

Auction

This is a class exercise where participants learn firsthand how the increase in money supply impacts pricing. The intent is for participants to understand monetary inflation (not price inflation). In this activity we are using Monopoly money to represent the total supply of money in the economy. Explain to the students that in the real economy there are many forms of money: Physical currency, such as coins and paper bills. Checking accounts. Savings accounts. Money market accounts. Certificates of deposit. Give an overview of auctions and how they work. The most common type is where products go to the highest bidder. Give examples your students may have seen in shows or movies, (e.g., art or antique auctions, cattle, property, etc.) Finally, there are cool products to bid on, i.e., candy bars. Students who win the auctions using Monopoly money get real things!

ACTIVITY TYPE

Auction · Game

DURATION

30 min

PARTICIPATION

Whole class

MATERIALS

- 1x set of Monopoly money
- 3+ candy bars (or other rewards)
- White board or projector / screen
- Calculators for students

PREPARATION NOTES

Preparation time: 15 minutes.

Read through the steps in this guide a few times. The activity itself is straightforward, but the more familiar you are with the material (e.g., the difference between monetary inflation and price inflation), the more contextualized the information you can deliver in class will be. See the resources section for self-learning suggestions.

Class time: 30 minutes.

This activity has time between rounds. For example, it will take a few minutes to distribute the Monopoly bills.

This downtime is ideal for adding context verbally, like explaining how play money represents coins, paper currency, checking accounts, savings accounts and other forms of real money.

It only takes a few minutes to fill in the tracking table explained in detailed steps below. **The value of the activity comes from class discussions.** This drives the time needed. Plan for the discussion times between rounds to take 50% or more of the total activity time.

SETUP

To keep students engaged with minimal downtime, draw the example table below on a whiteboard before the activity. You can also build this on a spreadsheet and project on a screen.

Round	Money Supply	Winning Bid
1		
2		
3		

Separate the Monopoly bills by denomination. Then create three piles.

The first pile is for Round 1. This amount must be large enough that all students have some money when you distribute it. However, keep the total small enough to make counting as easy as possible. In each round, the class must add up the total amount in the “class economy.”

The second pile will be distributed to students after the completion of the first round.

The third pile will be added after the completion of the second round.

PROCEDURE

Step 1: Round 1

Pick up the first pile of Monopoly money and distribute varying amounts to students. If you have a large class, consider letting student volunteers help distribute. The goal is for all students to have some money but not the same amount.

Show the product they will be bidding on.

Start the bidding. Ask if anyone will bid 1 Monopoly Dollar. Everyone’s hand should go up. Then increase to 2 Monopoly Dollars, etc.

Students will realize that, since they have no other need for Monopoly money, that it’s best to just go all-in. This can drain the fun out of the activity quickly. Here are a couple of tips to keep the activity engaging for all students:

1. Let students know they can partner up. Two or more students can agree to pool their money and split the reward.
2. Remind students there are multiple rounds. If you use your Monopoly money up in the first round, you will be at a disadvantage in the following rounds.

Once the bidding has stopped, take the Monopoly money from the winning bidder and give him/her the candy bar.

Then update the table with the total money supply and the winning bid.

Round	Money Supply	Winning Bid
1	4,580	650
2		
3		

The “Money Supply” is the total amount of money in play in this round. This includes all students and the winning bid paid to you. Note the amounts show here are examples.

Remind students this is the “classroom economy”. Lead a discussion about how this represents a real academy.

Step 2: Round 2

Pick up the second pile of Monopoly money and distribute to all students like you did in Round 1.

Ensure the amounts distributed vary between students and between rounds. In other words, do not give the largest quantities to the same students who received the largest quantities in Round 1.

Exception: If you want to intentionally discuss the Cantillon Effect, you can adjust this activity by distributing more money to those closest to you. You are the central bank and the students closest to you are the largest commercial banks or other “too big to fail” companies.

Then update the tracking table and continue the class discussion. Ensure they see the the impact on the winning bid when the total money supply increased.

Round	Money Supply	Winning Bid
1	4,580	650
2	6,750	820
3		

Note the amounts shown here are examples. The amounts will change based on how much Monopoly money are used in class.

Step 3: Round 3

Pick up the third and last pile of Monopoly money and distribute to all. Repeat the auction process for the next candy bar.

Then update the tracking table and continue the class discussion. Ensure they see the the impact on the winning bid when the total money supply increased.

Round	Money Supply	Winning Bid
1	4,580	650
2	6,750	820
3	8,450	1,100

Note the amounts shown here are examples. The amounts will change based on how much Monopoly money are used in class.

Point out that the increase in the middle “Money Supply” column is called monetary inflation. The increase in the right “Winning Bid” column is called price inflation. **Monetary inflation leads to price inflation.**

KEY POINTS

1. Prices in a free market are set by individuals' subjective values (e.g., students bidding for items).
2. Remember that Inflation = increase in money supply. This is the concept behind the phrase "more money chasing the same goods".
3. Beware of misuse of the word "inflation". Monetary inflation is not the same as price inflation. News media and central planners prefer to use price inflation measures like consumer price inflation (CPI) because it can be manipulated.
4. When fiat money is created, it is not distributed evenly. It flows first to those closest to the money printer (e.g., big industry players). They can unfairly purchase assets before prices rise for everyone else.

DISCUSSION QUESTIONS

- How did the increase in the money supply affect winning bids for candy bars?
- What is the relationship between increasing money supply and price inflation?
- How is the money supply relevant in the real world?
- When new money is injected into the economy, what do you think will happen to the prices of good and services?
 - Do you think the changes in prices are temporary or permanent and why?
 - How do you think price changes affect citizens long-term?

NOTES

This activity is a participatory game. The more you invest in terms of effort and creativity, the more fun it will be ... and the more effective.

You do not need fancy vocabulary, complex models or college degrees to understand economics and how money really works.

ADDITIONAL RESOURCES

- [Video](#)

<https://www.whatstheproblem.org>

“What’s the Problem?” is a video produced by Joe Bryan. It covers more than just fractional reserve banking, which is one of many ways to create fiat money. This video explains the consequences.

- [Book](#)

<https://mises.org>

“What Has Government Done to Our Money?” by Murray Rothbard is a short but powerful book explaining how money really works. Rothbard has an easy-to-read style and uses common-sense frameworks making economic ideas simple to understand. The Mises Institute sends free copies.

- **A** • [Activity sheet \(designed handout\)](#)

<https://qr.myfirstbitcoin.org/auction.pdf>