



Incentives: The Usual Suspects | Lesson Plan

Why can good intentions sometimes lead to harmful or unexpected results?

Students will understand that incentives, even when created with good intentions, can fail to produce the desired results and often lead to unintended consequences.

Learning Objectives:

- Explain the difference between incentives and disincentives, and how each can influence behavior.
- Analyze examples from history to identify how incentives can lead to unintended consequences.
- Apply the concept of perverse incentives to real-world or hypothetical economic scenarios.
- Compare the role of incentives in a free market economy and a command economy.
- Summarize the main argument of the lesson that intentions do not guarantee positive outcomes.

Key Vocabulary:

- **Incentive:** Factors that motivate businesses or individuals to take specific actions, like rewards or penalties.
- **Disincentive:** A penalty or punishment that discourages people from doing something.
- **Perverse Incentive:** A reward that backfires and makes the problem worse.
- **Unintended Consequence:** An unexpected result of an action or policy, often the opposite of what was intended.
- **Command Economy:** An economy where the government controls production, prices, and supply of goods and services.
- **Economic Freedom:** The ability to use property, labor, and business resources without government interference.

Educational Standards: CCRA.R.7, CCRA.R.10, CCRA.W.2, CCRA.W.4, CCRA.W.7, CCRA.SL.1, CCRA.SL.2, CCRA.L.6

Academic Subject Areas: Economics, Government, History

What You'll Need

- Video: *Ca\$h Cour\$e: Incentives–The Usual Suspects* (Watch [Here](#))
- Worksheet: *Ca\$h Cour\$e: Incentives–The Usual Suspects* (Click [Here](#))
- Classroom whiteboard and dry-erase markers (or use a technology solution if available).

Lesson Plan (50 mins.)

Warm-Up: (20 mins.)



Scan to watch episode:

1. Begin with an illustration: A school decides to pay students \$5 for every book they read, hoping it will make them love reading. At first, students read a lot more. However, a few of the students found a loophole and shared it with others. Soon, most of them start picking only short, easy books they can finish in an hour or even just a few minutes, just to collect the money. The reward got the students to change their reading behavior, but not in the way the school hoped.
2. Ask students if they can think of other policies or situations where people's behavior ends up making the original problem worse—or at least fails to solve it. Here are some real-life examples of things that have gone wrong with incentives:
 - Teacher Cheating Scandal: A school ties teacher bonuses to high student test scores, so some teachers changed answers to get the reward.
 - Call Center Metrics Gone Wrong: A customer service team gets rewarded for ending calls quickly, so employees hang up before solving the problem.
 - Overstock Inventory at a Tech Retailer: A store offers higher commission for selling certain gadgets, so salespeople push only those items and ignore what customers actually need.
3. Explain that this is an example of a perverse incentive. In this situation, a reward or policy is meant to solve a problem, but instead encourages behavior that makes the problem worse. Make it clear that the plan didn't just fail; it actually worked against its own goal.
4. Tell students that in this lesson, they will learn how incentives and disincentives influence decisions, why they can sometimes lead to harmful or unexpected results, and how this pattern appears in both real-life situations and historical examples.
5. Introduce the key vocabulary terms for the lesson on the whiteboard. Write each term and definition clearly. After reading each one aloud, ask students to give their own examples. If students need a prompt, you can offer quick examples from the lesson or everyday life:
 - **Incentive:** Earning extra credit for turning in homework early.
 - **Disincentive:** Getting a fine for parking in a no-parking zone.
 - **Perverse Incentive:** Paying people for every bug they catch in a park, and they start breeding bugs to make more money.
 - **Unintended Consequence:** A new school rule to save time by shortening passing periods, but it causes more tardies.
 - **Command Economy:** The Government sets how many shoes the factories must make each year.
 - **Economic Freedom:** Choosing which job to apply for or what products to sell.
6. Transition to today's enduring question and explain that this question will help guide their understanding of today's lesson: *Why can good intentions sometimes lead to harmful or unexpected results?*
7. Introduce today's Cash Course video and ask students to take notes on terms and examples as they happen.

Watch and Discuss: (20 mins.)

1. Show the *Ca\$h Cour\$e: Incentives–The Usual Suspects* video to the class.
2. Note to teachers: watch straight through or pause at key moments to clarify terms or examples.
3. After the video, ask the following discussion and comprehension questions:
 - Which part of the video helped you best understand the idea of a perverse incentive?
 - How did the cobra story and the coffee example show the difference between intentions and outcomes?
 - What did the Soviet potato example reveal about the role of incentives in a command economy?
 - Can you think of a modern example—outside of the video—where incentives might have backfired in the economy (e.g., plastic bag bans, recycling rebate programs, etc.)?
 - How do incentives in a free market differ from those in a command economy?
4. Give each student the *Incentives–The Usual Suspects* Worksheet and allow them to complete it independently or in pairs.

Wrap-Up: (10 mins.)

1. Go over worksheet answers and responses. Ask students to share examples of their application questions and answers.
2. Remind students that the lesson's main argument was demonstrated through several examples where good intentions failed because the incentives encouraged behavior that worked against the goal. Encourage students to:
 - Restate the enduring question (*Why can good intentions sometimes lead to harmful or unexpected results?*).
 - Mention that **incentives, not intentions, drive behavior and outcomes**.
 - Include one quick example from the video (e.g., cobra bounty, Honest Trade Coffee, Soviet potatoes) to illustrate the point.
3. Wrap up with an exit ticket:
 - Prompt: Summarize the main argument of the lesson that intentions do not guarantee positive outcomes.
 - Students can write a quick response on an index card, in their notebook, or on the back of their worksheet.
4. Collect Worksheets: Use the completed worksheet as a way to assess comprehension and mastery of the lesson objectives.

Don't have time for the full lesson? Quick Activity (10-15 mins.)

Distribute the worksheet and allow students to complete it while they follow along with the video. Or, have students watch the video at home and use the worksheet as a quick quiz the next day in class.