

### Teaching Plan

Title	The Magic of Markets (Trade Incentive)
Instructional Objectives	➤ To illustrate that people voluntarily exchange goods and services because they expect to be better off after the exchange.
Keywords and Concepts Illustrated	➤ Trade ➤ Incentive
Needed Time	A double-lesson period, 80 minutes in total

Sessions	Details	Time Spent
Activity/ Announcement	<ol style="list-style-type: none"> <li>1 T: Why do people trade? (Put some student responses on the board without commenting them first).</li> <li>2 T: Imagine that you walk into a music store, pick out the latest CD by your favorite artist and pay the owner \$100. Who gains and who loses in this situation? (<i>Both people gain in the trade. You give up something of lesser value, \$100, to get something of more value, the CD. The owner gives up something of lesser value, the CD, to get something of more value, \$100. Both you and owner end up with something of more value to yourselves. Hence, you both gain.</i>)</li> <li>3 T: In today’s lesson, you have an opportunity to participate in a trading activity. The purpose of the activity is to explore why people trade.</li> <li>4 Group students into groups of 10. Assign a color to each group. Give each member of each group their group color stickers/dots for identification.</li> <li>5 (Before beginning the simulation, place the trading items randomly, please refer to “Tools” session below for items suggestion, in brown paper bags and seal them. The number of the bags should be at least equal to the number of students in class. Divide the bags into groups of 10 and mark all bags in each group with the same colored dot as students’ group color).</li> <li>6 Distribute the bags according to the color dots. T: Students with the same colored dots should form groups in the four corners around the room BEFORE opening the bags. When I ask you to open your bags later, you open it and look at</li> </ol>	<p>10 mins</p> <p>15 mins</p>

	<p>the object WITHOUT removing it from the bag or showing to anyone else. And then I will ask you to rate your initial satisfaction with the object in your bag. Use a 1 to 5 rating system, with 5 being very high satisfaction. I will ask you to show your hand and write down each record on the board (Please refer to Table 1 and note that <i>this method is quicker, but you must be careful to ensure that every student votes in each round.</i>)</p> <p>7 T: Now, you will have 30 seconds to look at the object! (After 30 seconds, ask students for their satisfaction level and record it on board).</p> <p>8 T: You have one minute to trade your item within your groups. You can show the item in your bag to others while trading. You can trade more than once within the time allowed. (After the trading round is complete, have students once again rate their satisfaction with the items they have. Students who chose not to trade should record the same level of satisfaction as in the first rating. Count hands).</p> <p>9 Conduct one additional trading round to increase the size of the trading groups by combining colored dots. (For example, blues and greens may trade, yellows and reds may trade, etc.) After trading, have students rate their satisfaction with the item they have.</p> <p>10 In the last round allow students to trade with anyone in the class. When the last trading round is completed, have students indicate their final level of satisfaction.</p> <p>11 After all trading, teacher should add up students' satisfaction rating in each column and display the results on the board as a total. (<i>The way to sum up the rating can be seen in Table 1.</i>)</p> <p>12 Discussion Questions:</p> <p>12.1 How many people made trades? Ask several traders what they traded and why. (<i>Generally at least some of the students will have made trades; however, there will be some who were either satisfied with what they had and did not trade, or who had something that no one would like to trade to obtain.</i>)</p> <p>12.2 Did anyone trade more than once in the experiment?</p>	<p>15 mins</p> <p>15 mins</p> <p>25 mins</p>
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	<p>Why? Did anyone not trade? Why? <i>(Several people should have made numerous trades.)</i></p> <p>12.3 Discuss the record of satisfaction points on the board. How might we explain the changes in satisfaction from round to round? <i>(Teacher note: As the number of potential trading partners increased, more people were able to find and trade for something they liked better. Thus, the total level of satisfaction increased as the size of the trading group increased.)</i></p> <p>12.4 Why do people trade? <i>(People trade to get something of more value by giving up something of less value.)</i> Did the trading behavior confirm or contradict the hypotheses we listed at the beginning of the activity? <i>(Often the initial responses are "to get something they don't have, or to take advantage or trick someone." Students should see that trade only takes place when both parties expect to gain.)</i></p> <p>12.5 Was everyone happy with their trades? <i>(Probably not. Students who had little to trade may not have been pleased. Students who couldn't find what they wanted may have been dissatisfied. Students who traded and then realized they missed a better trade may have been unhappy. Finally, students who either underestimated the costs of a trade or overestimated its benefits — or both — may have been unhappy. Trading doesn't guarantee happiness. Economists merely maintain that trade will continue if people anticipate that they will be better off after the trade than if they do not trade at all.)</i></p>	
Tools	<ul style="list-style-type: none"> <li>➤ A large number of small, easy to exchange items - such as candies, small boxes of raisins, inexpensive small toys, package of paper clips, pencils, stickers, model answers to the last quiz, etc., and enough small brown bags for each student.</li> <li>➤ Color stickers/dots</li> </ul>	

References	<ul style="list-style-type: none"> <li>➤ Source: <ul style="list-style-type: none"> <li>➤ “The Magic of Markets” provided by Foundation of Teaching Economics. <a href="http://fte.org/teachers/lessons/efl/mom/eflmon2.htm">http://fte.org/teachers/lessons/efl/mom/eflmon2.htm</a>.</li> </ul> </li> <li>➤ Definition: <ul style="list-style-type: none"> <li>➤ Parkin, M. 1996. Economics 3<sup>rd</sup> ed. (Addison-Wesley Publishing Company Inc.: USA).</li> </ul> </li> </ul>	
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**Appendix**

Table 1

**Materials for Teacher**

Record of Students' Satisfaction