

HANDOUT 2

Figure It Out

Now that we've discovered what happened in Plymouth, we can use economic reasoning to understand why the communal economy failed. The economic concept that is the key to our understanding is incentives. In this activity, you will be comparing the types of behavior encouraged by the incentives in communal and private property arrangements.

Part I

Suppose 10 men leave Plymouth and start their own colony. Read the situations below.

Situation A All 10 colonists are like Ed. He's an average, hard-working guy, willing to do his part to help the colony succeed. His work produces about 50 bushels of corn.

Situation B Of the 10 colonists, 9 are like Ed — average, hard-working Pilgrims who produce 50 bushels of corn. But then there's Ted. Although pretty much the same age, size, and strength as the others, Ted is of noble birth. It bothers him that he should be treated exactly the same as a common person, so he doesn't work as hard. As a result, his work only produces 25 bushels of corn.

Situation C Of the 10 colonists, 9 are like Ed — average, hard-working Pilgrims who produce 50 bushels of corn. But then there's Ned, the overachiever. Although pretty much the same age, size, and strength as the others, Ned works harder and longer. He is the first one in the field each morning and the last one to leave each night. His work contributes 60 bushels of corn to the colony.

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Part II

For each situation, calculate the total production of corn and each man's share under both communal and private property arrangements. Enter the results in the chart below.

Situation	Total production of corn	Each colonist's share of corn if communal ownership	Each colonist's share of corn if private property
<i>Situation A</i> Everyone's like Ed	Total corn = 10 men x 50 bu./colonist =	500 bushels/10 colonists =	Everyone produces 50 bushels and keeps it =
<i>Situation B</i> Ted's a shirker	Total corn =		
<i>Situation C</i> Ned's an overachiever	Total corn =		

Part III

Answer the following questions regarding the situations involving Ed, Ted, and Ned:

1. In which situation(s) do the rules of property ownership make no difference? Why?
2. In Situation B, Ted produces less because of his snobbery. List other reasons why a colonist might not produce as much as the others.
3. How much did Ted's shirking reduce his output?
4. How much was Ted's share of corn reduced as a result?
5. Is this a good deal for Ted? Do the others like it?
6. In Situation C, Ned produces more simply because he works longer. List other reasons why a colonist might produce more than the others.
7. How much did Ned's extra effort increase his output?
8. How much was Ned's share of the corn increased as a result?
9. Is this a good deal for Ned?

Incentives are rewards or punishments that encourage us to behave in particular ways. Suppose Ed and the other Pilgrims are looking at Ted and Ned.

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10. Does the system of common ownership have stronger incentives for being like Ted or being like Ned?
 11. What's the likely effect of common ownership on the productive efforts of the whole colony?
 12. Given what you've learned from Ed, Ted, and Ned, predict whether adopting property rights was successful in increasing production in Plymouth.

