Information for instructors:

Part II: DEMONSTRATE STEP

You can do the demonstrate step in many ways. If you prefer to give a lecture on total product, marginal product, and law of diminishing marginal returns, that is fine.

I do the demonstrate step with the following experiment:

The experiment is a version of the paper factory: Yandell, Dirk. *Using Economic Experiments in the Classroom*. Upper Saddle River, New Jersey: Prentice Hall, 1999

Needed: 2 pens (preferably two different colors), 8\*11 paper (I recycle all the paper I have in my office that has writing on one side), a desk of some kind for students to work.

Let students know there are fixed inputs of: 2 pens, paper (not technically since it is being used, but I emphasize there is plenty to use and we won’t run out), and desk

Variable Input: Labor

Total Product (Output): greeting cards

Show the students how to make a greeting card. Fold the paper in four – like a card. Decorate the front with a red heart or something like that and decorate the inside (where writing would normally be) with a blue or black box. Make sure the card is folded neatly and the folds are on the top. It also needs to open the way a card would.

Start with one person coming forward to make the cards. Record how many she/he produces. Then, have two students come forward (I always use two different students just to have more participation). Use a student in the class as the time keeper. It works best to use 1 or 1.5 minute increments.

On the board, record the quantity of labor used, total product and marginal product. Sometimes you have to fudge a bit, but it usually works that after four of five students, the marginal product begins to fall, after rising first. Students can articulate they needed more pens or more desk space.