



POWELL CENTER FOR  
ECONOMIC LITERACY

## *Lesson Plan*

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# To Trade or Not to Trade. . . Is that the Question?

## Time Required

Two class periods (80-90 minute blocks)

## Economic Concepts

Absolute advantage  
Comparative advantage  
Opportunity cost  
Trade

## Overview

When was the last time your students got really excited about mercantilism and the causes of the American Revolution? Was it the taxes (“No taxation without representation!”) or was it really British interference in trade that led the Colonies to revolt? To find out, students will participate in “The Trading Game,” and their experiences will provide the background for a discussion of trade in general and of the situation in Colonial America prior to the American Revolution.

## Objectives

- Students demonstrate an understanding of the concept of *opportunity cost*.
- Students describe the difference between absolute and comparative advantage.
- Students explain how classroom-trading behaviors in a simulation activity are similar to and different from the situation in pre-Revolutionary America.
- Students demonstrate how the British enforcement of mercantile laws prevented American colonists from engaging in voluntary trade and led to colonial unrest.

## Materials and Handouts

- Handout 1 – Production Coupons (Teacher should make multiple copies for use in the Trading Game.)
- Handout 2 – The Trading Game



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- Handout 3 – The Trading Game Record
- Handout 4 – The Trading Game Production Information
- Paper Bags filled with candy, school supplies, etc.
- Ball of string/twine
- Teacher’s station computer, converter, classroom monitor, PowerPoint presentation (optional)

## Teaching Activity

### Day 1

Introduce (or review) the concepts of *scarcity*, *opportunity cost*, and *trade* by conducting a quick activity using paper bags filled with several miscellaneous items (candy, school supplies, etc.). **Paper Bag Activity**

- Distribute a bag to each student. The students should not tell their classmates about the contents of their bags. Have the students look in their bags and rate how “happy” they are with the contents by using a scale of 1 – 10 “utils.” Record the numbers on the board. Total up the “utils.”
- Quickly divide the class into at least three groups and tell the students that they may trade within their groups to increase their “utils.” Allow 5 minutes for trading. Ask the students to reevaluate the bag contents after trading and record the number of “utils” on the board.
- Open trading to all students in all groups. Allow 5-10 minutes for trading. Ask the students to reevaluate the bag contents and record that number of “utils” on the board.
- Review the results of trading as a class. What happened? Were the students better off after trading? Why or why not? Was the entire class better off? Could they get as much of everything as they wanted? Why or why not?

### Trading Game Activity

Now, play the Trading Game.

- Divide the class into four groups. Tell the students in each group that they represent a country that needs at least one unit of each of the following four products for each member of the group: corn, TV, pizza and tennis shoes. Distribute one square of the Handout 2, The Trading Game, to each group, 1A, 1B, 1C, and 1D. Tell the students in each group to choose a name for their



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country. Have each group select a recorder for the group and record the name of the country chosen on the Handout 2.

- Provide the following directions for Round One:
  1. Study the list of products for your country. What portion of resources is devoted to the production of each of your products? What would happen if you produced more of one product than is listed on your handout? (Assume all productive resources are being utilized. Therefore, you must give up a product to increase units of another product.)
  2. You cannot trade in this round; you must be self-sufficient.
  3. What products—in what quantities—would you produce? You will be asked to explain your choices. What changes would you make if you were to decide what you would produce?
  4. Ask your official recorder to record your decisions on Handout 3, Trading Record. Explain why you made these choices.
  5. How would you describe your standard of living (quality of life) based on your decisions?
  
- Move on to Round Two, providing these directions:
  1. You now have the choice of acquiring goods from the three other countries, or you may continue to be self-sufficient.
  2. Decide what product(s) and in what quantities you would now produce. Have your recorder list on notebook paper.
  3. Decide what products and in what quantities you would buy (or try to buy) from the other countries. Have your recorder list on notebook paper.
  4. Make your final production decisions. What are you going to produce? Record.
  5. See the teacher for the appropriate product coupons based upon your production decisions. Teacher gives each group the appropriate number of coupons.
  6. Go for it! Set 5-10 minute time limit for trading. Remember to record your transactions on Handout 3, Trading Record.
  7. Evaluation: What happened? Discuss which countries decided to trade--what products and why? (Potential problems: not knowing who is going to produce what; setting exchange values, etc.)
  8. Return the product coupons to the teacher for the next round.

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- Move on to Round Three. Distribute Handout 4, Production Information, and provide these directions:
  1. Study the Production Information handout. Who produces the most? Who produces the least?
  2. Stick with the same production decisions as in Round Two. (Teacher should distribute the same product coupons as in Round 2.)
  3. The students should return to the market and trade for 5-10 minutes. Then they should record their transactions on Handout 3, Trading Record.
  4. Evaluation: What happened this time? Did anything change? Why or why not?

NOTE: If you wish, add some trade restrictions, such as:

- Allow students from one of the countries to trade only with one other country.
- Require one group to remain in a particular corner of the room and wait for other countries to come to them.
- Conduct as many rounds of trade as time and student-interest permit.
- Have the students return to their regular seating. Discuss the trading rounds, focusing on the following points:
  1. The benefits of trading with other nations.
  2. How the decisions of each country are affected by the decisions of the other countries.
  3. Why each nation chose to trade particular products. (Supply and demand.)
  4. Comparative and absolute advantage.
  5. The opportunity costs involved in production decisions.
  6. Which nation was able to maximize its resources to the greatest effect.



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### Day 2

Review the economic characteristics of the three Colonial regions (New England, Middle, and Southern.)

#### **Economic Characteristics of the Colonial Period**

New England	Middle Colonies	Southern Colonies
economy based on shipbuilding, fishing, lumbering, small-scale subsistence farming, and eventually, manufacturing.	New York, New Jersey, Pennsylvania, Maryland, and Delaware developed economies based on shipbuilding, small-scale farming, and trading. Cities such as New York, Philadelphia, and Baltimore began to grow as seaports and commercial centers	<ul style="list-style-type: none"><li>• eastern coastal lowlands--large plantations producing “cash crops” such as tobacco, rice, and indigo for export to Europe</li><li>• mountains and valleys of the Appalachian foothills--small-scale subsistence farming, hunting, and trading.</li></ul>

Source: Virginia Department of Education’s “Curriculum Framework for Virginia and United States History” ([www.pen.k12.va.us](http://www.pen.k12.va.us))

- Apply experiences from the Trading Game to the Colonial situation.
  1. What products could be produced in the Colonial regions?
  2. What products were unavailable? Why? Where were they available?
  3. What trading patterns developed in Colonial America? Why?
  4. With whom did American colonists trade before the French and Indian War? After the war? What changed?
  5. Why did the British begin to enforce mercantile laws? What effect did this have on the colonists? Were all three Colonial regions affected in the same way? Why or why not? How does this relate to the concepts of comparative advantage and voluntary exchange?



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NOTE: Consider putting a little “action” into this part of the lesson by using a “trade web” activity.

- Write the name of a colony or country, a product it exports, and the name of its trading partner (no trade restrictions) on a slip of paper. (For example: “I am Virginia and I export tobacco to France.”) Select one colony to begin and end with. (“I am Cuba and I export sugar to Virginia”. You could create these slips by having the students identify the main imports and exports of each of the English Colonies in America.
- Arrange the students in a circle. Distribute the slips of paper so that trading partners are not standing next to each other.
- Give a ball of string or twine to the beginning colony. Instruct the student to read the statement and then toss the twine to her/his trading partner. Each student follows suit until all slips are read.
- What happened? (You should end up with a giant spider web!)
- What happens if trade restrictions are put in place? For example, Virginia cannot sell to France, Cuba cannot sell to Virginia, or everything must go first to Britain. What happens to the web? What happened to trade?

### **Conclusion**

It is important that students recognize the significance of economic decision making. This lesson highlights the significance of decisions about trade. It focuses on the importance of trade in Colonial America through the use of a hands-on technique—much more interesting and fun than a lecture. Once the students are comfortable with the concept of opportunity cost, they can apply it to other historical periods and to their own lives by identifying the true “costs” of a particular decision.

Use your own creativity to modify this lesson for use with any historical period, including the present. Adapt and use it in other content areas to reinforce critical thinking skills. The lesson lends itself to follow-up writing activities for a cross-curricular approach. (The students could write an essay evaluating the economic choices made in pre-Revolutionary America.) However you adapt and use it, students will enjoy the process and learn valuable critical thinking and problem-solving skills.

### **Extensions**

1. Have the students look at their own “productive capacity” and explain how the concept of comparative advantage would help them make efficient economic choices.
2. If you have the time, allow the students to create their own product symbols. This activity could be used to demonstrate specialization by having the

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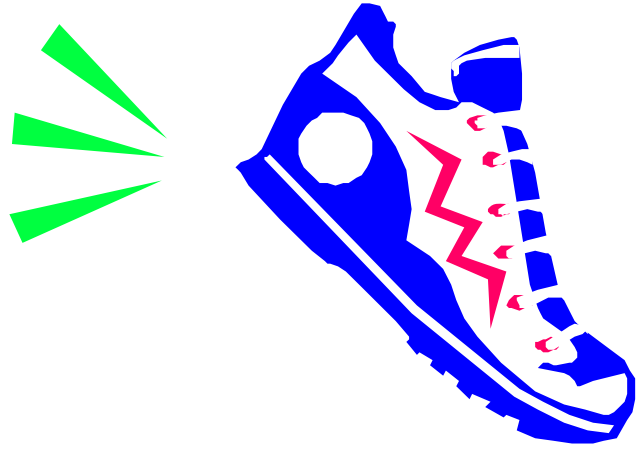
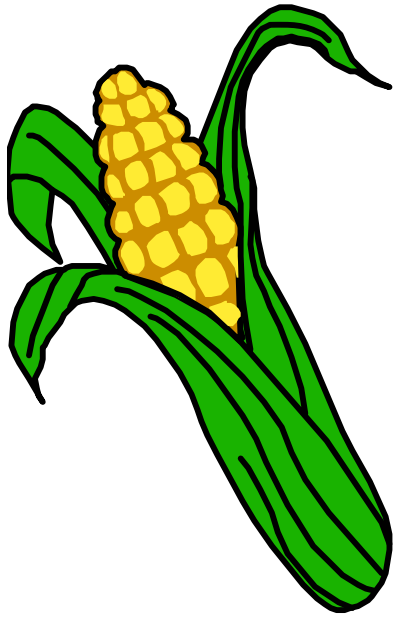
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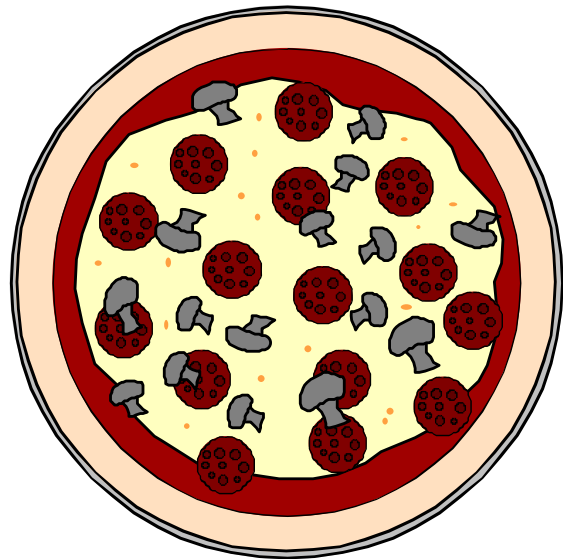
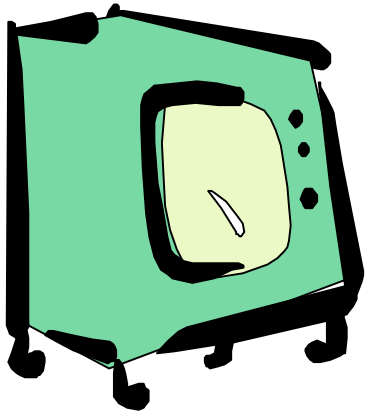
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- “countries” discover the best way to produce the most products of the highest quality and lowest cost.
3. Have the students design their own modifications to reflect a particular historical period, or the present day.



Handout 1 – Production Coupons (Could you please make dotted lines between each product, so teacher can cut?)



**Handout 2**

THE TRADING GAME  
Handout 1A  
for the nation of

Production (in units)	
Corn	5
TVs	5
Tennis shoes	5
Pizza	5
<b>Total</b>	<b>20</b>

THE TRADING GAME  
Handout 1C  
for the nation of

Production (in units)	
Corn	6
TVs	5
Tennis shoes	6
Pizza	7
<b>Total</b>	<b>23</b>

THE TRADING GAME  
Handout 1B  
for the nation of

Production (in units)	
Corn	6
TVs	6
Tennis shoes	9
Pizza	7
<b>Total</b>	<b>28</b>

THE TRADING GAME  
Handout 1D  
for the nation of

Production (in units)	
Corn	6
TVs	1
Tennis shoes	1
Pizza	1
<b>Total</b>	<b>9</b>

*Could you please make dotted lines between each Handout, so teacher can cut into four squares?*

**Handout 3**

THE TRADING GAME  
Trading Record

ROUND	TRADED WITH	CORN	TV	PIZZA	TENNIS SHOES	NET GAIN
Non-trade						
Round 1						
Round 2						
Round 3						


**Handout 4**

**THE TRADING GAME**  
Production Information

Product	Name of Country			
Corn	5	6	6	6
TVs	5	6	5	1
Tennis shoes	5	9	6	1
Pizza	5	7	7	1