

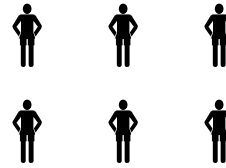


Lesson 5

Price versus Cost



Price



Cost

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Who made your shirt?

Name _____ Date: _____

1. Look at the tag on your shirt. What is the brand name? _____
2. What country was the shirt made in? _____
3. Who do you think actually made your shirt? In the space below, draw a picture of what you think the person looks like. Underneath the drawing, write a short paragraph that tells the person's name, how old s/he is, where they live, and what their home is like.



The Story of Two Workers

Directions: Two students will read this narrative in alternating voices, first line 1a, then 1b, and so on. The last line should be read together.

Voice 1	Voice 2
1a) I make T-shirts.	1b) I make T-shirts.
2a) I work in a factory.	2b) I work in a factory.
3a) My factory is in Central America.	3b) My factory is Central America.
4a) A company in South Korea owns this factory.	4b) I own the factory, along with my co-workers.
5a) I am 14 years old.	5b) I am 20 years old.
6a) Today I'll work twelve hours.	6b) Today I'll work eight hours.
7a) I must beg for a break.	7b) I take a break when I need it.
8a) My boss can punish me for any reason.	8b) We are our own bosses.
9a) Decisions are made for me.	9b) I make the decisions.
10a) The factory's breaking some laws.	10b) Our factory follows the laws.
11a) I don't make enough money to live on.	11b) I make enough to money live and save.
12a) I work hard.	12b) I work hard.
13a) The T-shirts I make will sell in the US.	13b) The T-shirts I make will sell in the US.
14a) The price is \$10.	14b) The price is \$12.
15a) Today I will work overtime; I won't see my family.	15b) Today I'll go home and spend time with my family.
16a) There's no time for school; I can't even read.	16b) I'm going to school to learn new skills.
17a) Our family is hungry.	17b) Our family has food.
18a) There's no money to save.	18b) We're saving for our future.
19a) If I speak out, I might get fired.	19b) If you get fired, I'll speak out.

20) Let's join our voices.

(Note: The information for Voice 1 is compiled from human rights reports of the US. State Department and the United Nation's International Labor Organization. The information for Voice 2 is based on information from The Fair Trade Zone, a women's sewing cooperative in Nicaragua: <http://www.fairtradezone.jhc-cdca.org/index.htm>)



The Story of Two Workers: Reflection Questions

Name _____ Date: _____

1. Write down your responses and then discuss them with a partner as directed by your teacher.

Give two examples of how the workers' experiences are different:

1.

2.

2. Which worker would you rather be? Why?

I would rather be _____ because (write in the space below)

3. Why do you think the price of the T-shirt made by the second worker is higher?

4. Imagine the two workers were meeting together. What do you think they would say to each other? Create a short dialog, with each worker talking.



Price versus Cost of Two T-shirts

Introduction: The story behind every T-shirt is not the same. T-shirts can be made in different ways, with different choices of cotton, and different ways of running the factories.

Consider T-shirt A: This T-shirt is made in a factory staffed by girls as young 14 years old. Their wages are not enough to cover their living costs, and the working conditions are poor. The workers "pay" for this with their health and the quality of their lives.

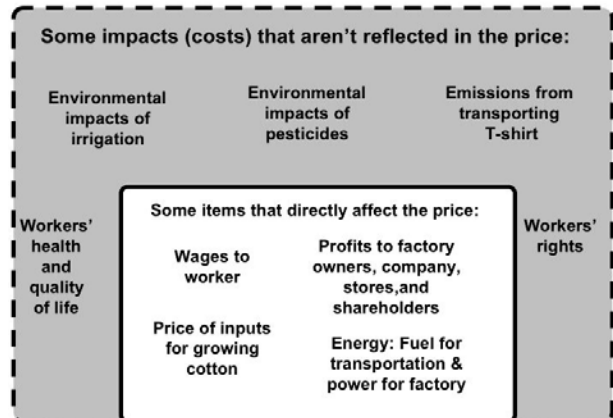
Now imagine that this T-shirt is also made with conventional cotton. Producing this cotton required heavy irrigation and pesticides that negatively impacted the environment. Toxic dyes used to make the T-shirt also end up in the environment.

The environmental and social impacts are not paid for by the companies that make or sell the T-shirt. These impacts are indirect costs that are not included in the price of the T-shirt. One reason the price of this T-shirt is low is because the full costs to workers and the environment are not counted in the price. Instead, they are external, or outside the factors affecting the price.

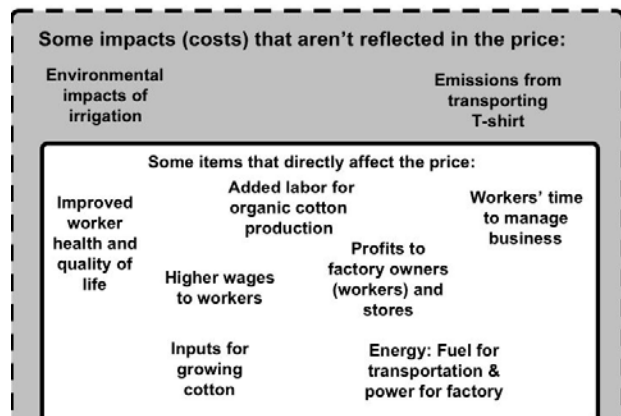
Now consider T-shirt B. It was made in a worker-owned factory where the workers get higher wages, better conditions, and keep more of the profits. Now imagine that this T-shirt was also made with organic cotton. Producing organic cotton takes more labor and time. This raises the price of the inputs.

Together, the added costs for protecting workers and the environment directly affect the price of the T-shirt, \$12. But there are fewer indirect costs.

Price vs. Cost of T-Shirt A (\$10)



Price vs. Cost of T-Shirt B (\$12)



PRICE VS. COST: IDEAS TO REMEMBER

- The way a product is made has impacts on workers and the environment.
- The price is the amount of money you directly pay for an item.
- The costs are impacts on workers and the environment that are not directly reflected in the price.

Consider this: What does the \$2 difference in the price of the T-shirt buy?



Who makes decisions about how the shirts are made?

Name _____ Date: _____

Respond to these questions as directed by your teacher:

1. Why do you think the T-shirts are made in such different ways?
2. What role do you think you, as a consumer, have in deciding the way your shirt is made?
3. What role do you think the company has in deciding the way your shirt is made?

Fill in these blanks with words or phrases as your teacher explains two different approaches to doing business.

Business Approach 1 (T-shirt A):

In this approach, _____ is a strong factor that affects business and consumer decisions.

- **Companies** seek _____ for labor and other inputs. The company is likely to choose the factories where the T-shirts can be made for _____.
- **Consumers** support this by choosing the T-shirt with _____.

Business Approach 2 (T-shirt B):

In this approach, understanding _____ affects business and consumer decision.

- **Companies** seek prices that are _____, but _____. Prices reflect more of the _____ to _____ and _____.
- **Consumers** support this by choosing products based not only on _____, but also on an understanding of _____ of production.



Talking back to Ads

Background

When you look at ads, how much information do they give you about the product's features? The price? What about the true costs? In this activity, you will evaluate and alter at least one ad to make it more truthfully reflect the difference between price and cost.



Hat: \$12. Shirt: \$15.
100% cotton

How come the factory workers
who made this shirt got paid
\$2.50/day and I'm smiling about
it? (Source: NY Times)

Look at the picture.

It's a reproduction of an ad for children's clothing. The original ad just pictured the child and the text at the bottom. But the 5th grade student added the thought bubble to show a cost that is not factored into the price of the cotton clothing.

Directions

1. Choose an ad for an item that may have added costs to workers or the environment. Cut out the ad and paste it onto a piece of plain paper.
2. Alter (change) the ad to reveal some of the costs not factored into the price. Use words, phrases, sentences or other pictures. You can cut out words and pictures from a magazine, create them on a computer, or write them directly on the ad.

Criteria

- Your altered ad should clearly show at least one social or environmental cost.
- State your costs in the form of a fact, if possible. In the example above, the student noted that the workers were paid \$2.50/day.
- If possible, include the source of your evidence. The student's source was the NY Times; however, her citation is incomplete because it doesn't identify the date. Make sure yours is complete!
- If the ad doesn't show the price of the item, include it somewhere in the ad so that the viewer can think about the difference between price and cost.



Activity Directions and 'price-cost' phrases

Elaborate Directions: (page 1 of 3):

1. With your pair (or group), one person will be assigned to Chocolate 1, and the other to Chocolate 2. Your teacher will provide direction if you're in a group of three.
2. Cut out the phrases below for your chocolate.
3. Go to the "Story of Two Chocolates" page. Your teacher will have someone read the "Where chocolate comes from" part out loud.
4. Then, silently read about your chocolate. As you read, think about the factors that affect the price of the chocolate, and some of the costs.
5. Now, divide your phrases into two groups: phrases that describe items affecting the price of the chocolate, and phrases that describe indirect costs of producing the chocolate. You may have a different number of phrases in each group.
6. Using the blank price-cost diagram (on a separate page), glue the 'price' phrases in the inner white space. Glue the 'cost' items in the outer grey space.
7. Look at your partner's diagram and discuss how they are different. Then, respond to the questions under the diagram.

Chocolate 1 phrases

Chocolate 2 phrases

extra labor for organic growing methods	environmental impacts of pesticides
wages high enough to support a family	price of pesticides and fertilizers
workers' time to manage and organize their cooperative	lack of education for child workers
pollution and emissions from transporting cocoa to chocolate factory	pollution and emissions from transporting cocoa to chocolate factory
price of organic fertilizers	wages for child workers
price of organic pest control methods	health risks for child workers

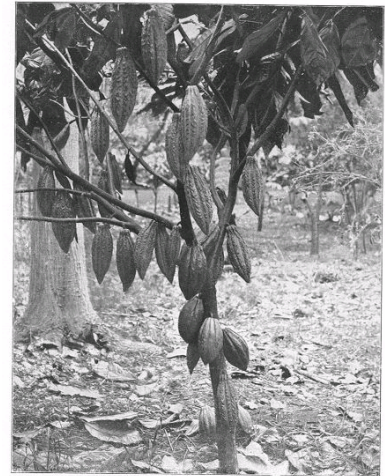


The Story of Two Chocolates

Elaborate: (page 2 of 3):

Where chocolate comes from (All students read this.)

All chocolate is made from cocoa beans, which grow in pods on trees in tropical climates. Most cocoa is grown in Africa, Latin America, and Southeast Asia. One cocoa pod has about 50 beans and it takes about 50 beans to make a two-ounce chocolate bar. The cocoa trees are grown on farms and workers harvest the pods by hand.



Bearing Cocoa Tree

Chocolate 1 student reads this:

The cocoa for this chocolate bar was grown at a cooperative farm in the Dominican Republic. A cooperative farm means that the farmers own it and make the decisions. The farmers take extra time to meet, organize their business, and make decisions such as the price of their cocoa and their wages. There is no child labor on these farms. Because of these practices, this chocolate is called "Fair Trade" and displays this special label. The farmers get about \$.80 per pound for the cocoa they produce, which is enough to support their families and send their children to school. The price of this chocolate bar in the U.S. is \$1.50.

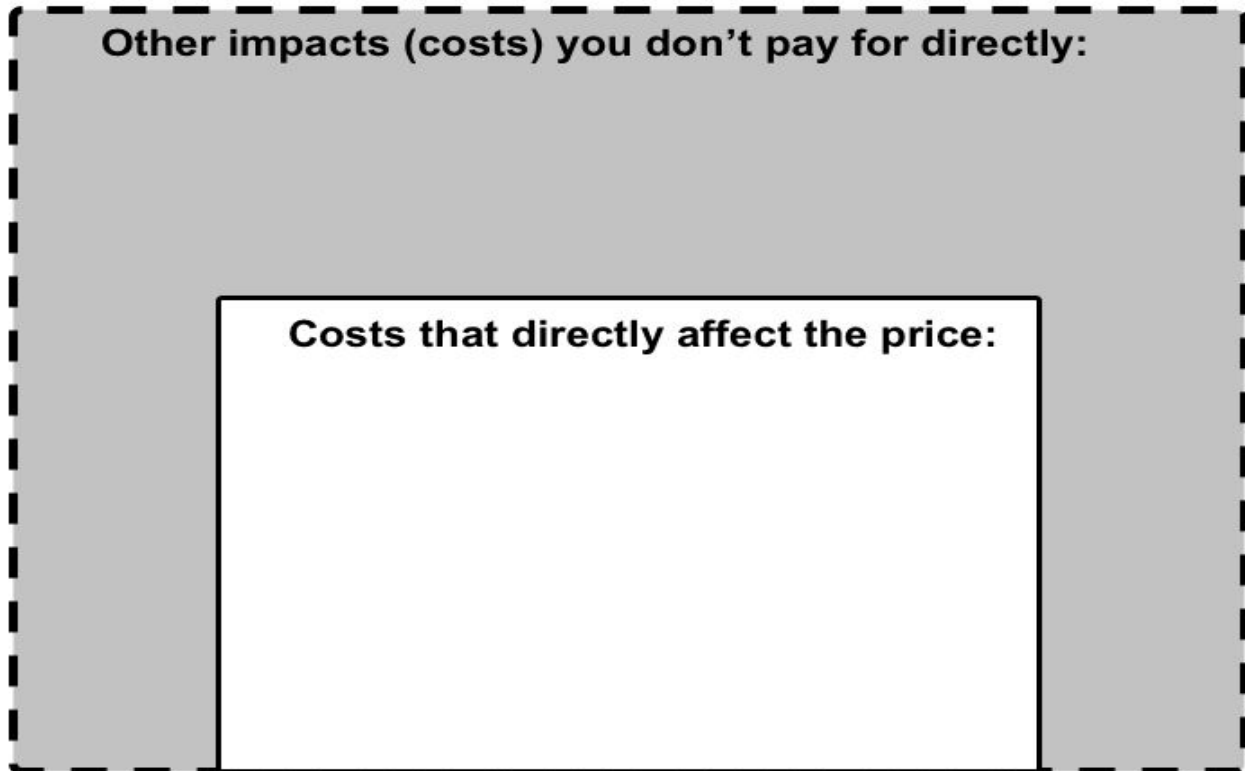
Chocolate 2 student reads this:

This Cocoa was grown at a large farm on the Ivory Coast in West Africa. Most of the farm workers are young boys, about 12 years old, who perform dangerous tasks such as using machetes and applying pesticides without necessary protection. Most of these children do not go to school. Cocoa is grown using synthetic fertilizers and pesticides in order to have a large crop. The price of this chocolate bar in the U.S. is \$1.00; only pennies will reach the farmers.



Blank Price-cost diagram

Elaborate: (page 3 of 3):



Answer this after you complete your diagram, as you compare yours with your partner's:

1. Which diagram has more indirect costs? (phrases in the grey area)
2. Which diagram has more factors affecting the price? (phrases in the white area)
3. Based on your diagrams, how would you explain the difference in price between chocolate 1 and chocolate 2?