

A Yen to Trade

Lesson 2: Let's Make a Deal

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Standards and Benchmarks (see page 2.11)

Lesson Description

Students bring in items from home to trade in a class flea market. In this activity, they learn what conditions are necessary for two people to agree to a trade and how trading makes people better off. They also discover that the more people they are allowed to trade with, the more likely they are to find a beneficial trade. These ideas are the basis for international trade among countries.

Grade Level

6-8

Concepts

Economic wants
Goods
International trade
Services
Trade
Value

Objectives

Students will be able to

- define economic wants, goods, international trade, services, trade, and value;
 - describe what conditions are necessary before a trade will occur;
 - explain why both parties in a voluntary trade are made better off by the trade;
 - tell why trades are more likely as the number of traders increases; and
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- explain that all trades, even those between two countries, are actually trades among individuals.

Compelling Question

Why do people engage in trade?

Time Required

Day 1: 15 minutes

Day 2: 45-60 minutes

Materials

- Handout 2-1, one copy for each student
 - Handout 2-2, one copy for each student and one copy for the teacher to display
 - Handout 2-3, one copy for each student
 - Small bowl of broccoli (or another unpopular vegetable with kids)
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Procedure

Day 1

1. Explain that people have many economic wants. **Economic wants** are desires that can be satisfied by consuming goods and services. Define **goods** as objects that satisfy people's wants and **services** as actions that satisfy people's wants. Ask the students to provide examples of goods and services and the economic wants they satisfy. (*Answers may include the following: A bicycle is a good that satisfies people's desire to exercise, play, or move from one place to another. Water and sodas are goods that satisfy people's thirst. Riding a roller coaster at an amusement park is a service that satisfies people's desire for fun and/or excitement. Getting a check-up from a doctor is a service that satisfies people's desire for good health.*)
 2. Explain that a good or service is valuable to a person if it satisfies an economic want he or she has. Define the **value** of a good or service as the amount of satisfaction or happiness it provides to a particular person. Work through the following:
 - Show the class a small bowl of broccoli and ask them to raise their hands if they'd like this broccoli as a snack. (*Answers will vary.*)
 - Ask those who didn't raise their hands to explain why they did not want the broccoli. (*Answers may include that they don't like the taste.*) Point out that the broccoli has no value for them because it wouldn't satisfy any want they have, so it wouldn't make them any happier.
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- Next, ask those who did raise their hands why they wanted the broccoli. (*Answers may include that they like the taste, are hungry, or want the nutrients.*) Point out that the broccoli has value for them because it would satisfy a want, so it would make them happier.
3. Tell the students that you are planning a class flea market (give them a specific date). Explain that a flea market is a place where people can make trades. **Trade** is the exchange of goods or services for other goods or services or for money. At the flea market, students will be trading goods for goods without the use of money. Each student should bring in several small items from home (old toys, wrapped snacks, stickers, pencils, baseball cards, etc.) Give a copy of *Handout 2-1: Flea Market Letter* to each student and tell them to share it with a parent or guardian.
 4. Remind the students the day before the flea market to think about the value of the items that they bring. Although they should not bring in things that have a high value, they should try to bring things for which other students would want to trade.

Day 2

5. Welcome the students to the flea market. Instruct them to display their trading items on their desks. Explain that they may trade items with people sitting around them—that is, directly in front of or behind them or immediately to the left or right. Trades need not be one-for-one. If someone wants to trade two or three items for one item, that is permissible. Also remind them that trading is not required. If they don't want to trade, it is okay. Allow a few minutes for trading. After the trading period, discuss the following:
 - How many of you are happier with the items you now have than with the items you had before? (*Those who made trades should feel better off.*)
 - How many of you are less happy with what you have now than with what you had before? (*No students should raise their hands. If they do, ask why they voluntarily made trades that made them worse off. They'll probably indicate that they thought it was fun to simply trade.*)
 - Did anyone choose not to trade? Are you happier or less happy? (*Anyone who didn't trade shouldn't be happier or less happy. He or she has the same items; therefore, the same level of satisfaction.*)
 - Did anyone want to trade but was unable to do so? (*Some students may have wanted to trade, but other students may not have wanted what they had to offer.*)
6. Tell the students they may now trade with anyone in the room. Allow 5-10 minutes for trading. After the trading period, discuss the following:
 - How many of you are happier now than you were after the last round of trading? (*Those making trades should raise their hands.*)

- How many of you are less happy now than you were after the first round of trading? *(Again, no one should be, although some may voice envy over what others have, which makes them even less satisfied with their item than before trading.)*
 - How many of you are equally happy? *(Those who didn't trade should be equally happy with the same goods; but again, they may have been made less satisfied with their good[s], having been unable to make a trade.)*
7. Ask the students to explain why trading made most of them better off without making anyone worse off. *(They only made trades if they got something more valuable to them than what they gave up. It wouldn't be wise to trade unless you were better off.)* Restate that people only make trades if they get something more valuable to them than what they gave up.
- NOTE: Students may have traded because they wanted to be involved in the activity with their friends or wanted to be nice to someone. Even in these cases, they are better off after the trade. They received value from trading with friends. In other cases, students may have become less satisfied with their good if no one wanted to trade for it or if they saw items that were much better being traded. Explain that each good still has the same function as it did before.
8. Distribute a copy of *Handout 2-2: Trade or No Trade* to each student and display a visual of the handout. Tell the students that this activity will help them understand why trades did or did not occur. Explain that the girl has an orange and the boy has a pear. The emojis show which of the two items each person values the most. Using the handout, discuss the following:
- Will the boy and girl trade in Case 1? Why or why not? *(No, the boy would not want to trade. He values the pear more than the orange.)*
 - Will the boy and girl trade in Case 2? Why or why not? *(No, the girl would not trade because she values the orange more than the pear.)*
 - Will the boy and girl trade in Case 3? Why or why not? *(Yes, the boy values the orange more, and the girl values the pear more. They will both be better off if they trade.)*
 - Will the boy and girl trade in Case 4? Why or why not? *(No, the boy and girl value what they have more, so they would not trade.)*
 - Look at Case 1. What does the girl want? *(The pear)* What would happen if we added a third person who had a pear but valued an orange more? *(Then the girl could trade with that person, and they would both be better off.)*
 - Why was trade among all students better than trade with only the students directly around the desks? *(There were more people trading with one another and a greater chance of finding trades that both people wanted to make.)*
9. Tell the students to turn Handout 2-2 over and to draw a set of emojis that represents a trade they made in class or a set of emojis that represents a trade they weren't able to make. Allow time for a few students to share their drawings.

10. Point out that although the same items are present in the classroom that were there before everyone traded, the total value (total satisfaction) the students are getting from them is greater. This happens because trading moves goods to people who value them more highly. Thus, trading alone has increased the value of the items that were brought to class.
11. Compare the class trading activity with international trade. Remind the students that they are citizens of a country. Explain that the first round of trading was like trading with people in their own country. Ask students on one side of the room to raise their hands if they traded with students on the other side of the room. Ask them to think about what trading with students on the other side of the room could be compared with. (*Trading with people in other countries*) Explain the following:
 - **International trade** is when people of different countries trade with one another. It allows people to get things they value more and makes them better off. Therefore, the greater the number of people with whom they are able to trade, the more likely they are to find trades.

Closure

12. Discuss the following to emphasize the major points of the lesson:
 - What are economic wants? (*Desires that can be satisfied by consuming goods and services*)
 - What are goods? Give some examples. (*Objects that satisfy people's wants, such as pizzas, cars, shirts, and houses*)
 - What are services? Give some examples. (*Actions that satisfy people's wants, such as haircuts, setting a broken leg, and teaching school*)
 - When are goods and services valuable to a person? (*When they are able to satisfy that person's economic wants*)
 - Why do people trade? (*Because they expect to gain, otherwise they wouldn't trade*)
 - How do traders gain from a trade? (*They get more satisfaction or value from the good received than from the good they traded away.*)
 - How does trade increase the value of goods and services? (*When goods move from people who value them less to people who value them more, the total value received from those goods increases.*)
 - Why is having more people to trade with better? (*The chances of finding trades that make both people better off are increased.*)
 - Are the benefits from trade lost if traders are from different countries? (*No, people engage in international trade because it makes them better off.*)

Assessment

13. Distribute a copy of *Handout 2-3: Assessment* to each student. Allow time for the students to work and then review the answers as follows:

Multiple Choice

1. Derek wants his ham sandwich more than he wants Ramona's tuna sandwich. Ramona wants her tuna sandwich less than she wants Derek's ham sandwich. Given this,
 - a. *Derek and Ramona aren't likely to trade sandwiches.*
 - b. Derek and Ramona are likely to trade sandwiches.
 - c. Derek will end up with both sandwiches.
 - d. Ramona will end up with both sandwiches.
2. James trades one of his baseball cards for one of Clark's superhero comic books. Who gains from this trade?
 - a. James
 - b. Clark
 - c. *Both James and Clark*
 - d. Neither James nor Clark
3. If we want people in Los Angeles, California, to be as happy as possible, it's best if they are allowed to trade with
 - a. only people in Los Angeles.
 - b. only people in California.
 - c. only people in the United States.
 - d. *anyone in the world.*

Short Answer

4. Give two reasons why a poor person in a remote area is likely less able to make trades that make him or her better off.

This person may not have many goods or services for which other people would wish to trade. Living in a remote area means there are likely less people to trade with in the first place.

Extension

14. For homework, students should list goods in their homes that were made in another country. They should write the country of origin for each item on the list. When students return with their lists, ask why their families bought these goods. Remind them that people trade when they value what they receive more than what they give up. Their families bought these goods, giving up other goods that they valued less.
15. On a wall world map, place a push pin at your town's location. Place push pins in all countries reported from the homework assignment and tie a string from each push pin to your city. Remind students that the goods must have value to their families or they would not have purchased them. Follow-up the activity by discussing how people trading with people in different countries increases the total value of the goods.

Handout 2-1: Flea Market Letter

Dear Parent/Guardian:

On _____, students will participate in a class flea market. Each child should bring (no more than five) small items to school to trade in our flea market. Acceptable items to send include pencils, stickers, small (old, no longer wanted) toys, and other items that do not have a high price.

These trades will be “for good” (that is, permanent), so students should not bring anything that later they will regret giving up.

Sincerely,

Handout 2-2: Trade or No Trade

The  has an . The  has a .

Case 1:



____ Trade ____ No trade

Why? _____

Case 2:



____ Trade ____ No trade

Why? _____

Case 3:



____ Trade ____ No trade

Why? _____

Case 4:



____ Trade ____ No trade

Why? _____

Handout 2-3: Assessment

Multiple Choice

Directions: Choose the correct answer for each of the following questions.

1. Derek wants his ham sandwich more than he wants Ramona's tuna sandwich. Ramona wants her tuna sandwich less than she wants Derek's ham sandwich. Given this,
 - a. Derek and Ramona aren't likely to trade sandwiches.
 - b. Derek and Ramona are likely to trade sandwiches.
 - c. Derek will end up with both sandwiches.
 - d. Ramona will end up with both sandwiches.

2. James trades one of his baseball cards for one of Clark's superhero comic books. Who gains from this trade?
 - a. James
 - b. Clark
 - c. Both James and Clark
 - d. Neither James nor Clark

3. If we want people in Los Angeles, California, to be as happy as possible, it's best if they are allowed to trade with
 - a. only people in Los Angeles.
 - b. only people in California.
 - c. only people in the United States.
 - d. anyone in the world.

Short Answer

Directions: Answer the following question using complete sentences.

4. Give two reasons why a poor person in a remote area is likely less able to make trades that make him or her better off.

Standards and Benchmarks

National Content Standards in Economics

Standard 5: Trade

Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations.

- **Benchmarks: Grade 4**
 1. Exchange is trading goods and services with people for other goods and services (called barter) or for money.
 3. People voluntarily exchange goods and services because they expect to be better off after the exchange. This also may include the more informal exchanges of favors and courtesies.
- **Benchmarks: Grade 8**
 1. When people buy something, they value it more than it costs them; when people sell something, they value it less than the payment they receive.
 2. Free trade increases worldwide material standards of living.

