



POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

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To Trade or Not to Trade

Time Required

3 Days

Economic Concepts

Barter
Entrepreneur
Exports
Free trade
Imports
International trade
Tariff

Overview

Bombarded as they are with economic information, students must make daily choices about how to allocate their time and money. Economics helps students make good choices as consumers and producers. To foster a world perspective on trade for young entrepreneurs, simulate a foreign market featuring world trade options. It's just the ticket!

Our students recently simulated a one-hour international marketplace between the United States and Japan. They learned about bartering, free trade, tariffs, and embargoes, as they practiced their entrepreneurship. As the rules for trade changed, students saw how trading decisions helped or hurt their ability to make a profit.

Objectives

- Students learn economic concepts through simulated involvement in entrepreneurship and international trade.
- Students use process skills and higher-order thinking skills in creating and marketing products.
- Student understanding of world trade increases through a learning environment charged with excitement and rich in entrepreneurial experiences.

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Materials and Handouts

- Classroom bucks
- Signs made from poster board: United States, Japan
- Rope/garland to use as a room divider
- Bell (to time simulation)
- Student products and signs to advertise products



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Teaching Activity

Introduction

Introduce and discuss economic concepts and vocabulary with the class. Review the definition of entrepreneurship and ask students to produce a creative product to sell at the international marketplace. Products may be goods or services they think other students will want to buy, such as paper hats or face-painting. Students cannot spend more than three dollars on production supplies, so encourage the use of recycled goods.

Introduce the classroom "bucks" system (play currency). Reward students by adding classroom bucks to individual accounts for productivity and as positive incentives for classroom work. Tell students the more bucks they earn, the more goods they can purchase at the international marketplace. Prior to the market, total each student's account and distribute the bucks. Since students will earn different amounts, inform the class of the total number of bucks in circulation. This will allow students to price their products to meet consumer demand.

Ask students to bring their product priced and ready to sell, along with any advertisements (signs, etc.), on the day of the marketplace.

Simulation

The foreign market simulation will take approximately one hour.

First, divide the room into two sections to represent Japan and the United States. If possible, use a rope tied between two chairs — that can be tied and untied — to raise and lower the border. At this point the border should be open (lowered). As students enter the room, tell them to set up their businesses with signs and products on either side. Do not tell students whether they are in the United States or Japan. (15 minutes)

Tell students they now may barter for goods and services anywhere in the room. Since bartering does not involve the use of money, students will try to trade their good or service for another good or service they desire. Bartering is not always efficient. (5 minutes)

Now, raise the border (raise and retie the rope). Tell students whether they are in the United States or Japan and ask the students in Japan to raise their prices by 10 bucks to illustrate the cost of living difference between the countries. (5 minutes)

Next, begin the import/export market. An import is a good or service brought from a foreign market. An export is a good or service sent to a foreign market. Tell students they



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may trade in either country. But if they want to import a product, they must go through an import official (parent volunteers) and pay a tariff (tax on the product of 10 bucks). Remember, the room is divided, and all trade between Japan and the United States requires coming to the rope border and going through an import official. Parents or volunteers should assist students in paying the tariff. (15 minutes)

Announce that one country has placed an embargo on trade with the other country, and there can be no trade between them. Explain that an embargo is a legal way to stop all imports and exports. Students can trade within their own country, but they cannot trade with an embargoed country. They cannot buy and sell across the rope border. (5 minutes)

To foster trade between the countries, initiate a free trade system. Tell students that free trade is trade unrestricted by government. Explain that voluntary trade creates wealth, and countries would not trade if they did not feel they would benefit. Lower the rope border and allow students to buy and sell with no tariff or embargo restrictions anywhere in the classroom. (5 minutes)

Close the international market. Ask students to mentally note whether they made good trading decisions during the flow of the market. Then have them number off and form four or five small groups. Ask students to reflect on their experiences using these questions (15 minutes):

- What did you produce?
- How did you produce your product?
- What did the international marketplace teach you about running your own business?
- Who had a really creative product?
- How did you determine the market supply/demand for your product?
- Did you make a profit?
- How much did you spend in the production of your product?
- During trading, was it more profitable to visit Japan or the United States?
- What would you do differently?

Extension Activities

For more in-depth study, have students research related vocabulary terms and create posters that illustrate their meanings. For example, a group studying international trade could illustrate barriers to trade, including export subsidies, quotas, tariffs, cartels, restrictions on immigration, controls on freedom to exchange currencies, and import



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license requirements. Students learn that these barriers have varying degrees of effect and may or may not greatly limit or even eliminate trade. Lead students to discover why Third World countries friendly to the United States may enjoy free trade. Ask students to search newspapers for articles that illustrate the economic concepts of trade, barter, import, export, tariff, embargo, and free trade. Encourage students to discover why embargoes are placed on certain countries and to find out what imports and exports are common to their area. Your students may be surprised at what they uncover about international trade and find that research has never been so much fun!