

Lesson 6

Trade

Getting the Things We Want



Teaching Objectives:

1. To teach that people trade to obtain most of the goods and services they want, and that in order to trade, one must produce a good or service that other people want
2. To teach that both people benefit from a voluntary trade (exchange)
3. To teach that trade without money (barter) is inefficient, since it is frequently difficult finding someone who is willing to trade

Economic Concepts:

Wants, Production, Trade (Exchange), Barter, Consumer Sovereignty, Demand



Time Allowed: 25-30 minutes

Materials:

- Enough modeling clay for each student to make a small sculpture
- Articles of "capital" (pencils, scissors, rulers, etc.)

Discussion of Economic Concepts:

People rarely produce all of the **goods** and **services** they want themselves. Instead, they produce a limited variety of goods and services and then **trade (exchange)** with others to obtain the goods and services they have not produced themselves.

Voluntary trade is a positive-sum event. This means that when trade is voluntary, both parties expect to benefit. There is not a winner and a loser. If both parties did not believe they would benefit from the trade, it would not take place.

Trade without money is called **barter**. Barter is inefficient because there must first be a coincidence of wants. In other words, for trade to take place, each person must want what the other person has and must be willing to trade for it. The use of money helps people to trade. Individuals accept money for their own products and then use the money to purchase other goods and services. With money, a coincidence of wants is not required, and the costs of trade are therefore greatly reduced. Money makes trade much more efficient.



Teaching Tips:

1. Encourage students to make something that other students want. This is very important since it emphasizes that to be successful, businesses must produce what consumers want (consumer sovereignty). Also mention that the quality must be good; otherwise, students might not want to trade with them.
2. To create more demand for their products, let students "advertise" before trading begins, telling other students why they should trade for their particular products!
3. If time permits, repeat this trading activity. This allows students to produce something different if they had difficulty trading during the first round.



Teaching Procedure:

1. Ask students if they would like to do another economics lesson using modeling clay. Distribute a small amount to each student and let them use their productive resources to produce a good. Tell students that as producers, they should attempt to produce what consumers (other students) want.
2. Let the students describe what they have produced. Make nice comments about the students' creations. Don't forget to make something yourself!
3. Tell students to decide which good produced by *another* student they would like to have.
4. Tell students that you are going to give them 4 or 5 minutes to trade for the good that they want *most*. Encourage students to make as many trades as they wish in the trading period. Students do not have to trade if they do not want to.
5. After the trading session is over, let students describe briefly what they acquired. Discuss the following questions:
 - a. Why do people trade? (They expect to be better off as a result of trade. They traded an article they valued less for an article they valued more.)
 - b. Did everyone get the thing he or she wanted most? (No) Why not? (I wanted what she had, but she didn't want what I had, etc.)
 - c. How many trades did it take to get the good you wanted? (Answers will vary.) Why? (The student I wanted to trade with didn't want what I had, so I had to make more trades, etc.)
 - d. What would you do differently if you did this again? (Make something different, make a better product, etc.)

- e. Who benefited when you made a trade, you or the other person? (When trade is voluntary, both people benefit.)
- f. How can we make our trading easier? (Use money, so both students would not have to want what the other had in order to trade.)
- g. What happens if businesses make goods and services that consumers don't want to buy? (Will not sell the goods and services and will go out of business.) What happens to businesses that produce goods and services that many consumers want? (They usually make money.) Who is really the "boss" - the producer or consumer? (In a market, the consumer is ultimately the boss i.e., is "sovereign.")



Follow-up and Extension Activities:

1. Discuss the various types of advertising. Analyze newspaper and magazine ads that students bring to class. Create a bulletin board using this theme. Let students write their own advertisements. Emphasize that the purpose of advertising is to increase demand for a good or service by providing information to consumers.
2. Explain that businesses often **export** to people in other countries and that we purchase **imports** from businesses in other countries. Research products that we import and export. Make a bulletin board showing research results.
3. Do Lesson 5, Trade and Money, in the Herschel's World of Economics DVD. (See www.kidseconposters.com.)



Worksheet Answers:

1. a. T b. F c. T d. F e. T
2. a. Both Jerry and Billy b. Both Terry and Jarod c. Both Susan and Mary
4. Both the person who produced the clothing item and the person who bought the clothing item benefited.



Literature Connection: Use the following books to reinforce the economic concept. Lessons with questions to ask students can be found at the KidsEcon Posters® website (www.kidseconposters.com). Click on Literature Connection.

- *A New Coat for Anna* by Harriet Ziefert
- *Pig and Crow* by Kay Choro

TRADE

1. Put a T if the sentence is true. Put F if it is false.

- _____ a. Both people benefit from a voluntary trade.
- _____ b. Each voluntary trade has a winner and a loser.
- _____ c. Barter is another word for trade.
- _____ d. To trade, each person must want what the other person has.
- _____ e. To succeed, businesses must produce what consumers want.

2. In each situation below, circle who benefits from the trade.

- | | | | |
|--|-------|-------|----------------------|
| a. Jerry trades six packs of gum to Billy for a used kickball. | Jerry | Billy | Both Jerry and Billy |
| b. Terry trades two candy bars to Jarod for one of his model soldiers. | Terry | Jarod | Both Terry and Jarod |
| c. Susan trades one of her T-shirts to Mary for a used CD. | Susan | Mary | Both Susan and Mary |

3. Countries also trade with each other. Examine the labels of different clothing items in your classroom. List five articles of clothing and the countries where they were produced. Make sure you list five different countries. List more on the back if you want! Find these countries on a world map.

| Clothing Item | Country |
|---------------|---------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

4. When you or someone else bought the clothing items listed above, explain who benefited from this "trade." (Write on the back of this worksheet.)