Lesson 6:
Trading Circles

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Standards and Benchmarks (see page 6.11)

Lesson Description
Students draw ever larger circles on a chart to observe how the size of one’s trading area affects what goods and resources are available to them and how exports and imports are defined.

Grade Level
6-8

Concepts
Economic wants
Exports
Goods
Imports
Resources
Services

Objectives
Students will be able to
• define economic wants, exports, goods, imports, resources, and services;
• explain why a larger trading region enables people to choose from a larger amount of goods and services;
• recognize that exports and imports are defined relative to a particular trading region; and
• describe the main imports and exports of their state and country.
Compelling Question
How does the size of a trading region affect exports and imports?

Time Required
45-60 minutes

Materials
- Handouts 6-1, 6-2, 6-3, and 6-4, one copy of each for each student
- A pencil for each student
- Internet access and almanacs and/or other reference material
- Optional: scissors

Procedure
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 define services as actions that satisfy people’s wants.

2. Tell the students that you bought a new book because reading is entertaining for you and helps you relax. Point out that the book is a good and that the want it satisfies is the desire to relax. Explain that you also have an appointment to have your teeth cleaned. Explain that teeth cleaning is a service and that it satisfies your desire to have healthy teeth. Ask students for examples of goods and services and the economic wants they satisfy. (Answers will vary. A car is a good that satisfies a person’s desire to move from one place to another. An apple is a good that satisfies a person’s hunger. A haircut is a service that satisfies a person’s want for shorter hair/neater appearance.)

3. Explain that resources are those things that are used to produce goods and services. Resources include human resources, such as people doing work; capital resources, such as tools, machines, and equipment; and natural resources, such as land, water, and minerals. Ask students for examples of resources used to produce an education at school. (Answers will vary. Human resources include teachers, principal, janitor, bus driver, librarian, and school nurse. Capital resources include school building, desks, computers, playground equipment, white boards, tables, and chairs. Natural resources include water, land for the building and playground, sand for the windows in the building, and trees for shade around the school.)

4. Point out that generally, the more goods and services people have, the more economic wants they can satisfy and the happier they are (at least in an economic sense). Also, the more resources they have available, the more goods and services they can produce.
5. Distribute a pencil and a copy of Handout 6-1: Resources, Goods, and Services, Handout 6-2: Trading Circles, and Handout 6-3: Resources, Goods, and Services Tally to each student. Instruct the students to choose and mark any one point that they want on Handout 6-1. Have students place the center of circle #1 on Handout 6-2 underneath their marked point. Then, have them trace the circle on Handout 6-1. (Optional: Have students cut out circle #1, center it over their point, and trace the circle.)

6. Tell the students that this circle represents their trading area. Each symbol represents a resource that is available in this region or a good/service that can be produced with resources in the area.

7. Instruct the students to use Handout 6-3 to tally the amount of each resource, good, or service (symbol) that they have in their trading circle. The symbol must be entirely inside the circle to count. Have some students share their lists with the class. The lists will vary depending on where the students placed their original points. Discuss the following:
   - How many have all resources, goods, and services? (No one)
   - Are resources, goods, and services evenly distributed throughout the world? (No.) Give some examples. (Russia has vast forests, and Egypt has none. Central America grows a lot of bananas, but none are grown in Iceland. The average person in the United States has many goods and services, but the average person in Bangladesh has very few. Saudi Arabia has a lot of oil; Japan doesn’t. Many electronics are produced in Japan but not in Saudi Arabia.)

8. Explain that any resource, good, or service outside their trading circles must be imported into their region for them to use or consume. **Imports** are resources, goods, and services that are produced abroad but sold domestically. Imports are brought into the region from outside the region. Resources, goods, or services sent out of a region are called exports. **Exports** are resources, goods, and services that are produced domestically but sold abroad. Each student’s tally under Column #1 represents the possible exports of his or her region. Those symbols not on the list are possible imports from other regions. Discuss the following:
   - Why would people in a region want to import resources, goods, or services? (Imports enable people in the region to produce or to have more goods/services than they could otherwise enjoy. It also increases competition, which generally leads to lower prices and better-quality goods/services.)
   - Why would people in a region want to export resources, goods, or services? (Exports enable people in the region to earn income, which allows them to pay for imports that they cannot produce at all or that they cannot produce as cheaply.)
9. Instruct the students to use circle #2 on Handout 6-2 and to draw a new trading circle around the point they used the first time on Handout 6-1. Using Handout 6-3 again, have them tally the symbols inside their new trading circle. Discuss the following:
- How has your tally changed? (It includes everything on the first list, and it likely includes some new symbols and/or more of the old.)
- Could you make beneficial trades with other students? (Yes. Students could trade symbols with each other to eliminate gaps in resources, goods, and services.)

10. Tell the students to complete the tally process using trading circles #3, #4, and #5. When students have completed Handout 6-3, ask them what conclusion they can draw about the relationship among imports, exports, and trading region size. (As the trading region size increases, there are more things available for export, and there will be less reliance on imports. The size of the trading region affects what things can be exported or what must be imported to satisfy wants.)

11. Using an almanac, other reference materials, or online resources, have students identify imports and exports of their state and imports and exports of the United States. (Answers will vary. People in Florida export oranges and grapefruit. People in the United States import automobiles, and they export corn, airplanes, and financial services.)

Closure

12. Discuss the following to emphasize the major points of the lesson:
- What are goods? (Objects that satisfy people’s wants)
- Give an example of a good that satisfies a want you have. (Answers will vary. An apple satisfies hunger; a coat satisfies the desire to be warm/dry; a pencil satisfies the desire to write; and a toy or game satisfies the desire for entertainment.)
- What are services? (Actions that satisfy people’s wants)
- Give an example of a service that satisfies a want you have. (Answers will vary. A visit to a doctor satisfies the desire to be healthy; a visit to a museum satisfies the desire for entertainment/education.)
- What are resources? (Things used to produce goods and services)
- What are imports? (Imports are resources, goods, and services that are produced abroad but sold domestically.)
- What are exports? (Exports are resources, goods, and services that are produced domestically but sold abroad.)
- Why might people in a region want to import resources, goods, or services? (To satisfy wants that they may not be able to satisfy without importing.)
• As the size of a trading region grows, do more or fewer resources, goods, and services become possible exports and imports? (More export possibilities; fewer import necessities)

• The larger a trading region is, is it less or more dependent on trade with other regions? (Less)

Assessment

13. Distribute a copy of Handout 6-4: Assessment to each student. Allow time for the students to work and then review the answers as follows:

Fill in the Blank

1. People in the United States buy Chinese electronics such as cell phones. Are electronics goods or services? (Goods)

2. In trading terms, are Chinese electronics imports or exports for the United States? (Imports)

3. Are these same electronics imports or exports for China? (Exports)

4. People in the United States buy these electronics because the electronics satisfy wants.

Short Answer

Describe how different your life would be if no trade were allowed between people in your state and people in other states in the U.S.

Answers will vary.

There is no oil in my state and we don’t produced gasoline, so it would be difficult for my family to have a car.

We have a cold climate for part of the year. We don’t grow oranges, grapefruits, lemons, or limes, so we wouldn’t have access to these foods.

People in my state have trees of many types and grow corn, wheat, and soybeans. They wouldn’t be able to earn income by selling these products to people in other states.

My mother has her own business creating websites for people. Many of her customers live outside our state. She wouldn’t be able to provide this service, so she wouldn’t earn as much income for our family.
Handout 6-1: Resources, Goods, and Services
Handout 6-2: Trading Circles (page 1 of 2)
Handout 6-3: Resources, Goods, and Services Tally

Tally how many of each resource, good, or service you have in each trading circle.

<table>
<thead>
<tr>
<th>Resources, goods, and services</th>
<th>Circle #1</th>
<th>Circle #2</th>
<th>Circle #3</th>
<th>Circle #4</th>
<th>Circle #5</th>
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</thead>
<tbody>
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<td>♣️ (trees)</td>
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<td>🗼 (factories)</td>
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<td>😊 (skilled workers)</td>
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<td>✨ (vacation resorts)</td>
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<td>❤️ (cars)</td>
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</table>
Handout 6-4: Assessment

Fill in the Blank
Directions: Fill in the blanks that follow each question.

1. People in the United States buy Chinese electronics such as cell phones. Are electronics goods or services?
   _______________________

2. In trading terms, are Chinese electronics imports or exports for the United States?
   _______________________

3. Are these same electronics imports or exports for China? _______________________

4. People in the United States buy these electronics because the electronics satisfy _______________________.

Short Answer
Directions: Answer the question below using complete sentences.
Describe how different your life would be if no trade were allowed between your state and other states in the U.S.
Standards and Benchmarks

National Content Standards in Economics

Standard 1: Scarcity

Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.

- **Benchmarks: Grade 4**
  2. Economic wants are desires that can be satisfied by consuming a good (an object), a service (an action), or a leisure activity.
  6. Productive resources are the natural resources, human resources, and capital goods available to make goods and services.

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 8**
  5. Imports are foreign goods and services that are purchased from sellers in other nations.
  6. Exports are domestic goods and services that are sold to buyers in other nations.