

Teacher Overview

This activity was based on a [Ted Talk](#) where the speaker starts with a paperclip and trades that paperclip for a house eventually. This is a great example of how voluntary trade creates wealth, in both the long and short term.

Trade is good for people because it allows them to find solutions to their problems. The Sock Exchange engages students in a trading simulation designed to illustrate a complex marketplace in which goods and services are traded. Students use this experience to investigate the conditions that encourage or discourage trade among individuals. Through several rounds of trade, students will see that the broader their access to trade, and the more choices they have for solutions to their problems, the greater their satisfaction.

This activity was developed and submitted by YE educators Hannah Womack and Kasey Winegar!

Time



When to Use This Lesson

The Sock Exchange would be a good follow-up to Cowboy Inkblot and Find the Numbers in the YE Core. The students will not require any prior knowledge to successfully participate in this activity.

BEFORE CLASS PREPARATION

- > Watch the Ted Talk and review the activity instructions to ensure an understanding of how to execute the activity and debrief.
- > Review the debrief questions and SEL competencies to watch for these scenarios playing out in the class activity.
- > Download the video or ensure you have access to the video for class. Ensure sound and internet are both working.
- > Ask students to bring 2-4 items from home that they have but don't really want or need. Assign a deadline that allows you time to organize the bags.
- > Fill the bags with 2-4 items. Mix and match with items brought by various students. Staple the bag close.

MATERIALS

- > [Ted Talk](#) (approx. 13 minutes)
- > [Trading Game Satisfaction Chart](#)
- > Paper bags (1 per student)
- > Stapler

LEARNING OBJECTIVES

- > Principled Entrepreneurship LO 2a, 2b, 2d, 4b, 4d, 4e, 4l, 4m, 4n, 4o

FOUNDATIONAL VALUES

- > Sound Judgment
- > Be Principled
- > Freedom
- > Responsibility
- > Win-Win Focus
- > Opportunity

KEY TERMS

- > Opportunity Cost
- > Voluntary Exchange
- > Scarcity
- > Trade
- > Subjective Value
- > Trade-off
- > Property-Decision Rights
- > Self-interest
- > Economic Systems
- > Personal Choice
- > Incentives

ACTIVITY INTRODUCTION

- > Ask, "Why do people trade?"
 - Record some student responses on the board and indicate that these responses are hypotheses.
 - Explain to the class that today's activity will provide information and experience with which to test the hypotheses.
- > Remind students that compliance is extremely important; therefore, they must listen closely to instructions.
- > Announce to students that you are going to give them bags which they will then own. Ask them not to open the bags until told to do so.
- > Tell the class that you will also be asking them to rate their satisfaction throughout the activity
- > Satisfaction ratings will be based on a scale of 1-5. 1 = worst, 5 = best.

ACTIVITY DIRECTIONS

- > Open conversations about subjective value and voluntary exchange.
 - Activate and draw from any prior knowledge or activities where students have learned about both concepts.
 - **Pro-Tip:** If students are unfamiliar with the concepts, let them watch the TedTalk first, then review the concepts so they can anchor the meaning to Kyle and his trading.
- > Show Ted Talk YouTube video.
- > Discuss connections to Foundational Values win-win, opportunity, and freedom.
 - Continue discussion asking "How did they see subjective value and voluntary exchange demonstrated?"
- > Ask students to now take out the 2-4 items they brought from their home that they have but don't really want or need.
 - **Pro-tip:** You can adjust the number of items requested based on size of class.
 - Alternate Option: You can use your YE capital to purchase random items from the dollar store and give to each student so they are not bringing items from home.
- > Have students share their items with the class.
- > Allow students to offer up an item for trade.
 - **Pro-tip:** You determine how many students you will allow to offer up an item.
 - Ask students for suggestions as to what might make the satisfaction total increase. The answer you are looking for is "trade."
 - **Pro tip:** Let whether or not they actually trade their items later on be their own decision.
- > Did the trade make students more satisfied than they were with their own original items?
 - Ask the students if they think this is the happiest they can be in this game. What could make them happier?
 - Ideally, they would say that being able to trade with anyone could make them the happiest.
 - You can do as many restricted trading rounds as time permits. As you do the restricted rounds, you can slowly loosen the restrictions.
 - After each round ask for the students' satisfaction ratings on a scale of 1-5.
 - Conduct one final trading round, but allow students to trade with anyone in the class. Do a final rating and record the tally.

EXTENSION ACTIVITIES

- > Don't want the fun to stop? Try out the variations below and see what happens!
 - **Option 1:** Teachers will send or distribute a simple and inexpensive item to all their students, such as pencil or crazy socks (YE Swag!). Students will have a set amount of time, such as 2 days or until they have their next scheduled class meeting, to try and trade that item for whatever they can. Whether they do this through social media or just their own personal friends and family will need to be a decision and/or discussion between the teacher and the students. After that set amount of time, students will share back with the class (through a Zoom/Google Meet session) what they were able to trade their item for and talk about the process. This option would work for smaller classes, or smaller towns where teachers could deliver or send these items to their students.
 - **Option 2:** Students will have to find an item in their house that they all have, such as a paperclip or coffee mug. Students will have a set amount of time, such as 2 days or until they have their next scheduled class meeting, to try and trade that item for whatever they can. Whether they do this through social media or just their own personal friends and family will need to be a decision and/or discussion between the teacher and the students. After that set amount of time, students will share back with the class what they were able to trade their item for and talk about the process. This option would work better for larger classes or urban areas where teachers might not be able to send items to their students and it makes more sense for students just to use their own items.

ACTIVITY DEBRIEF

- > How many people made trades?
 - Ask several students what they traded, and why.
 - Follow the students' explanations by asking how they felt after the trade.
 - Most students will be happier and will feel that they got the best end of the deal.
 - Find the student who was the other party to the exchange and ask why he/she traded and how he/she felt after the trade.
 - Most of the trading partners will also be happier. If a student does not report feeling better off, find out why. This is a chance to emphasize that costs occur in the future and that sometimes we make mistakes in anticipating that we'll benefit more than we actually do. See debriefing questions on cost below.
 - Most students will have made trades; however, there will be a few who were either satisfied with what they had and did not trade, or who had something that no one would trade to obtain.
- > Go back to some of the students who discussed their trades in response to question #1 and ask what it cost them to make the exchange.
 - Students had to give up some or all of what was in their possession in order to make the exchange. Emphasize the definition of opportunity cost as the foregone alternative. Emphasize that cost exists because of scarcity.
- > Did anyone trade more than once? Why? Did anyone not trade? Why?
 - Several people should have made numerous trades. Elicit articulation of the fact that the trades continued only as long as the traders perceived they would continue to benefit, and those who made multiple trades stopped when they anticipated no gain from more trade.
 - Call on some of the students who did not trade at all and ask why they didn't. Expect to hear either that the person saw nothing he valued more than what he already had, and wouldn't trade, or that no one else valued what was originally in the bag, so the person couldn't trade. • Re-emphasize that voluntary trade is based on the mutual perception of benefit.

- > Point to the tally of satisfaction points on the board as empirical evidence of “increased wealth.”
 - How did wealth increase when nothing new was added? - There was more wealth because — through voluntary trade — the items in the bag went from people who valued them less, to people who valued them more, thus increasing the wealth of both trading partners. - At this point you can discuss subjective value. This is also a good time to mention that all bags originally had the same monetary value.
 - What generalizations might we make about trade, based on how the tally changed from round to round? - Expect a variety of answers, including: The value of things is subjective; some value a particular thing more than others do. - Some students may comment that subjective valuations change by having something to compare to (some changed the ratings of their objects after seeing what others had). - Having more trading partners was better than having few. More trades meant more satisfaction points; more trade meant more wealth, etc.
- > Why do people trade?
 - People trade to get something of more to get something they value more by giving up something they value less.
 - Did trading behavior confirm or contradict the hypotheses we listed at the beginning of the activity? — Often the initial responses are “to get something they don’t have, or to take advantage of someone.” Students should see that trade only takes place when both parties expect to gain. But sometimes the gain is not material, such as when students trade to make someone else feel good.
- > Was it possible to trade without some sort of cost? Why?
 - No. Because of scarcity, we cannot have everything we want. There is always a trade-off.
 - What was the cost and what was the benefit of each trade? - Things traded away were the cost of the trade. Things received were the benefit.
- > What were the necessary conditions for wealth-creating trade to take place?
 - Emphasize the importance of two “rules of the game” (institutions): - Property-decision rights: Remind students that what was in the bags was theirs, and - Voluntary exchange: No one was forced to make an exchange.
 - What would have happened if you had been forced to trade? - Students should recognize that they wouldn’t have experienced the same overall increase in satisfaction. - Encourage students to look for the role of institutions as we continue our study of economics. - Do all countries allow voluntary exchange? Discuss different economic systems and how they might impact personal choice. Not all countries allow individuals the choice in how or what they trade.
- > Does the creation of wealth increase everyone’s satisfaction?
 - Definitely 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. Students who either underestimated the cost of a trade or overestimated its benefits (or both) may have been unhappy.
 - Emphasize that economists don’t say that trade make people happy; they argue that it creates wealth. — Also note that saying “trade creates wealth” doesn’t mean every individual will be wealthier.
 - Economists merely maintain that trade creates wealth overall, and that trade will continue if people expect to be better off after the trade than if they do not trade at all. > Were all consumers motivated to trade? If no, why not? As entrepreneurial thinkers how might we motivate consumers to trade? — Did anyone feel coerced or cheated in trading? Explain. (If someone felt coerced or cheated it is a good time to discuss, Being Principled and Win-Win.)
 - Ask students: “What do you think should happen if someone is coerced or cheated?”
 - Do we need a new classroom rule or law to confront this behavior?
 - Will the market provide any consequences to the behavior(s)?
 - If so, are these consequences sufficient?