Lesson
10

A Colonial Marketplace

OVERVIEW
Students will participate as children of colonial farmers in a simulation of a market. They will first barter, exchanging the goods they "produced" for other goods. Then, in a second round, they will trade again, using money as the medium of exchange.

ECONOMICS CONCEPTS
Economic wants, markets, buyers, sellers, self-sufficiency, barter, a double coincidence of wants, money, commodity money, the roles of money, the characteristics of money

HISTORY CONTENT STANDARDS
Standard 5 for grades 3-4: Engage in historical issues-analysis and decision-making: Therefore, the student is able to identify problems and dilemmas confronting people in historical stories, myths, legends, and fables, and in the history of their school, community, state, nation, and the world.
Standard 1 for grades 3-4: Living and Working Together in Families and Communities, Now and Long Ago; Family life now and in the recent past; family life in various places long ago.

ECONOMICS CONTENT STANDARDS
Standard 5: Gain from Trade
• Benchmark 1 for 4th grade: Exchange is trading goods and services with people for other goods and services or for money.
• Benchmark 2 for 4th grade: The oldest form of exchange is barter the direct trading of goods and services between people.

Standard 6: Specialization and Trade
• Benchmark 1 for 4th grade: Economic specialization occurs when people concentrate their production on fewer kinds of goods and services than they consume.

Standard 7: Markets - Price and Quantity Determination
• Benchmark 2 for 4th grade: A market exists whenever buyers and sellers exchange goods and services.

Standard 11: Role of Money
• Benchmark 1 for 4th grade: Money is anything widely accepted as final payment for goods and services.
• Benchmark 2 for 4th grade: Money makes trading easier by replacing barter with transactions involving currency, coins, or checks.
• Benchmark 1 for 8th grade: As a store of value, money makes it easier for people to save and defer consumption until the future.
• Benchmark 2 for 8th grade: As a unit of account, money is used to compare the market value of different goods and services.

OBJECTIVES
Students will be able to:
➢ Describe barter as the direct exchange of goods or services without the use of money.
➢ Observe that barter takes time because sometimes it is difficult to find a match of wants.
➢ Explain that there was a shortage of currency in colonial times because England would not allow its colonies to mint or print their own money.
➢ Describe some of the products that were used as money, called commodity money
➢ Explain that money makes trading easier and faster
➢ Observe that people in colonial times were more self-sufficient than people are today, and therefore they were less interdependent.
➢ Describe the roles of money.
➢ Describe the characteristics of money.
➢ Observe that people in colonial times produced and consumed different goods and services than today.

MATERIALS
➢ Activity Sheet 10A: Roles of Money
➢ Activity Sheet 10B: Characteristics of Money
➢ Activity Sheet 10C: Shopping Lists
➢ Activity Sheet 10D: Vendor Badges
➢ Activity Sheet 10E: Product Cards
➢ Activity Sheet 10F: Colonial Money
➢ Paper in different colors
➢ Transparency film
➢ Watch or timer
- Envelopes – two for each student in the class
- Masking tape
- Two prizes, one for the most efficient trader in each round
- Booklet: History of Colonial Money (copies are available free of charge to teachers from the Federal Reserve Bank of Boston – telephone 617-973-3989, or online at http://www.bos.frb.org/education/pdf/historyo.pdf)

**PREPARATION**
- Make transparencies from Activity Sheet 10A: Roles of Money and Activity Sheet 10B: Characteristics of Money.
- Duplicate Activity Sheet 10C: Shopping Lists, making enough copies to give each student one card in each of the two rounds of the trading game. Cut out cards.
- Duplicate Activity Sheet 10D: Vendor Badges, on paper of another color. Make the same number of copies as done with Activity Sheet 10C. (Students may make their own vendor's badge if desired.) Cut out badges.
- Duplicate Activity Sheet 10E: Product Cards (a different color than the Shopping Lists) and cut out cards. To determine the number to make, take the number of copies made for Activity Sheet 10C, and multiply by 5. In each round, each student will need 5 product cards for the product they are trading. (It is recommended that Round 2 product cards be a different color from Round 1 product cards.)
- Prepare two sets of envelopes so that each student will get one envelope in each of the two rounds of the game. Label the envelopes, "Round 1" and "Round 2." For Round 1, place in each envelope, a Shopping List and paper Vendor’s Badge, along with 5 of the corresponding Product Cards, as indicated on the as Shopping List. (Put no money in Round 1 envelopes.)
- Duplicate Activity Sheet 10F: Colonial Money on colored paper and cut out the bills. Make enough copies for each participating student to get 3 “Colonial Continentals.”
- Make Round 2 envelopes just like the Round 1 envelopes; then add 3 “Colonial Continentals” to each envelope. (Product Cards should be a different color in this round.)

**PROCEDURE**

1. **Introduction: Setting the Stage for a Class Simulation**
   a. Have a class discussion in which you talk about the very earliest colonial settlers, and the reasons why they had to be self-sufficient farmers; that is, they had to raise almost all of their food and produce almost all other products they needed to survive. They were not near enough to many neighbors to carry on a lot of trade. The production of their basic necessities for existence (food, clothing, and shelter), which they produced with almost no help at all, consumed most of their time, leaving them with very little opportunity to enjoy other things. As time passed and more settlers came, the colonial farmers continued to be basically self-sufficient. But communities grew, and people began to live closer together, making trade possible. They soon found that if they were more successful in producing certain goods and had more than they needed for their own consumption, they could trade with neighbors in villages. In this way they could get some other products that they did not produce enough of by themselves to fulfill their wants. Through trade, they had raised their standard of living.

   b. Explain to the class that they will participate in a simulation in which they will be children of colonial farmers. At the time of this simulation, each of their colonial families is still mostly self-sufficient; that is, they still raise most of their food and produce most other products they need. However, if they have produced more of a product than they need for their own consumption, they trade these goods for some things that they have not produced. Trade of this kind, without the use of money, is called barter. At this time England wanted to barter with the colonies. This was the mercantile period and England wanted to keep all the gold they could get their hands on. Through barter, they created a market for their products and got products they wanted from the colonies. They liked to get tobacco because there was always a ready market for it.

2. **First Simulation: Bartering for Goods**

Remind students that they will be taking part in a simulation in which each of them will be the child of a colonial farmer. Explain the simulation:

   a. Each student’s colonial family has worked diligently, producing most of the goods and services that they require to exist. But each family has produced a little more of one product than they need for their own use. The parents of the family have sent the child into town to trade these surplus goods to get more
of some things that they want. The products are:

- a bushel of corn
- a bushel of potatoes
- a bushel of wheat
- a bushel of apples
- a sack of wool
- a chicken
- a birch broom
- a gallon of milk
- a dozen eggs

b. Explain that they will each receive: a vendor’s badge indicating what they will be trading, five units of output (apples, corn, eggs, etc.) available for exchange, and a shopping list of items for which they want to trade. Explain that their shopping lists were given to them by their colonial parents and will tell them what they want in this simulation. Remind students that all people have different economic wants. One student’s wants may be completely different from another student’s wants. (Students will not receive any “money” in their envelopes at this time.)

c. Tell students that in this game each person’s goal is to obtain all five of the items on his or her shopping list. In this game items generally trade one for one. Students will find that they will not always be able to trade directly. They may have to trade for things they do not want and then trade those things for things they do want. Instruct students to report to the teacher when their trading is complete. Tell them that there will be a prize for the most efficient trader, the one who gets all of the items on his or her list first.

d. Give each student a “Round 1” envelope containing the badge, the 5 corresponding product cards, and the shopping list of the five items for which they will trade. Explain that they will need to wear the badges showing what products they have available to trade, so that the buyers can find them. Give students paper clips or small pieces of masking tape with which to fasten the vendor’s badges to their clothing.

e. Open the market. Start timer. Note the time when the first student completes his or her shopping list. End trading after many students have completed their trades. Give a prize to the trader who finished first. (Be sure to check to see that the winner actually acquired all of the items from his or her shopping list.)

f. Debrief by asking the following questions:

- How difficult was it for you to find someone who had what you wanted, and wanted what you had? (For fun, you might explain that economists call this a double coincidence of wants!)
- Were you able to figure out a way to trade?

3. Colonial Money

Provide the class with the following brief history of money in America: In the early colonial period there was not much money available. England would not allow the colonies to print money or make coins. The colonists bartered with each other and with England. They also used foreign coins from countries such as England, France, and Spain. The shortage of currency made trading difficult. The following description is from History of Colonial Money, a short publication from the Federal Reserve Bank of Boston:

Various items were used as money. Wampum was made legal tender in 1637. It was used by the Dutch in New York for trade with the Indians until 1661. In Massachusetts it was acceptable for paying taxes. The colonists used many items such as these as commodity money: tobacco, rice, corn, beaver skins, powder and gun shot, and livestock. However some of these could spoil or were difficult to carry. In 1652 the Massachusetts Bay Colony established a mint, in violation of England’s laws. The first coins were unsuccessful because they were too easy to counterfeit. Later that year more complicated coins, the "Willow Tree Shillings" and the "Pine Tree Shillings" were introduced. In 1684 England revoked the Massachusetts charter and closed the mint. In 1690, England introduced the "Bills of Credit" to pay soldiers. In 1775, the Continental Congress printed money to pay for the war. Because they printed too much, it was worthless by the end of the war. Thus, people began to distrust paper money until the 1860’s. At that time, a fairly stable money was created when National Bank notes were printed for the Civil War.

4. Second Simulation: Purchasing Goods with Money

a. Tell students that it is now about a year later, and money is beginning to be used in their community. Their colonial parents are again sending them into the village with their surplus products to trade, but they have also given them 3 “Colonial Continentals” to use in trading. Distribute the “Round 2” envelopes.
b. Tell students that trade is about to begin again. This time, instead of bartering, they will pay one Colonial Continental for each item. (This is the price of each item.) Again there will be a prize for the trader who finishes first.

c. Open the market. Start timer. Note when the first student finishes. This time continue the market until most students have completed their trades. Again, award a prize to the trader who finished first.

5. Closure: About Money

a. At the conclusion of the second market, ask students to compare their experiences in Round 1 and Round 2. (Students should say that trading with money in Round 2 was easier and faster.) Compare the time it took for the first student to finish in round one to round two. (Generally round two will go faster.)

b. You can summarize the lesson by using Activity Sheet 10A: The Roles of Money:

- How was Round 2 different from Round 1? (It was easier/faster to trade. This is because money is a medium of exchange, and eliminates the need to find someone who has what you want and wants what you have.)

- Suppose you did not want to trade all of your eggs now. Could you save them until next winter and trade them? Why or why not? (The eggs probably would not be good to eat then, so they are not a very good way to store value. On the other hand, we can save our money and spend it next winter. So money is a store of value.)

- Suppose someone was trying to sell a horse. Do you think it would sell for one bushel of wheat or one birch broom? How many brooms or how much wheat would it take? Suppose someone had a horse worth 90 Colonial Continentals and someone else had a horse worth 100 Colonial Continentals. Would this be an easier way to compare the value of the horses? (Yes. They could use money as a measure of value, especially since people might not always consider a bushel of wheat exactly equivalent in value to a dozen eggs.)

c. Use Activity Sheet 10B: The Characteristics of Money, and ask students to discuss and explain why money must have each of the characteristics listed. Elicit the following:

- Money has to be widely acceptable. (If people will not take the money in trade for goods and services, no one will want it. Tobacco was widely acceptable as commodity money, because it could be resold to be used as tobacco. In order to use a "Colonial Continental" as a medium of exchange, people had to have confidence that other people would accept it in exchange for other goods and services.)

- Money needs to be durable. (Apples or tomatoes used as money just might rot!)

- Money needs to be easy to carry. (If cows were used as money, they would be hard to keep handy for trade.)

- Money needs to be divisible, so that people can trade things of different values. (If the only coin smaller than $1 was 50¢, how would one pay for items that are worth 25¢ or 75¢? When money is divisible, it is easier to pay exactly what an item is worth. Imagine bartering horses and pigs. How many pigs would one horse be worth?)

d. Discuss how the economic life of a farmer today is different from that of a farmer in colonial days. (Modern capital equipment now makes production much more efficient. Better transportation and communication allows farmers to have access to a great many more markets. People trust our American currency, and that makes trade much easier than with barter. Specialization allows modern farmers to produce in only a specific segment of the agricultural market. And specialization throughout the economy causes all of the people to depend upon other people to produce most of the goods and services they use. They produce very few of the products that they want for daily living, depending on others to make these products and to make them available in trade for money. This condition is called interdependence. Thus people today are much less self-sufficient and much more interdependent than they were in colonial days.)

EXTENSION

1. Use the Trade-Offs video called "Why Money" to help students get an understanding of the desirability of using money instead of barter. This video also brings in the difference between cash, checks, and credit cards.

2. Read the book The General Store by Bobbie Kalman ISBN 0-86505-432-0. Discuss examples of barter, money and store credit as they were used in colonial times.
3. Use some of the following lessons that are available on the CD-ROM disk, *Virtual Economics*:

- **Master Curriculum Guide in Economics**: *Teaching Strategies, 3-4*, Lesson 7 - *Let's Trade*

- **Economics and Children's Literature**, *A New Coat for Anna*, by Harriet Ziefert; *Helga's Dowry--A Troll Love Story*, by Tomie dePaola; *Round and Round the Money Goes*, by Melvin & Gilda Berger; and *The Trading Game*, by Alfred Slote

- **The Econ Song Book**, Song: *The Money Goes 'Round* (Tune: *Here We Go 'Round the Mulberry Bush*)

- **Play Dough Economics**, Lesson 6 - *Trade*: Getting the Things We Want, and Lesson 7 - *Money: Making Trade Easier*
Activity Sheet 10A

Roles of money:

• A Medium of Exchange

• A Store of Value

• A Measure of Value
Activity Sheet 10B

**Characteristics of Money:**

- Generally acceptable for goods and services
- Durable
- Easy to carry
- Divisible
### Activity Sheet 10C: Shopping Lists

**You have:**
- 5 bushels of potatoes

**Trade until you have:**
- 1 dozen eggs
- 1 bushel of wheat
- 1 bushel of corn
- 1 birch broom
- 1 bushel of apples

**You have:**
- 5 bushels of corn

**Trade until you have:**
- 1 bushel of apples
- 1 sack of wool
- 1 dozen eggs
- 1 gallon of milk
- 1 chicken

**You have:**
- 5 chickens

**Trade until you have:**
- 1 bushel of corn
- 1 bushel of apples
- 1 gallon of milk
- 1 bushel of wheat
- 1 sack of wool

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**You have:**
- 5 sacks of wool

**Trade until you have:**
- 1 dozen eggs
- 1 bushel of apples
- 1 birch broom
- 1 bushel of wheat
- 1 bushel of potatoes

**You have:**
- 5 bushels of apples

**Trade until you have:**
- 1 chicken
- 1 birch broom
- 1 sack of wool
- 1 bushel of corn
- 1 bushel of wheat

**You have:**
- 5 gallons of milk

**Trade until you have:**
- 1 bushel of potatoes
- 1 chicken
- 1 bushel of wheat
- 1 bushel of corn
- 1 gallon of milk
- 1 bushel of potatoes

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**You have:**
- 5 birch brooms

**Trade until you have:**
- 1 sack of wool
- 1 gallon of milk
- 1 dozen eggs
- 1 chicken
- 1 bushel of potatoes

**You have:**
- 5 bushels of wheat

**Trade until you have:**
- 1 bushel of potatoes
- 1 birch broom
- 1 bushel of apples
- 1 dozen eggs
- 1 gallon of milk

**You have:**
- 5 dozen eggs

**Trade until you have:**
- 1 chicken
- 1 bushel of wheat
- 1 bushel of corn
- 1 gallon of milk
- 1 bushel of potatoes
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### Activity Sheet 10F: Colonial Money

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Fun Lessons in Economics!
By Suzanne Gallagher and Martha Hopkins
Website: www.econ-fun.com

Adventures in Economics and U.S. History - These books contain lessons that are hands-on activities, games, and simulations, many of which are based on children's literature, all related to U.S. history (grades 4-8).

- Volume 1: Colonial America – 15 lessons
- Volume 2: A Young Nation – 16 lessons
- NEW: Volume 3: The Twentieth Century – 16 lessons

Adventures in the Stock Market - These lessons help students learn economics and personal finance concepts and are especially useful when participating in the Stock Market Game or the Stock Market Simulation (grades 3-7).

Spotting Economics: From Africa to Ice Cream - These lessons help both teachers and students learn to spot basic economics concepts in stories from the children's literature already used in elementary classrooms (grades K-5).

Puppet Economics - Using this curriculum, students develop their own original puppet show and become acquainted with many economics concepts—economic decision making when planning plot and characters; production and resources through creating puppets; specialization and interdependence when organizing for production; consumption through marketing the show; and building human capital when rehearsing and presenting the show (grades K-8).

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