

MONEY, TRADE

7



**MONEY MAKES
TRADING EASIER.**



**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.

MONEY MAKES TRADING EASIER.

MONEY: any item that is generally accepted as payment when making exchanges (the medium or means of exchange)

Examples (current):

- ❖ U.S. currency (\$1 bills, \$5 bills, \$10 bills, \$20 bills, \$50 bills, and \$100 bills) and coins (pennies, nickels, dimes, quarters, and \$1 coins)
- ❖ checking account balances (transferred by check or debit card)

Examples (in the past):

- ❖ gold and silver coins
- ❖ animal pelts/furs
- ❖ shells, beads, stones
- ❖ cattle
- ❖ salt

[Note: Items that serve (and have served) as money need these desirable characteristics to be “generally accepted as payment” by traders: portable (easy to carry), divisible (easy to divide into smaller units), durable (long-lasting/can be stored for later trading), scarce (not freely available or easily produced), and recognizable (easily identified and uniform).]

TRADE: the exchange of resources, goods, services, or money

Examples:

- ❖ any barter or swapping
- ❖ a quarter (money) for a gumball (good)
- ❖ a \$200 check (money) in exchange for one day of factory work (resource)
- ❖ a haircut (service) for a \$20 bill (money)
- ❖ a \$10 bill (money) for a pizza (good)
- ❖ a \$10 bill (money) in exchange for a roll of 40 quarters (money)

Concept Statement Examples

- ❖ Samantha can provide babysitting services and wants food, clothes, a phone, and many other things. Without money, she would have to find many people who each have one of the things she wants and are also willing to trade them for her babysitting services.
- ❖ Karl exchanges (trade) a \$10 bill (money) for a pizza. The pizza store exchanges the \$10 bill for one hour of pizza-making by Kathy. Kathy then exchanges the \$10 bill for a new shirt. The shirt producer exchanges the \$10 bill for thread...and on the bill travels making exchanges possible.
- ❖ Every store in the mall is willing to trade their goods for U.S. currency (money) because the store owners are confident they can take that currency and exchange it for whatever they want.

GETTING STARTED

- ❖ Show the illustration on the front cover. Ask: What do you see? Allow students to respond and discuss.
- ❖ Define money as any item that is generally accepted as payment when trading for goods and services. Explain that the main two types of money are currency and coins (“money in people’s hands” or “cash” like that pictured in the illustration) and checking account balances (“money in a bank”).
- ❖ Show students examples of U.S. currency and coins and ask how many have used these to buy something. (*Likely everyone*) Have students discuss times when they either received or used this type of money.
- ❖ Show students an example of a check and a debit card and ask how many have seen someone write a check or use a debit card. (*Probably many*) Explain that writing a check or using a debit card transfers money from someone’s checking account at the bank to whomever they were making an exchange.
- ❖ Have students work in small groups and brainstorm answers to the following questions: What do you know about money? Why do people trade with money instead of just swapping? Discuss answers in large group.

USING METHODS OF PAYMENT

(Copy and use for small group and home/school connections.)

- ❖ Review the definition of money: Any item that is generally accepted as payment when making exchanges (the medium or means of exchange). The main examples are currency and coins and checking account balances (transferred by writing checks or using debit cards). Money is given (and received) in exchange for goods, services, and resources.
- ❖ Have students describe times when they have seen money used in exchange for something. (*Examples: coins in a parking meter in exchange for a parking space, currency in exchange for babysitting, a check at a store in exchange for clothes, a debit card at a grocery store in exchange for food items*)
- ❖ Ask: Have you seen your parents make payments using something else? (*Possible answers: credit card, gift card, money order, EBT card*) Explain that while these are not money, they are methods of payment where an exchange of money still occurs. A credit card simply postpones the exchange of money to a later date when your parents write a check to the card company. Money is exchanged when a gift card or money order is first purchased. Money is exchanged from government checking accounts to an EBT (Electronic Benefit Transfer) card.
- ❖ Divide the class into small groups. Distribute a copy of the activity page to each group. Describe each method of payment at the bottom of the page. Have groups complete the activity page based on trades they have made or seen and report back to the class.
- ❖ **Home/school extension:** Have students individually complete the activity page using exchanges they or their family members have made. Return to school and discuss with the class.

USING ACCEPTABLE AS MONEY?

(Enlarge for whole group instruction. Copy and use for small group and individual activities, home/school connections, and assessments.)

- ❖ Select four items from the suggested items and bring them to class.
- ❖ Review definition of money: Any item that is generally accepted as payment when making exchanges. Discuss characteristics that would help make an item acceptable to most traders:
 - Portable: easy to carry
 - Divisible: easy to divide into smaller units
 - Durable: long-lasting/can be stored for later trading
 - Scarce: not freely available or easily produced
 - Recognizable: easily identified and uniform
- ❖ Explain that an item often needs to possess all of these characteristics in order to be generally accepted by traders and therefore useful as the medium (means) of exchange.
- ❖ Display the activity page and one of the items. Write the item in the first box of the first table.
- ❖ Demonstrate how to evaluate the item with respect to each of the five characteristics of money. Write “yes” (or +) in the box if it satisfies the characteristic. Write “no” (or -) in the box if it does not. If unsure, write “yes/no” or “0” in the box.

(Continued inside)

TEACHER THOUGHTS

1. Credit cards, while used when making exchanges, are not money. They postpone the transfer of money to a later date (when money is used to pay down the balance of the credit card account).
2. Money eliminates the need for a coincidence of wants because it is generally accepted by most traders.
3. Money itself does not satisfy people's wants. People don't eat it, wear it, drive it, or live in it. It is "valuable" only in that it allows people to exchange for the goods and services they want.
4. People make two fundamental types of trades: They exchange their resources for money and then exchange that money for the goods and services they want. Note that money facilitates the indirect exchange of resources for goods and services.

MONEY IDIOMS

- ❖ Ask the students if they have heard any of the following phrases: "hold your horses," "it's raining cats and dogs," or "it costs an arm and a leg." Have students discuss the meaning of these idioms (a phrase that is not meant to be taken literally).
- ❖ Have students choose a money idiom from the list below and draw a picture showing the literal meaning of the statement. Have them write an explanation of what they think it actually means. Share with the class and discuss.
- ❖ Additional money idioms may be found at www.idiomconnection.com/money.
- ❖ Some suggestions:

He is rolling in money.

She is a penny pincher.

Money doesn't grow on trees.

He is filthy rich.

He has come into money.

Money makes the world go around.

Money talks.

Fork out some money.

You must think I'm made of money.

I have money to burn.

Pour money down the drain.

Don't throw your money around.



MONEY IN THE PAST

- ❖ Have students research items that played the role of money in the past. Have them describe the item, who traded with it, when it was used, and how it satisfied the five characteristics of money.
- ❖ Some suggestions:
 - cattle/livestock (ancient times, agricultural societies)
 - salt (throughout history, especially Romans, Greeks, Africans)
 - cowrie shells (from 1200 BC in regions around Indian Ocean)
 - metal coins (Chinese bronze; Lydian silver; Spanish piece of eight)
 - cacao beans (Mexico, ancient times to 1500s)
 - animal pelts ("soft gold" in Russia; North American fur traders)
 - glass beads (aggr in Africa; Venetian "whitehearts")
 - Rai stones (Yap Island, 1400 – 1900 AD)
 - wampum (European colonists and Native Americans)



LITERATURE & ONLINE CONNECTIONS

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

MATH EXTENSION FOR ACTIVITY PAGE: METHODS OF PAYMENT

- ❖ Create a graph or chart showing the frequency of each method of payment used from the activity page.
- ❖ Discuss the following questions: Which method was used the most? Which method was used the least? Were any methods not used at all? How many times was money used directly? (*Total of currency and coins, check, and debit card methods*)

DISCUSSION OR WRITING PROMPTS

- ❖ Would you prefer to have a box full of money or a box full of food if you were stranded on a deserted island? Explain your answer.
- ❖ Explain this statement: Trading with money is easier than swapping or barter.
- ❖ Describe two things you could trade in exchange for money and with whom you could make these trades.

U.S. CURRENCY

- ❖ Information about U. S. currency can be found at www.uscurrency.gov. There students can explore a timeline *From the Colonies to the 21st Century: The History of American Currency*. The site also provides information regarding anti-counterfeiting features: *Explore the Security Features of U. S. Currency* and *Learn How to Authenticate Your Money*.
- ❖ To learn about upcoming changes in currency go to *Introducing the New \$20, \$10, and \$5!* <https://moneyfactory.gov>.

ACCEPTABLE AS MONEY?



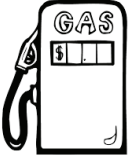



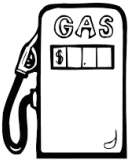






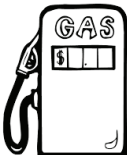

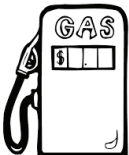








Is it...?	Portable	Divisible	Durable	Scarce	Recognizable

Is it...?	Portable	Divisible	Durable	Scarce	Recognizable

Is it...?	Portable	Divisible	Durable	Scarce	Recognizable

Is it...?	Portable	Divisible	Durable	Scarce	Recognizable

TRADING MADE EASIER

<p>Desired Trade:</p>  <p>for</p> 	<p>Desired Trade:</p>  <p>for</p> 
<p>Desired Trade:</p>  <p>for</p> 	<p>Desired Trade:</p>  <p>for</p> 
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- ❖ Write below the box if the item would likely be generally accepted (G.A.) or not by people making trades today based on the five table responses. (*Five “yes” responses would be needed for most items.*)
- ❖ Continue with the other three items in the remaining tables, gradually letting the students take the lead on each evaluation. Remind students that while any item can serve as money, those items that satisfy the characteristics listed in the table are more likely to be generally accepted by traders. (*Note: Some items listed here actually did serve as money in the past, but they have been largely replaced by “better” items.*)
- ❖ Option 1: Cut activity page so that each table is a strip. Divide students into small groups and give them one table. Assign each group a different item to evaluate. Discuss with class.
- ❖ Option 2: Cut activity page so that each table is a strip. Have students individually or in small groups come up with their own item (can be any good), evaluate it as possible money, and then share with class.

Suggested items (with possible responses):

<u>bowling balls:</u>	no (too heavy); no (half a ball is useless); yes; no (easily produced); yes [Not G.A.]
<u>air:</u>	yes (light); yes; yes; no (freely available to everyone already); yes [Not G.A.]
<u>candy bars:</u>	yes (small amounts); yes; no (can melt/dry up); no; no (not all the same) [Not G.A.]
<u>salt</u>	yes (light); yes; no (dissolves if it gets wet); no (yes in the past); yes [Not G.A.]
<u>cows</u>	no (heavy); no (half a cow not alive); no (age and die); yes; no (not uniform) [Not G.A.]
<u>water:</u>	no (heavy); yes; yes/no (could spill); yes/no (depends on location); yes [Not G.A.]
<u>light bulbs:</u>	yes (light); no (half a bulb useless); no (break easily); no; no (not all the same) [Not G.A.]
<u>gold coins:</u>	yes (if small); yes (different sizes); yes; yes (must be mined); yes (if recognizable) [G.A.]
<u>tomatoes:</u>	no (could get squeezed); yes (slices); no (rot quickly); no; yes [Not G.A.]
<u>furs:</u>	no (awkward to carry); yes/no (not into very small units); yes; yes; no (not uniform) [Not G.A.]
<u>classroom dollars:</u>	yes; yes/no; no (paper); yes (if controlled by teacher); yes [G.A. only in class]
<u>sea shells:</u>	yes; yes (various sizes/shapes); no (break easily); yes/no; no (not uniform) [Not G.A.]
<u>U.S. currency:</u>	yes (paper); yes (different denominations); yes/no (old bills are easily replaced); yes (amount in circulation is controlled); yes (legal tender laws require its acceptance) [G.A.]

USING TRADING MADE EASIER

- ❖ Distribute a copy of the activity page to each student (or small groups of students), have students cut out the twelve cards, and randomly place them picture-side down on their desk.
- ❖ Tell students to turn over one card and explain that this represents the trade they would like to make. Explain that the goal is to find a trader that would be willing to make this trade. They do this by turning over the other cards one at a time, leaving them picture-side up, until they find the card representing a trader that has what they want and wishes to trade for what they have.
- ❖ Ask: How many cards did you have to turn over before finding the desired trade? Add individual responses and divide to get an average. (*Should be around 5.*)
- ❖ Have students turn all cards face down again, randomly move them around, and turn over one card as before. Tell them to pretend that both they and all other traders have money and are willing to accept money. This means that they only need to find a card representing a trader that has what they want as they could then simply exchange the money they have. Again have them turn over cards until they find such a trader, ask how many cards each student had to turn over, add responses, and get an average. (*Should be less than 2.*)
- ❖ Discuss the results: Having money reduces the amount of effort (search time) needed to make a trade.
- ❖ Ask: Where would you go to get each of these items? (*gas/gas station, milk/grocery store, shirt/clothing store, pizza/pizza restaurant*) Note that making trades today is even easier because these traders are easy to find and you know they will each take money in exchange for their good.
- ❖ Ask: Where could you go and get ALL of these goods? (*convenience store or large retailer*) Explain that instead of having to make several different trades for each of these goods, money allows for one trader (the large retailer) to trade all of these goods for money and reduces the effort of making trades even more.