

The high school I went to combined the population of two separate communities. One was relatively affluent and the other had kids coming from predominately working class families. The differences were immediately apparent given the way the two groups dressed. The rich kids wore the latest fashions and seemed to have something different to wear for each day of the week. The less affluent kids wore the same clothes that looked like they had been purchased from WalMart. However, the largest difference had little to do with clothes, but rather the wealthy kids all had Smartphones and the rest, if they had a phone, used devices that could at best send text messages.

It didn't seem to be a problem, except at times like lunch when one group got to check their favorite social media sites, send emails and post pictures while the rest of us were left to talk to each other as best as we could. It was clear that there was a dividing line that existed between the "haves" and the "have-nots" and unfortunately I was part of the latter rather than the former. Life was o.k., I had food to eat and clothes to wear, but I wished I was part of the other group with their smartphones and a lifestyle that I could only dream about.

The problem was try as hard as they could, my parents (who never attended college), could only earn so much. The best jobs and those that paid the most went to grownups that had a college education. Unfortunately, for those that chose not to attend college, the best they could do were to get hired at lower paid jobs that required the use of relatively unskilled labor. While greater experience came with the occasional raise in their wages, my parents still bumped up against a ceiling that prevented them from reaching those jobs that paid considerably more. Hence life slowly improved over time and occasionally I was allowed to shop some place other than WalMart, yet it was still challenging at best to keep up with the other group of kids at school.

The school's principal was concerned that the two groups of students were growing further apart and that at some point, it might lead to violence. In response, a ban was imposed that required students to leave their phones at home. At the same time, a new rule was created that required all students to wear a school uniform. By ensuring that everyone dress the same and have equal access to technology (you could only use the computers in the library to research a topic) the principal hoped that whatever existing divides would be eliminated and students rather than seeing themselves as belonging to one group or the other, would start to view themselves as being part of a single population.

Instead of bringing everyone closer together, it instead drove them further apart. The rich kids didn't want to associate with the poor ones and the poor ones, still lacking in social acceptance just felt further marginalized. Hence new divisions developed and soon some kids were invited to join certain clubs or sport teams while others were actively discouraged from participating. What you did rather than how you looked became the new source of distinction and division between the two populations.

In an effort to solve the problem, the principal decided to host a dance designed to bring the two groups together. The music was to be provided by a local band that in a rare show of unity, everyone liked. The principal thought that by creating an event that would appeal to everyone, that the two groups would meet on the dance floor where differences might be quickly forgotten. If each group could

share a single experience, then it might be possible to put differences aside and for everyone to get along.

The band insisted on charging \$1,000 to play the event. This however created a significant challenge for the principal. The principal was well aware of a school board policy mandating that social events must breakeven. Taxpayer money could not be used to subsidize non-academic activities. An analysis was done and it was determined that if the tickets were priced at \$10 each, only 100 students would need to purchase them for the event to breakeven. However, at a price of \$10 per ticket, the principal was concerned that they would be too expensive for half of the class and his dream of bringing the two sides together would come to a crashing halt. As a result, the tickets were priced at \$5 apiece. However, with only 150 students in the whole school, the numbers didn't make any sense and even if every student attended, the event would still run a deficit.

To solve the problem, the principal went to the next PTA meeting and asked the parents if they would cover the deficit. The parents association agreed, but reminded the principal that in a world of scarcity, any money spent on the dance would mean that there would be less money available for other activities. The principal decided to go ahead and hold the event. New funds would need to replace the old and the principal at this point could do little except to hope that an answer would magically appear sometime in the not too distant future.

Rather than turning into a major success, the concert turned out to be a major failure. Rather than bringing the two sides closer together, it had the effect of driving them further apart. The PTA was so disappointed that they went to the School Board and asked that they fire the principal. Surviving a close vote, the principal managed to keep his job – but just barely. That didn't stop the PTA from telling the principal that there would be no more funds for him to waste now or in the future.

Without funding from the PTA, the principal was stuck in a place he never imagined. Relationships within the school were worse than ever and there was now no longer any funding for programming that might improve the situation. Without funding, the principal could not imagine how he might solve the problems that are tearing the school apart.

One day, as the principal was buying his morning coffee at a shop around the corner, he meets an intriguing woman and strikes up a conversation. For some reason that he could not really figure out, he tells her about all of his problems and laments that it looks like there is no solution in sight. She, on the other hand, knows exactly how to fix the problem and offers to help. Out of desperation, the principal agrees to go along with whatever she devises.

She suggests that they organize a fundraiser. The principal and his new mentor begin traveling around town visiting local businesses and asking them to donate a service or good that they can then use as part of a raffle designed to raise money. The response of the local business community was overwhelmingly positive and soon it was time to start the raffle.

The mentor suggested that student teams be formed to sell the tickets. The teams could consist of an equal number of students for the two opposing groups. By forcing the two groups to work together, they might soon discover that they have more in common than previously thought and they might start getting along. If they could get along, it might not only solve one of the largest problems found in the school, but hopefully would make everyone more productive.

Normally an increase in productivity would reduce the cost for each ticket sold; thereby increasing the funds remaining that could eventually be used to create new programming for the school. Fortunately since the raffle prizes were donated and the cost of printing the tickets was negligible, the costs were relatively small.

In planning out the strategy for the whole event, one of the big issues that needed to be resolved was how much to charge for each raffle ticket. The lower the price they charge, the less revenue the fundraiser would generate. On the other hand, if they charge a price that is too high, then they might sell too few tickets and wind up squandering their best opportunity for raising enough money to close the funding gap created by the PTA. After testing a few different prices with focus groups, they decided on a price close to a point of unitary elasticity that they hoped would maximize total revenue.

It was decided to charge one dollar per ticket, five dollars for six and ten dollars for thirteen. By offering more tickets as the number of dollars increased (effectively reducing the cost per ticket) they were hoping to sell a large number. Also, since they understood that those parents who lived in the poorer town would have less money to spend, they hoped that they would find the raffle a bargain. Hopefully it would provide more additional enjoyment per dollar spent than the next best alternative which they thought was probably a lottery ticket.

The tickets were printed, the items collected and the sales teams were assembled. Everything was ready to go. On the first Saturday of the new month, the operation was put into motion and expectations were running high with the hope that they would hit their sales targets on the very first day. However, by the end of the first day success was even further away than they imagined. It turns out that they were not the only ones to come up with the idea of raising money by selling raffle tickets. It seems as if every other non-profit group in town had the very same idea at the very same time. What they quickly realized was that fundraising took place in a competitive market where lots of small groups were vying to do the very same thing.

What should they do? They could lower the price of a ticket, but then they would have to work even harder to raise less money. They could try to find additional items to raffle, but they had already approached all of the businesses in town. They could try and sell tickets to individuals that didn't live in town, but how would they pick up their item if they won? What would you do?

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What seemed like the solution to all of his problems was beginning to look like his worst nightmare. The principal had placed all of his hopes for the future on the success of the raffle, but in a crowded market where everyone was offering their own raffle, why would anyone buy the school's tickets instead of

some other organizations? A lower price might seem like the answer, but every organization might respond by lowering the price of their raffle ticket. Before you know it, the price might fall so low that no one makes any money.

Out of desperation, the principal goes to the city council and asks them to pass an ordinance that prohibits the sale of raffle tickets by any organization other than the local school district. By erecting such a barrier, he hopes that he can eliminate all of the competition. With no competition he could charge a high price for his raffle tickets and generate more than enough revenue to cover the cost of all of his new programs.

While sympathetic to his plight, the city council is reluctant to pass such an ordinance. The city has many needs and while those of the high school are important, there are others that are equally crucial. However, to help the principal, the city does pass an ordinance that only allows non-profit organizations to sell raffle tickets. While not eliminating competition completely, it significantly reduces the number of raffles taking place at the same time.

There still exists pressure on prices to fall, but nowhere near where they might have fallen without the ban. All is not lost however because while there are other raffles taking place in the community, there still exists an opportunity to differentiate the school's raffle relative to others and therefore gain a sizeable share of the market. Thus the principal returns to the coffee shop in search of his mentor to ask her if she has any ideas how they might differentiate their raffle in a way that enables them to gain the largest share of the market for raffle tickets.

While someone might buy the raffle ticket because they hope to win a prize, by giving money to the school every time a raffle ticket is purchased, it creates an opportunity to do something good for others. Since the prizes in each of the raffles are basically the same, maybe the answer to differentiating the raffle would be to better inform the ticket buying public about the good associated with each dollar the school collects. A marketing campaign could be developed designed to help the public understand how their contribution would make a difference by helping the youth of the city.

The marketing campaign is so successful that the school is no longer forced to sell raffle tickets at a discount (six for a dollar instead of one dollar each) thereby dramatically increasing revenues. Rather than losing market share to other raffles, they are instead able to increase market share as the other raffles cannot effectively compete against the new messaging campaign.

By the end, the fundraising effort raises more money than the principal could have ever imagined. He managed to raise triple what the PAT would have normally given him for programming and he can now do things that in the past he could only imagine. Based on that success, he begins to plan his next fundraising campaign. However, before it even gets off the ground he learns that many in the community are not happy with his fundraising efforts.

To raise money for education, taxes are collected by the municipality that fund most of the expenses. At the same time, the state has organized a lottery that also contributes to financing the cost of education. One of the unintended consequences of the principal's efforts is that the success of the raffle has reduced lottery ticket sales. Hence while there are more dollars available to the principal for his favorite projects, there are fewer dollars available overall for education because money that would have been

available from the lottery went toward raffle rather than lottery ticket sales. The problems associated with scarcity haven't been solved! Rather they have merely been shifted to a higher plane.

One group that is most upset by the course of events are all of the sellers of lottery tickets who are now being economically harmed by decreased ticket sales. They form an effective lobbying coalition and go to the city council and demand that they (and only them) be allowed to sell tickets regardless of whether they are raffle or lottery ones. Under increasing pressure, the city council accedes to their demands. As a result, fifty cents out of each dollar collected now must go toward covering the cost of selling tickets. This represents a major blow to the principal's plans that were based on a different cost structure where the vast majority of each dollar collected was to go directly to the school.

Under the new set of rules, it seems like the only group that really benefits are the ticket sellers who get to keep half the amount from every ticket sold. As a result, the overall number of dollars going to support education has actually fallen! Rather than the school having more money to spend, there is actually less.

What has he done? All of that effort has resulted in making matters worse rather than better. Looking to blame his mentor, the principal returns to the coffee shop to confront her. Finding her reading the morning news, he begins to lose his cool as frustration seeps in as he explains how the school is worse rather than better off as the result of her advice. "What did you expect" she asks as she explains to the principal that in his effort to play the hero, all he was really interested in was getting more money to spend for his own projects rather than thinking about how it might affect the bigger picture. Scarcity is a problem that confronts society at multiple levels and unless new wealth is created, more for one group typically comes at the expense of another. It is not about reallocating existing income, but creating new wealth that offers a permanent solution.