

APPENDIX

Name: _____

The Candy Game

Observe the candy game as it is played in class and write down the respective class totals:

Before Trade: _____

Group Trade: _____

Class Trade: _____

Answer the following questions with regard to the candy game you just played in class:

1. Suppose I banned the final round of trading so that members of one group would never have the opportunity to trade with anybody outside of their group. Do you think any group would have been made better off by this policy? What would have happened to the total value created for the entire class as compared to when there was no ban in place?
2. Suppose I allowed everyone to trade freely when trading with members of their own group in the second round but charged everybody a \$0.50 tax for each trade they made with a member from another group. What do you think would have happened to the total number of trades between members from different groups and what would have happened to the value created by the candy compared to when there was no such transaction fee put in place? Are there any benefits to anybody from this policy?
3. Suppose I imposed a tax on all trades so that each time a person made a trade, either with a member of their own group or a member of another group, that person would have to give me \$0.50. What do you think would have happened to the number of trades? What would have happened to the total value for the entire class compared to when there was no tax?
4. "Which do you think is a better system of economic organization, one without trade in which one person decides what piece of candy everyone will get, or one where people can trade for the candy that they want? Why?"

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