the highest bid is awarded' (價高者得).
- It is also a current practice for the land auction in Hong Kong.
- T: Now, assuming that I am the owner of the seats in this classroom.

Game Rules

- ❖ **The basic price for each seat is \$0.5. The minimum-offering price is \$0.5 for every bid.**
- ❖ **During the game, every student can make a bid. Those who offers the highest price for a seat can get it.**
- ❖ **Whenever you make a bid, please raise your paper plate.**
- ❖ **Once a student makes a successful bid, he or she should pay for the price as stated.**

- T: In the auction, you can identify which seat you are going to bid first.
- Whenever you make a bid, please raise your paper plate. (Before the auction, teacher will distribute each student a paper plate with a number written down. The simplest way is according to their class student number).

Game Rules

❖ **Each student can bid for more than one seat, **no upper limit** is set.**

❖ **Meanwhile, students can **transfer their seat(s)** to their classmates.**

❖ **At the end of the game, those who cannot get a seat will be arranged to the **'Settlement Area'**.**



- T: At the end of the game, for those students who cannot get a seat, will be arranged to the 'Settlement Area' (安置區). ('Settlement area' is the residual seats which nobody wants. It is unnecessary to tell the students where the 'Settlement area' is in advance.)
- Post the Sitting Plan (Fig. 1), the Record Sheet of auction (Table 1) and the Final Sitting Plan (Fig.2) on board.
- Start the auction. The first student who raises the paper plate can decide which seat he/she is going to bid. For each transaction, student's number and his/her offering price should be recorded in the Record Sheet (Table 1). The auction will continue until nobody want to bid for the seats.

Scarcity

❖ Scarcity

- ✓ **A situation in which the amount of resources is insufficient to satisfy all our wants.**



- Afterward, teacher introduces the concept of scarcity: although there are enough seats for all the students to sit in class, the good seats are scarce. For example, there is a keen competition for the seats under the fans. It demonstrates the concept of competition caused by scarcity.

Discussion



- ❖ Can you think of any way to **replace** the 'English Auction' to distribute the seats?
 - ✓ **First come first serve**
 - ✓ **Teacher assigned**
 - ✓ **Others...????**

- ❖ What are the **advantages** and **disadvantages** of each of the above method?

•Guide students to think about the issue of equity and efficiency.

Discussion

- ❖ **In the auction, did you want to bid for more than one seats?**
- ❖ **What did you give up when you bid for your most favorite seat?**



- Teacher introduces the concept of opportunity cost.

Opportunity cost



❖ Opportunity cost

- ✓ The **highest-valued option forgone**.
- ✓ Whenever we **choose one** among alternatives, opportunity cost exists.

Opportunity cost

Example

Preferences priority in Jordon:

1. Go to Computer Center for study

The opportunity

2. Karaoke with classmates



cost of going

3. See a movie with friends

4. Hiking with families

to Computer Center for study

Opportunity cost

❖ Because of **scarcity**, we need to make **choices**. In the process of choosing, we have **opportunity cost**. So, scarcity, choice & opportunity cost exist together.



Discussion

- ❖ **What would happen if the highest price were set below the market price (price ceiling)?**

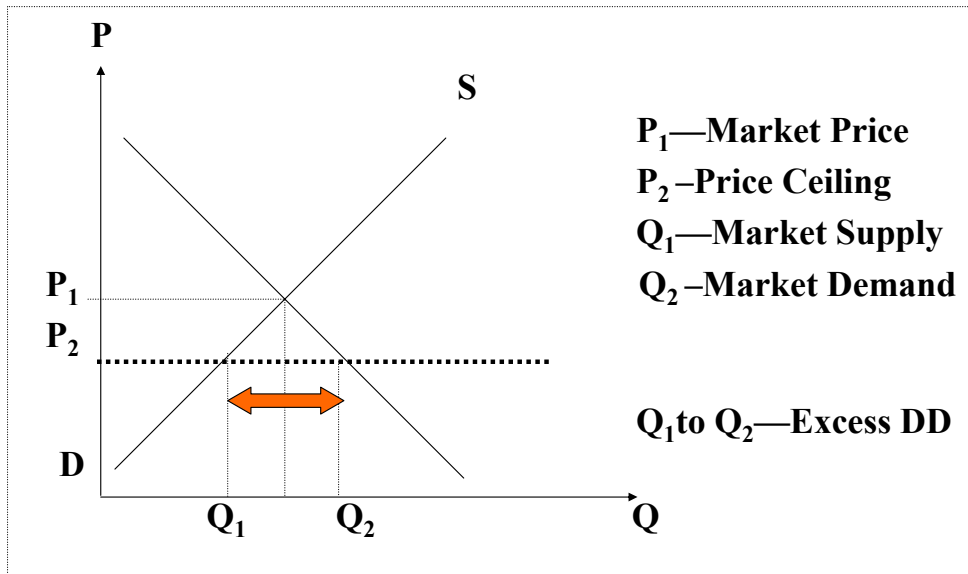


Price Ceiling

- ❖ The **maximum price set** by the government when she attempts to control the price of a certain good or service from rising too high for most consumers.



Price Ceiling



- Introduce price ceiling and its effect on market.

Discussion

❖ **If the seats have no owner, could they be distributed by auction? Why?**



Property Right

❖ **Define the rights & constraints between human**



- Introduce the importance of property right to market.

Discussion

❖ Is there any other ways to allocate the seats?

- ✓ **“First-come-first-served”?**
- ✓ **Or others?**



- Guide students to compare different allocation methods to see whether they are fair & efficient.
- Put the money gained from the auction into a class container and spend it according to the students' voting result.
- Ask students to make a vote about the use of the revenue obtained from the auction. The process demonstrates how the government distributes the public expenditure on different aspects. For instance, 1) evenly distributed; 2) tax return; 3) redistribution from rich to poor. Also, guide students to compare the different methods of allocation of resources in terms of equity and efficiency.