

TRADE GIVES US ACCESS TO THINGS WE WOULDN'T OTHERWISE HAVE

OBJECTIVE:

Students will gain a better understanding about how trade provides access to goods and services from many parts of the world.

KEY POINTS:

- Trade allows us to enjoy goods and services that originate in many different places
- Sources of trade items sometimes shift over time
- Natural resources, manufacturing infrastructures and agricultural capacities are not equally distributed throughout the world. Trade allows people to compensate for this by trading some of what they have for some of what they need.
- A country has an absolute advantage in the production of a good relative to another country if it can produce the good at lower cost or with higher productivity
- A country has a comparative advantage in the production of a good if it can produce that good at a lower opportunity cost* relative to another country.

Teacher notes:

*A great resource for understanding the economics of trade, especially concepts related to comparative advantage such as opportunity cost is Professor Steve Suranovic's web site, created for his George Washington University economics courses:

<http://internationalecon.com/index.html>

<http://internationalecon.com/v1.0/ch40/40c090.html> is the specific link to Suranovic's comprehensive chapter on understanding comparative advantage.

Another valuable resource is biz/ed, a U.K. web site. One specific biz/ed link that provides a virtual tour of a country, a factory and an economy is:

<http://www.bized.ac.uk/virtual/>



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ACTIVITY: Where do things come from?

(grades 8-12, adjust expectations to grade level)

A. Students (individually or in groups) select one of the following items:

- a natural resource
- a service
- a manufactured product
- an agricultural product

Be sure that something from each of these four categories is represented. Extra credit might be considered when students choose more obscure topics (rare or unusual natural resources, unusual food crops and so on).

B. Students research where their selected item is created. In many cases, they will find that there are multiple sources for their item; if this is the case, they might list the top 5 sources, and perhaps the respective shares of the world market (it might also be interesting to note any unusual or unexpected producers).

C. Students also research who most commonly consumes the items that they are studying. There may be many consumers of their item. Students should list the top 5 consumers (it might also be interesting to note any unusual or unexpected consumers).

D. Students track the sources and consumers on a map.

E. Students consider these questions:

1. *What would happen if any of the top five producers stopped creating the item?*
2. *Are there other regions/countries/states where the item could be produced but isn't? If not, why not?*
3. *Have others produced the item in the past but no longer do so? What are some reasons why people stop producing products, and could they do so again by making changes in production methods or if market conditions change?*
4. *Are new resources or alternatives under development? If not, why not?*
5. *What is the trend in production (supply) of the item? Increased or decreased production? How does supply affect price?*
6. *What is the trend in consumption (demand) of the item? Increased or decreased consumption? How does demand affect price?*

F. Students make a presentation to the class of their findings. Students should be encouraged to use maps, samples of their item, charts showing trends and other visual aids.

Suggestions for Assessment

Grade on the completeness and complexity of the presentation, and the depth of research. Alternately, the class can grade the presentations on clarity, effectiveness and preparation to answer questions.