



POWELL CENTER FOR
ECONOMIC LITERACY

Lesson Plan

WRITTEN BY Powell Staff

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Trade Bags Activity

Time Required

15 – 30 minutes

Grade Level and Subject

All grade levels; Social Studies

Keystone Principles

Principle #6, Do what you do best, trade for the rest

Economic Concepts

Barter - *The exchange of one good for another, without the use of money.*

Trade - *The voluntary exchange of goods and services between individuals and firms located in different countries.*

Economic transparency - *The ability of an entity to make its operations, decision making and finances totally clear, to show the health of the firm in the private sector, and the correctness in its operations in the public sectors.*

Voluntary National Content Standards in Economics

Content Standard Five: 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 4.1, 4.3, 8.1

Overview

During this simple lesson, goody bags are distributed to students who, in turn, are given three separate opportunities to trade the bag contents with each other. All the trading events are instigated voluntarily by the students, and demonstrate in a very tangible way the mutual benefits of voluntary trade. Recognition of the role of honesty and transparency in a mutually beneficial trade is featured. Several steps listed under “Teaching Activity” are optional. By incorporating them, the lesson will take more time, but will provide a fuller understanding of the economic concepts, especially for older students.

Objectives

- Students will explore the nature of voluntary trade.
- Students will understand the role of honesty and transparency in trade.

Materials and Handouts

- One paper bag for each student in the class (white bags are more attractive when decorated, brown lunch bags are cheaper)
- Hole puncher or stapler
- Variety of colored ribbon or yarn
- Inexpensive items for goody bags (several for each participating student)

Teaching Activity

1. (optional) As an art project, put students’ creativity to work decorating the paper bags you will use for the project.
2. Before meeting with the students, place 2 -5 small items for trade in each paper bag. There should be as much variety as possible for the class as a whole, but that is not necessary for the individual bags. Possible items include school supplies (crayons, markers, pencils, pens), seasonal items, clothing (mittens, socks), sports-related items, traditionally male and female items (such as balls and hair clips), simple games, and individually wrapped candy or other snack. In one bag, I place an envelope with coins or bills amounting to a little less than the average value of the items placed in the other bags. (To obtain these items inexpensively, you can ask parents to send them to school. If you are purchasing them yourself, watch for clearance sales at stores or ask stores for donations of promotional items which would otherwise be discarded at the end of each season.)
3. (optional) Close each bag by folding the top over once or twice and punching two holes in the top approximately 2” apart. Thread the ribbon or yarn through the holes and tie in a bow. Make these as attractive as possible.
4. If you choose to omit step (3), simply staple the bags closed.
5. Set the bags on a table and allow the students to choose their own. They may lift the bags and examine them minimally but may NOT open them.
6. Divide the class into groups of 4 or 5 students, and assign one student in each group to be a record keeper.
7. (optional) **Transparency and honesty.** Before beginning the trade exercise, ask a few students how they selected their particular bag. The only visible difference at

this point will be the way the bag is decorated and its heft. Explain to the students that you chose opaque bags to illustrate the need for transparency in our transactions. Ask the following questions:

- a. Would you have paid money for these bags? *Hopefully, not. Why or why not? A value cannot be placed on something unknown. To establish a price implies that the bag has a higher value than anything available at a lower price. Have you or your parents ever bought something which was only partially transparent? If so, what? Answers will vary, but encourage students to think about such things as a can of soup, a computer, or a car. We purchase these items even though we can't see all their parts because we trust the truthfulness of the packaging or the reputation of the dealer. What safeguards are in place to ensure honesty and transparency in transactions? (Warranties, guarantees. Consumers should obtain such assurances in writing and keep a record of them.)*
 - b. Briefly discuss the meaning of *caveat emptor* – “Let the buyer beware”. With older students this could lead to or be a tie-in with a lesson on the history of governmental regulation of commerce.
 - c. Offer students a 30-second opportunity to trade their unopened bags within their group. Tell them they may keep whatever they trade for. At the end of 30 seconds, record how many trades were made. *There will likely be few, if any, trades.*
8. Allow students to open their bags. This time, offer them another 30-second opportunity to trade any items from their opened bags within their group. They may make as many trades as they wish as long as they stay within their own group. At the end of 30 seconds, instruct each group's record keeper to record the number of trades made. Note that you are recording the number of trades, not the number of students making trades.
 9. Ask whether anyone feels he or she was made worse off as a result of the trade. *If anyone does feel this way, ask the student for an explanation. Why would (s)he deliberately make a trade that was not in their best interest? If you are lucky, you may have a student say, “I gave Sally the barrette I really wanted because she is allergic to the chocolate candy in her bag. I wanted to be nice to my friend, but I didn't really want the chocolate either.” This will enable you to talk about the psychological or emotional value we assign to things when we make decisions. Help all the students to recognize that decisions are driven by many different considerations.*
 10. Announce the third and final trade opportunity. This time, allow no more than two minutes for students to trade with anyone else in the classroom. I suggest a slightly shorter amount of time if you have fewer than 25 students in your classroom. They may make as many trades as they wish. At the end of the trading session, record the number of trades made.
 11. Again, ask whether anyone feels he or she was made worse off as a result of the trade. By this point, the students should be able to recognize that, as long as the trade is voluntary, transparent, and honest, the two parties would not willingly engage in a trade unless they believed it made them better off in some way.
 12. (optional) Ask for the student who chose the bag with cash to raise a hand. Did (s)he

trade the money away or keep it? If the money was traded, follow it through the class and determine how many times it was traded and what it was traded for. Quite often, it never gets traded at all. Ask the first student to explain why he did or did not make a trade. Quite often, the student will place a higher value on the range of future choices that will be available by holding onto the money. This will introduce the concepts of liquidity and the foregoing of present consumption for future gain, should you wish to add that to the lesson.

13. (optional) To incorporate this into a math lesson, have students construct a graph of the last two trades (steps 8 and 10). During the latter, the potential trading pool was greatly expanded. Did the trading incidents proportionally increase, decrease, or remain the same?
14. (optional) Reinforce once again the necessity of honesty and transparency in any trade arrangement. Encourage students to speculate on the future business opportunities for someone who is not honest. Older students may wish to research additional information on truth in advertising laws.