

BARTER, EXCHANGE

6



PEOPLE ARE WILLING TO
MAKE EXCHANGES WHEN
WHAT THEY RECEIVE IS
WORTH MORE TO THEM
THAN WHAT THEY GIVE UP.



**Economics
Arkansas**

EDUCATION FOR REAL LIFE

CONCEPT STATEMENTS FOR ELEMENTARY ECONOMICS

1. People consume goods and services to help satisfy their wants.
2. Resources are used to produce goods and services.
3. Because many things are scarce, people need ways to allocate them.
4. Scarcity requires people to make choices that involve trade-offs and have opportunity costs.
5. Specialization and division of labor increase people's productivity and dependency on one another.
6. **People are willing to make exchanges when what they receive is worth more to them than what they give up.**
7. Money makes trading easier.
8. The price of a good, service, or resource is determined by buyers and sellers in that market.
9. People earn income when they sell their resources.
10. People incur expenditures when they buy goods and services.
11. Entrepreneurs and businesses incur costs when they buy resources and earn revenues when they sell the goods and services produced with those resources.
12. Governments provide goods and services and collect taxes.

PEOPLE ARE WILLING TO MAKE EXCHANGES WHEN WHAT THEY RECEIVE IS WORTH MORE TO THEM THAN WHAT THEY GIVE UP.

EXCHANGE: giving up something in return for getting something else

BARTER: the direct exchange of resources, goods or services (i.e. swapping)

Examples:

- ❖ students exchanging sandwiches (a good for a good) at lunch
- ❖ a barber cutting someone's hair in exchange for that person helping him move (a service for a service)
- ❖ a person washing dishes at a restaurant in exchange for a meal (a resource for a good)
- ❖ any exchange that does not involve money

COINCIDENCE OF WANTS: two people each wanting what the other person has and having what the other person wants

Examples:

- ❖ Natalie has an apple but would like an orange, while Michael has an orange but would like an apple.
- ❖ Greg has a skateboard but would like a bike, while Kara has a bike but would like a skateboard.

Concept Statement Examples

- ❖ Zayna has some earrings that Amber likes more than the necklace she has, while Zayna likes Amber's necklace more than the earrings she has (coincidence of wants). They decide to swap (exchange, barter). Zayna is happier because she now has the earrings and Amber is happier because she now has the necklace.
- ❖ Luiggi has a cup of pudding. Neil has a cookie that he offers to Luiggi in exchange for the pudding. Because Neil is willing to make this exchange, he must want the cup of pudding more than his cookie. However, the exchange (barter) will happen only if Luiggi wants the cookie more than his pudding (coincidence of wants).
- ❖ Chris has a candy bar, but wants an apple. Clark has a bag of chips, but wants a candy bar. Cindy has an apple, but wants a bag of chips. Chris cannot make one exchange to get what he wants because there is no coincidence of wants. However, he can make two exchanges to get what he wants: Exchanging his candy bar for Clark's bag of chips (barter), and then exchanging that bag of chips for Cindy's apple (barter).

GETTING STARTED

- ❖ Display the front cover. Have students working in small groups discuss the illustration and share their thoughts with the class. Explain that the two people exchanged or bartered with each other in order to get what they wanted. To exchange is to give up something in return for something else. Barter is the direct exchange of goods, services, or resources.
- ❖ Have students share times when they made an exchange to get something they wanted.
- ❖ Divide the class into two groups of equal size. Randomly hand out a pencil or eraser to each student in class (the total number of pencils and erasers should be the same). Tell all the students in Group #1 that they have to have a pencil and all the students in Group #2 that they have to have an eraser.
- ❖ Ask: Does everyone in Group #1 have a pencil? (*No*) Does everyone in Group #2 have an eraser? (*No*) How can we solve this problem? (*Have students with erasers in Group 1 exchange them for pencils from students in Group 2.*) Will everyone in each group need to exchange in order to get what they want? (*No*)
- ❖ Allow time for the exchange between members of Group #1 and Group #2 to take place. Discuss how exchange helped members of each group get the item they needed.

USING EXCHANGE OR NOT

- ❖ Remind students that barter or exchange involves giving up something in order to get something else. Tell them that just because you can make an exchange doesn't mean you should.
- ❖ Give a copy of the activity page to each student. Have students cut out pictures at the top.
- ❖ Select one of the goods (i.e. backpack) and tell students to place it in the "I Have" box. Explain that they are to imagine that they have this good, but that they can exchange it for any of the other goods if they want to.
- ❖ Have students consider the remaining goods and then place them in the boxes labeled "I would exchange for this" or "I would NOT exchange for this."
- ❖ Have students share their answers and discuss. (*People decide whether or not they will make an exchange by deciding which of the two goods they want the most. Since people have different wants, everyone does not make the same decision about whether or not to make a particular exchange.*)
- ❖ Select another good to place in the "I Have" box and repeat to demonstrate a different scenario.
- ❖ Options for using the blank box:
 - The teacher can add any other good for the students to consider before starting the activity.
 - After completing the activity, ask students to draw or write a good for which they would (or would NOT) be willing to exchange for the good they "have."

USING WHEN EXCHANGES HAPPEN

[Prior to class: Make copies of the activity page as necessary and cut out the 12 cards on each page. For each card there is only one other card that enables a direct exchange.]

- ❖ Ask: Have you ever tried to swap something with someone and the other person did not want to make the exchange? Why didn't they want to? (*They didn't want what I offered them; they wanted what they had more than what I offered them; my parents wouldn't let us swap.*) Explain: Swapping doesn't happen simply because you want to make an exchange--even if your parents say it is okay. Suppose you want a book your friend has and you are willing to give up your soccer ball to get it. Your friend will only want to swap if (1) he wants your soccer ball and (2) he is willing to give up his book in exchange for it. So, for BOTH people to be willing to make an exchange there needs to be a "coincidence of wants." Each person must want what the other person has to offer and have (and be willing to give up) what the other person wants.

(Continued inside)

TEACHER THOUGHTS

1. It is important to focus on exchanges that do not involve money so that later students will see money as a facilitator of exchange, not the goal of exchange.
2. Exchange would not happen unless people value things differently. One person must value A over B and the other person must value B over A for an exchange of A and B to happen.
3. Exchange only benefits both participants if it is truly voluntary, that is, neither person is being coerced or bullied into making the exchange.

EXCHANGING COLORS

- ❖ Prior to the lesson prepare one exchange bag per small group. Each bag will not contain all the resources needed to produce a rainbow (see list below).
- ❖ Have the students name the colors in a rainbow: red, orange, yellow, green, blue, and purple. Tell the students that they will work in small groups to produce a rainbow.
- ❖ Each group will need the following resources: paper, a pencil to draw the rainbow and six (one of each color) crayons or markers to color the rainbow.



- ❖ Divide students into small groups. Examine the materials in the bag. Discuss the following: Do you have all the materials needed to produce a rainbow? What materials do you need that are not in the bag? How can we solve this problem? (*Exchange resources with the other groups to acquire the necessary materials.*)
- ❖ One person from each group will barter for the goods. Have a common area for the group leaders to go and barter. Take only one item at a time to the bartering area. As each item is exchanged, return to the group to complete the rainbow.
- ❖ Discuss the exchange of resources. Were you able to obtain all the materials? Was the exchange easy or difficult?

HOME/SCHOOL CONNECTION--EXCHANGING FOR GOODS AND SERVICES

- ❖ Students will keep a log when bartering or exchanging for goods and services. Have them return their logs to school and discuss.

Item Given Up	Item Received	Person(s) With Whom You Exchanged	Reason for the Exchange

DISCUSSION OR WRITING PROMPTS

- ❖ What services do you have that you could use to barter for goods and services? With whom would you barter?
- ❖ Describe some historical examples of barter.
- ❖ Explain why both people making an exchange are made better off.

SWAP

Read *Swap!* by Steven Light or view online at www.youtube.com. In the story a youngster swaps (barters) for materials necessary to repair a captain's ship. Review what is bartered in the story. Discuss how both the boy and the people he is exchanging with benefit from each swap.

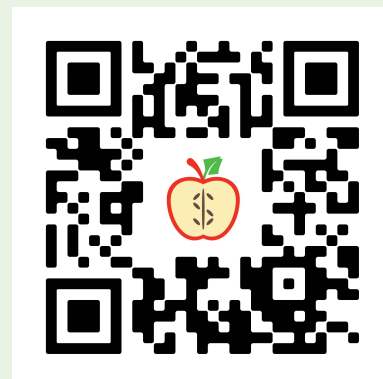
LITERATURE & ONLINE CONNECTIONS

- ❖ Scan the QR code to the right or go to www.economicsarkansas.org
Click on *For Teachers - Grab & Go Economics - Online Connections*

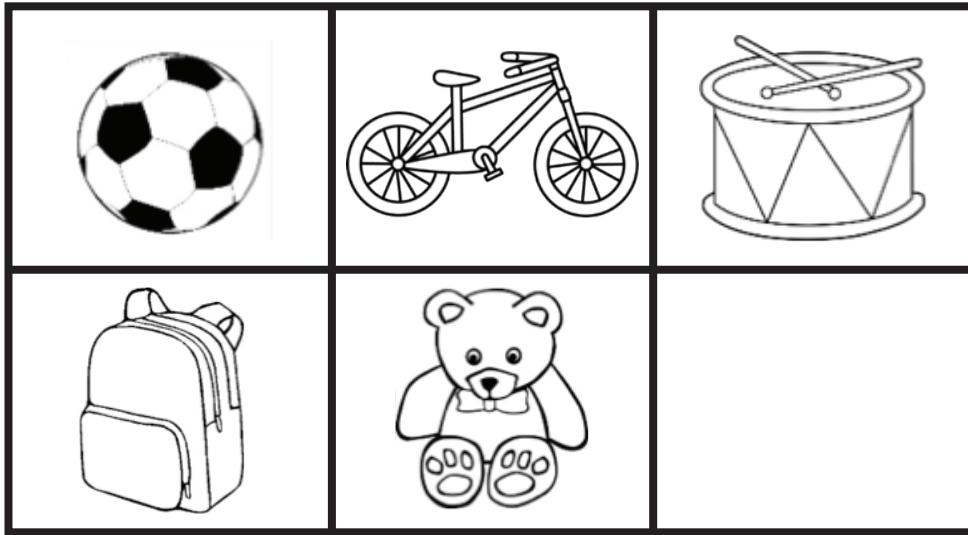
I'LL DO THIS FOR THAT

- ❖ Divide the class into small groups. Have them create and record a list of services they can provide for family, friends and neighbors. (*Examples: wash dishes, fold clothes, walk dog, water plants, take out trash, rake leaves, teach a game*)
- ❖ Have each student choose a service from the list that they will be willing to do for someone in exchange for another service on the list.
- ❖ Complete the sentence and discuss with class.

I would be willing to _____ in exchange for someone _____ for me. (*Example: rake leaves in exchange for folding clothes.*)






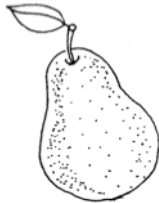

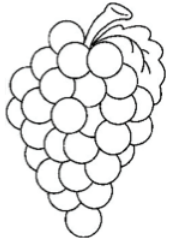



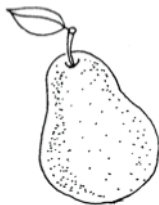

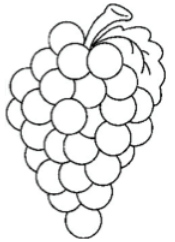
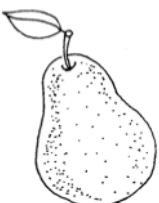

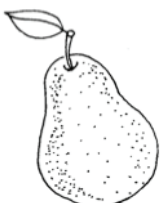

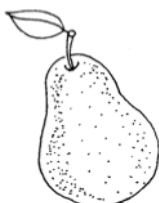
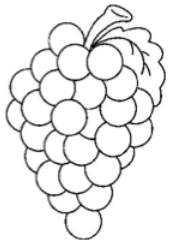
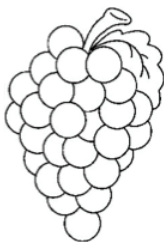

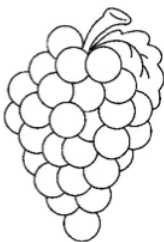

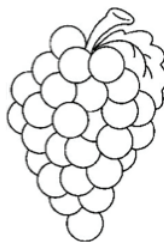
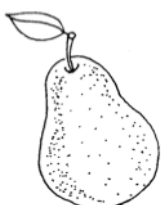
TO EXCHANGE OR NOT



I have:

I would exchange for this:	I would NOT exchange for this:

WHEN EXCHANGES HAPPEN

I have: 	I want: 	I have: 	I want: 	I have: 	I want: 
I have: 	I want: 	I have: 	I want: 	I have: 	I want: 
I have: 	I want: 	I have: 	I want: 	I have: 	I want: 
I have: 	I want: 	I have: 	I want: 	I have: 	I want: 

THE BENEFITS OF EXCHANGE

PART A

Rank the items displayed starting with the one you would most like to have as #1 and going down to #5 as the item you would least like to have.

1. _____
2. _____
3. _____
4. _____
5. _____

PART B

Write the item that you got and what you ranked that item (1st, 2nd, 3rd, 4th, or 5th).

I got a _____.

It is my _____ **choice.**

PART C

Complete the following sentences.

After trading I have a _____.

It is my _____ **choice.**

- ❖ Option 1: Create a deck with enough cards for each student to get one card (be sure each card has its direct exchange card). Distribute a card to each student. Explain that the card shows what they have and what they want. Their goal is to find someone else in the class that has what they want and wants what they have. Once students have found their “swapping partner,” have them explain why swapping would not be possible with someone other than their partner (*They didn’t have what I wanted; They didn’t want what I had.*)
- ❖ Option 2: Divide the class into groups of 2 or 3. Place one set of the 12 cards from the activity page face down and play “Swapping Concentration.” Students take turns turning cards over two at a time. They determine if a swap could happen (a card with its direct exchange card). If so, they say “Swap!”, keep the two cards, and get another turn. If not, the next student’s turn begins. The student with the most cards at the end is the winner.
- ❖ Option 3: Distribute one uncut copy of the activity page to small groups of students. Tell them that their situation is represented by the first card on the page (I have a banana; I want an apple), but there is no one with the card below that (I have an apple; I want a banana). Have them cross out that option. Have each group find multiple exchanges that would get them from their banana to an apple. (*Two two-step ways: Exchange banana for pear and then pear for apple; Exchange banana for grapes and then grapes for apple. Two three-step ways: Exchange banana for pear, then pear for grapes, and finally grapes for apple; Exchange banana for grapes, then grapes for pear, and finally pear for apple.*) This activity can be repeated by starting with any card and eliminating its direct exchange card.

USING THE BENEFITS OF EXCHANGE

[Prior to class: Select five different items that would each be desirable to students such as stickers, treats, pencils, etc. Place an equal number of each of the five items in a bag so that there is enough for each student to get one item. Make a display of these five items in front of the room.]

- ❖ Show and describe each of the five items displayed in front of the room.
- ❖ Distribute a copy of the activity page to each student. Have students complete PART A by ranking the five items from the one they would most like to have (“1”) down to the one they would least like to have (“5”).
- ❖ Go around the room and randomly draw out an item from the prepared bag for each student. [*Note: The teacher drawing is to keep students from feeling around the bag for what they want.*]
- ❖ Have students complete PART B of the activity page.
- ❖ Ask: How many of you got the item that is first (“1”) on your list? Count the number of students and record on the board. Next ask: How many of you got the item that is second (“2”) on your list? Count and record as before and then repeat for the third (“3”), fourth (“4”), and fifth (“5”) choices. Have students make observations and discuss the results. (*It is likely that roughly the same number of students got each choice, but other results are possible. It is only important to see most students did not get what they wanted the most.*)
- ❖ Tell the students that now they are going to be able to exchange their items with each other so that they can try and get an item which is higher on their list. Explain that students who already have their first choice shouldn’t make any exchanges since they cannot do any better. Direct everyone else to see if they can exchange their item for an item they like better. Allow time for students to move around the room and make exchanges (*Some may end up not being able to find an exchange that makes them better off.*)
- ❖ Once students are unable to make any more exchanges, have them return to their seats and complete PART C of the activity page based on the item they now have.
- ❖ Repeat the questioning and recording step above. Have students compare the initial results to the new results and make observations. (*Many more students will have their first and second choices and fewer will be left with their fourth and fifth choices.*) Explain that this is the benefit of exchange.
- ❖ Ask: How many of you are better off after making exchanges? (*Everyone should be since they should have only made exchanges that made them better off.*) Discuss and note that voluntary exchanges leave BOTH people who made the exchange better off, not one person or the other.
- ❖ **Math extension:** Create “Before Exchange” and “After Exchange” bar graphs based on the results above. Put the “Number of Students” on the vertical axis and “Got Their First Choice” through “Got Their Fifth Choice” on the horizontal axis. This provides a dramatic way to display the impact of making exchanges.