

A Yen to Trade

Lesson 8: Pieces of Paper

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Standards and Benchmarks (see page 8.13)

Lesson Description

Students play the role of traders in both a simple barter economy and an economy that uses money to see how much easier trade is with money. Students explain why countries would want their own money. Then, they design paper money for North America.

Grade Level

6-8

Concepts

Barter
Money

Objectives

Students will be able to

- define barter and money;
 - explain how money makes trading easier;
 - explain why countries would want to have their own money; and
 - recognize some characteristics that money must have.
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Compelling Question

Why do people use money?

Time Required

50-60 minutes

Materials

- Handouts 8-1, 8-2, and 8-3, one copy of each, cut apart
 - Handout 8-4, one copy for each student
 - Five sheets of 8½" x 5½" drawing paper for each vendor (8 or 16 students)
 - One sheet of 8½" x 5½" drawing paper for each customer (2 to 8 students)
 - Crayons or markers for each student
 - Scissors
 - U.S. dollar bills
 - Currency from another country or countries
 - World map or map of Europe
 - Link to Explore Economics Video Series, Episode 3: "What Makes Something Useful as Money?" (3-minute video); <https://www.stlouisfed.org/education/exploring-economics-video-series/episode-3-what-makes-something-useful-as-money>
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Procedure

1. To begin the lesson, discuss the following:
 - What are traders? (*Answers will vary.*) Explain that traders are people who exchange one thing for another.
 - What are vendors? (*Answers will vary.*) Explain that the verb "to vend" means to sell and that vendors are people who sell things to customers.
 2. Explain that students will participate in an activity in which some of them will be vendors and some will be customers. The students' desks will represent shops or tables in a marketplace. Both vendors and customers are traders in the marketplace. Instruct the students to arrange their desks around the room so that there is open space in the center of the room and people can walk from desk to desk as they trade.
 3. Select 16 students to act as vendors. (NOTE: For smaller classes, select eight students and ask each student to represent two vendors. There must be at least 16 vendors for this activity.) Give each vendor a card from *Handout 8-1: Vendor Cards*. Explain that these cards tell vendors what good or service they can trade away and what two goods or services they hope to get. Distribute five sheets of drawing paper, crayons or markers, and scissors to each vendor. Instruct the vendors to draw on each sheet of paper a picture of the good or service they have to trade and then cut out the pictures. These will represent five units of their good or service when trading begins.
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4. Explain that the remaining students will be customers coming to the marketplace. (NOTE: There should be at least two customers but not more than eight.) Give each customer a card from *Handout 8-2: Customer Cards*. Explain that these cards tell customers the good or service they can trade and the good or service they want. Distribute a sheet of drawing paper, crayons or markers, and scissors to each customer. Instruct the customers to draw a picture of the good or service they have to trade and then cut out the picture. This will represent one unit of their good or service when trading begins.
5. When all students have completed their drawings, explain that customers will enter the marketplace. Their goal is to obtain the good or service they want (as listed on their card). They may make any trades they can to meet their goal. Explain that vendors will stand at their shops with their goods and services. People in the marketplace are free to “shout out” what they will offer and what goods or services they will accept.
6. Instruct the customers to enter the marketplace and then announce that trading may begin. Allow the trading to continue until all customers have made the necessary trades or 10 minutes have passed. Instruct the students to return to their desks or sit down on the floor in the center of the marketplace. Discuss the following:
 - How many were able to get the goods or services you wanted? (*Answers will vary.*)
 - How many were unable to get the goods or services you wanted? (*Answers will vary.*)
 - Customers, how many traded more than once? (*Most*) Why? (*Customers needed to find what a vendor wanted in exchange. NOTE: Other than customer #5, no customer is able to make a single exchange because there is no coincidence of wants. Therefore, they must make multiple trades in an effort to ultimately get the good that the vendor with whom they wish to trade wants.*)
7. Tell the students that they will participate in another round of trading. Return the pictures of goods and services to the vendors and customers who had them at the beginning of the first round. Distribute a 10-Jacs card from *Handout 8-3: Jacs* to each customer. Tell vendors that they can now accept the goods they want or 10 Jacs for each unit of the good or service they sell. Anyone can use Jacs to trade for any good or service.
8. When everyone is ready, announce the start of the second round of trading. Allow trading to continue until all traders have made the necessary trades or 10 minutes have passed. When trading is complete, discuss the following:
 - How many were able to get the things you wanted the most? (*All or most*)
 - What was the difference about trade in this round? (*Vendors would accept Jacs.*)
 - Was trade less or more difficult in this round? (*Less difficult*) Why? (*A customer could obtain immediately what he or she wanted by using Jacs. Multiple trades weren't necessary.*)

- Did traders and customers have to “shout out” what they wanted and what they had? (No) Why? (*The vendors were willing to accept Jacs, so the customers simply went to the vendor and bought what they wanted using Jacs.*)
 - Why did vendors accept Jacs? (*They were told they could use them to trade for items each of them wanted, just as the customers could trade with Jacs for what they wanted.*)
9. Explain that in the first round of trading, the students used barter. **Barter** is trading goods and services for other goods and services without using money. In the second round of trading, Jacs were used as money. **Money** is anything widely accepted in exchange for goods and services. Discuss the following:
- Must you “shout out” what you have and what you want to buy when you shop at stores or a mall? (No) Why? (*People use money to shop at stores or a mall.*)
 - What is U.S. money called? (*Dollars and cents*)
 - Why are stores in the mall willing to accept dollars and cents? (*Store owners know that they can use dollars and cents to pay their employees and to buy other goods and services.*)
10. Explain that money is useful because it makes trading easier. Hold up some Jacs, some U.S. dollars, and some currency from another country. Note that Jacs were used as money in the classroom, U.S. dollars are used as money in the United States, and the other currency is used as money in its country. Discuss the following:
- Why isn’t there only one kind of money in the world? (*Answers will vary. Focus the discussion on the fact that money must be acceptable to all traders as Jacs were in the trading simulation. Traders in one country are usually willing to accept their country’s money.*)
 - Why might people in a country prefer that their country have its own money? (*National pride and identity are very important to people. They want a money that represents their country. They want the words on the money to be in their native language. They want the money to depict images that are familiar, such as famous leaders, important buildings or landmarks, and national symbols.*)
11. Point out that people also want their country’s national money to remain valuable. Hold up the Jacs, U.S. dollar, and foreign money that you have. Discuss the following:
- What is the money made of? (*Paper*)
 - How many of you have paper in your desk? (*All*)
 - Would stores at the mall accept loose leaf or notebook paper in payment for goods and services? (No) Why? (*It isn’t valuable for exchange. People can’t use paper to buy other goods and services.*)
 - What would happen if, beginning tomorrow, stores accepted loose leaf paper and notebook paper? (*People all over the country would have a lot more money to spend on goods and services. The money would have less value.*)

12. Explain that one reason money is valuable is because it is relatively scarce. In the United States and other countries, governments control the amount of money available so that it remains valuable. If another country or government controlled the amount of money in the United States, they could create so much money that it would be as useless for exchange as notebook paper. Historically, money was developed for trade among people living in the same village, region, or country. As a result, it is traditional for each country to have its own money. Over time, however, the amount of international trade (people making trades with people outside their country) has increased. Trade among different countries is more difficult because each country has its own money.
13. Ask the students if they have heard of the European Union. (*Answers will vary.*) Explain that many countries in the European Union, such as Austria, France, Greece, Germany, Italy, and Spain, agreed to make trade between people in their countries as free and easy as possible. Have students locate these countries on a map. Explain that in order to achieve the goal of making trade easier, these countries formed the European Union. Many of these countries agreed to use one money, which they call euros.
14. Explain that people in Canada, the United States, and Mexico also want to make trade easier. One way this could happen is to have one money that all three countries use. Divide the class into groups of 4-5 students. Have each group create a name for this new money and draw a sample of how it might look. Remind the students that the name “euro” reflects the name of the organization of countries. Point out that money usually has symbols and pictures that have some meaning for the people who use the money. Explain that members of each group should be able to explain the significance of their money’s name and why they have included the pictures and symbols on the new money they’ve designed.
15. When groups have completed their work, allow them to share their creations with the class. Display the groups’ monies on a wall in the classroom.
16. Show Explore Economics Video Series, Episode 3: “What Makes Something Useful as Money?” (3-minute video); <https://www.stlouisfed.org/education/exploring-economics-vid-eo-series/episode-3-what-makes-something-useful-as-money>.

Closure

17. Discuss the following to emphasize the major points of the lesson:
 - What is barter? (*Trading goods and services for other goods and services without using money*)
 - What is money? (*Anything widely accepted in exchange for goods and services*)

- Why do people use money? (*It makes it easier to trade. Multiple trades aren't necessary with money. People will accept it because they know other people will, in turn, accept it from them.*)
 - What helps make money acceptable to other people? (*People easily recognize it, and it must be scarce enough to have value in exchange.*)
 - Do countries all use the same money? Why? (*No, because of national pride, desire to control the value of their money, and the fact that trading was more regionally defined within countries in the past*)
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Assessment

18. Distribute a copy of *Handout 8-4: Assessment* to each student. Allow time for the students to work and then review the answers as follows:

Multiple Choice

1. Money is important because
 - a. it is made of gold.
 - b. *it makes trading easier.*
 - c. people cannot trade without it.
 - d. it satisfies people's wants better than goods and services can.
2. What money is used by everyone in the world?
 - a. Gold
 - b. Euros
 - c. U.S. dollars
 - d. *None, there are many different monies in the world.*
3. Which of the following would be most acceptable to U.S. producers in exchange for their goods?
 - a. Euros
 - b. *U.S. dollars*
 - c. Australian dollars
 - d. Rubles (the money of Russia)

Short Answer

4. Exchanges are increasingly being made with electronic transfers from one person's account to another's—no paper money is exchanged. What might explain why this is happening?

Money makes trading easier. Transferring electronic impulses is quicker and easier than transferring paper. So electronic money makes trading even easier than paper money does.

5. What would happen to trading if every state in the United States had its own money?

If each state had its own money, trading and travel in the United States would be much more difficult. People would have to exchange their state's money for another state's money in order to trade. If someone worked in one state and lived in another, he or she would constantly have to exchange currency. It would be time consuming and inefficient.

Extension

19. Post a world map on a bulletin board. Have students bring examples of other countries' money. Display each piece of money on the wall around the map. Use string or yarn to connect each piece of money to its country on the map. Provide students with an outline map of the world. Ask them to color in each country for which the class has a sample of money. Challenge students to find as many monies as they can by asking their parents, relatives, and friends.

Handout 8-1: Vendor Cards (page 1 of 2)

VENDOR 1

HAVE: Baseball card

WANT: Earbuds or medium pizza

VENDOR 2

HAVE: Medium pizza

WANT: Puzzle or haircut

VENDOR 3

HAVE: Earbuds

WANT: Board game or flash drive

VENDOR 4

HAVE: Puzzle

WANT: Colored pencils or movie ticket

VENDOR 5

HAVE: Haircut

WANT: Soccer ball or stuffed animal

VENDOR 6

HAVE: Board game

WANT: Comic book or apples

VENDOR 7

HAVE: Flash drive

WANT: T-shirt or ice cream

VENDOR 8

HAVE: Colored pencils

WANT: Soft drink or baseball card

Handout 8-1: Vendor Cards (page 2 of 2)

VENDOR 9

HAVE: Movie ticket

WANT: Soft drink or medium pizza

VENDOR 10

HAVE: Soccer ball

WANT: Earbuds or DVD

VENDOR 11

HAVE: Stuffed animal

WANT: Haircut or board game

VENDOR 12

HAVE: Comic book

WANT: Flash drive or colored pencils

VENDOR 13

HAVE: Apples

WANT: Movie ticket or soccer ball

VENDOR 14

HAVE: T-shirt

WANT: Stuffed animal or comic book

VENDOR 15

HAVE: Ice cream

WANT: Apples or T-shirt

VENDOR 16

HAVE: Soft drink

WANT: Ice cream or baseball card

Handout 8-2: Customer Cards

CUSTOMER 1

HAVE: Comic book

WANT: Apples

CUSTOMER 2

HAVE: Puzzle

WANT: Soft drink

CUSTOMER 3

HAVE: Soft drink

WANT: Board game

CUSTOMER 4

HAVE: T-shirt

WANT: Earbuds

CUSTOMER 5

HAVE: Flash drive

WANT: Comic book

CUSTOMER 6

HAVE: Movie ticket

WANT: Medium pizza

CUSTOMER 7

HAVE: Puzzle

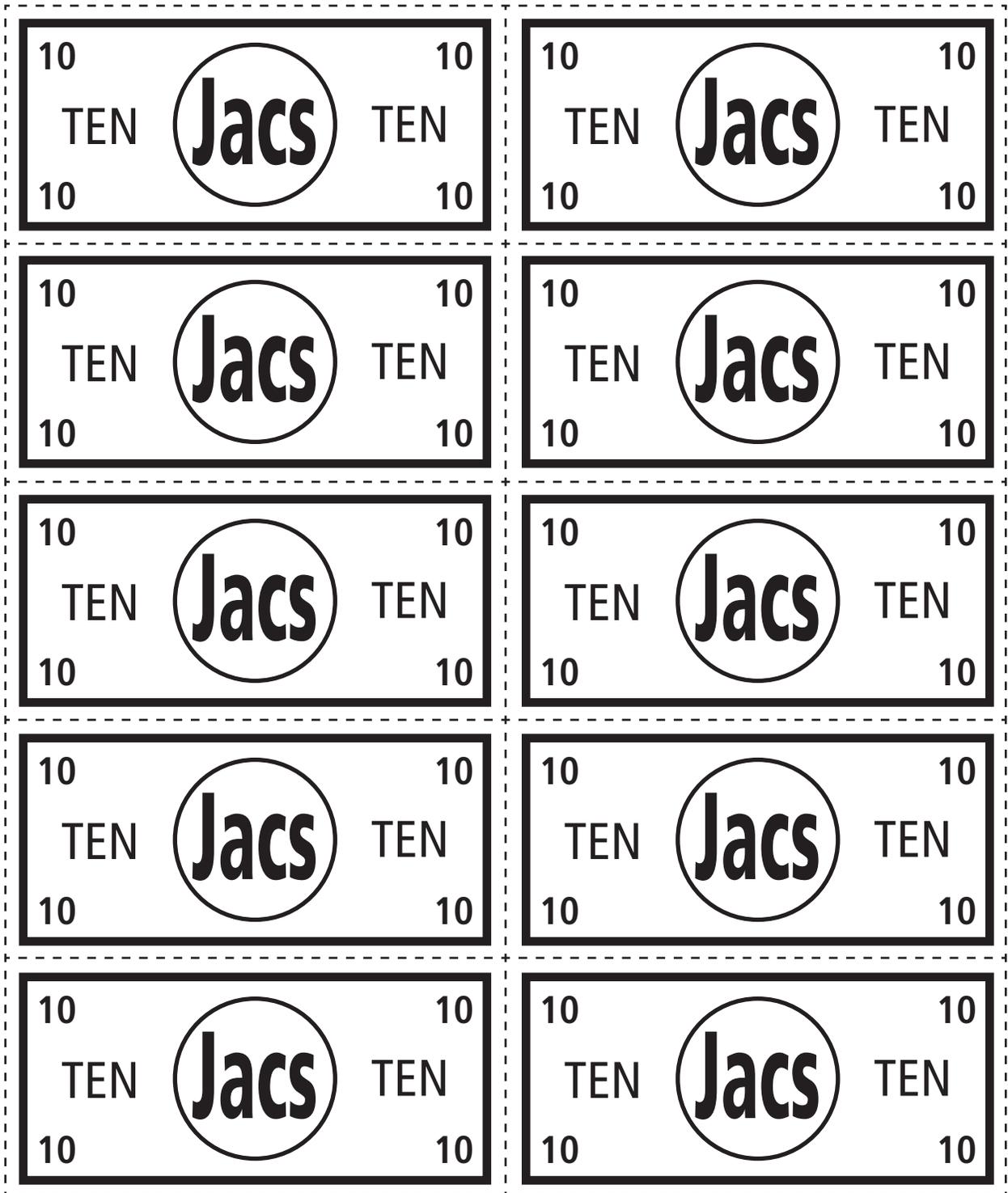
WANT: Haircut

CUSTOMER 8

HAVE: Baseball card

WANT: Soccer ball

Handout 8-3: Jacs



Handout 8-4: Assessment

Multiple Choice

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

1. Money is important because
 - a. it is made of gold.
 - b. it makes trading easier.
 - c. people cannot trade without it.
 - d. it satisfies people's wants better than goods and services can.
2. What money is used by everyone in the world?
 - a. Gold
 - b. Euros
 - c. U.S. dollars
 - d. None, there are many different monies in the world.
3. Which of the following would be most acceptable to U.S. producers in exchange for their goods?
 - a. Euros
 - b. U.S. dollars
 - c. Australian dollars
 - d. Rubles (the money of Russia)

Short Answer

Directions: Answer each of the following questions using complete sentences.

4. Exchanges are increasingly being made with electronic transfers from one person's account to another's—no paper money is exchanged. What might explain why this is happening?

5. What would happen to trading if every state in the United States had its own money?

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.
 2. The oldest form of exchange is barter, the direct trading of goods and services between people.
 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.
- **Benchmark: 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.

Standard 11: Money and Inflation

Money makes it easier to trade, borrow, save, invest, and compare the value of goods and services. The amount of money in the economy affects the overall price level. Inflation is an increase in the overall price level that reduces the value of money.

- **Benchmarks: Grade 4**
 1. Money is anything widely accepted as final payment for goods and services.
 2. Money makes trading easier by replacing barter.

