

STAR WARS EPISODE 1: THE PHANTOM MENACE

TRADE AND ECONOMICS FROM THROUGHOUT THE GALAXY

Topics: Trade, Barter System, Economics, Supply and Demand

Subjects: World History, U.S. History, Geography, and Economics

Objective: Illustrate the principles and functions of trade and the barter system.

Materials Need:

- Copy of Star Wars Episode 1: The Phantom Menace (DVD/Blu-Ray, Digital)
- Class set of small brown paper bags
- Miscellaneous cheap items (candy, hall passes, pencils, highlighters etc.)
- Tracking Sheet

Duration: 1-2 class periods (45 min) depending on depth of discussion.

Procedures:

- Begin by having the students define the terms trade and barter (if these words are not in your textbooks you may allow students to use a dictionary or if you are in a 1:1 situation you can allow students to use online resources).
- Discuss the differences and similarities between these two terms.
 - In what situation would you barter rather than trade?
 - Why did most early civilization barter?
 - If you have currency in what situation may you still need to barter?
- Show clip from Star Wars Episode I: The Phantom Menace (29:43-35:55, Qui-Gon, Jar Jar and Padme visit Watto spaceport to buy hyper drive generator. They do not have enough to barter with)
- Discuss the scene with the class.
 - Why does Watto tell Qui Gon it would be cheaper to just buy a new ship? Why would the part be so expensive?
 - Why is Qui Gon asking Obi Wan what they have on board the ship?
 - Why is the fact they have nothing a value a problem?

The following portion of the lesson has been modified based on “The Magic of Markets,” from the Foundation for Teaching Economics.

<http://www.fte.org/teacher-resources/lesson-plans/eflessons/the-magic-of-markets-trade-creates-wealth/>

- *Begin trade simulation*
- *Before beginning the simulation, place the trading items, unequally, in brown paper bags and seal them. Divide the bags into groups of about 4 or 5, depending on class size, and mark all bags in each group with the same letter. Mix all the bags together in a large box or trash bag.*
- *Explain to students that the purpose of the activity is to explore why and how people trade.*
- *Explain the following scenario to the students: Imagine that a teenage movie lover walks into a store, picks out the latest Marvel movie on Blu-Ray and pays \$20. Who gained and who lost in this transaction?
(Both people gained in the trade. The movie lover gave up something of lesser value, \$20, to get something of more value, the Blu-Ray. The owner of the store gave up something of lesser value, the Blu-Ray, to get something of more value, \$20. Both the movie lover and owner ended up with something of more value to them. Hence, they both gain.)*
- *Announce to students that you are going to give them bags, which they will then own, and ask them not to open the bags until told to do so. Randomly distribute the bags and emphasize” “Whatever is in the bag is yours.”*
- *Instruct students to open their bags and look at the object WITHOUT removing it from the bag or showing it to anyone else. Direct students to rate their satisfaction with the bags using a show of hands and a 1-5 rating system in which 5 is high and 1 is low. Record student responses on the board.*
- *Inform students they may now take the objects out of the bags. Direct them to move to designated locations around the room according to the letter on their bags. Remind students that “whatever is in the bag is yours,” and that they may trade or not, open the package or not, trade parts or all or nothing. After several minutes, direct students to return to their seats. Repeat the 1-5 evaluation by show of hands, reminding students to rate what they now have in their possession, and reminding them that they must rate their bags again whether they traded or not. (Note that students may change their ratings even if they don’t trade. Be sure that every student votes, even if he hasn’t traded or changed his satisfaction rating. Record the tally on the board with a different colored marker than the first tally.)*
- *Conduct one or more additional trading rounds, combining groups, etc. with the last round involving all class members. In each successive round, increase the size of the trading area by combining groups. (For example, A’s and B’s may trade, A’s and D’s may trade, etc.) In the last round allow students to trade with anyone in the class. Do a “satisfaction” rating after each round and record the tally.*
- *While the students are trading, or after all trading is completed, calculate the total “satisfaction points” for each round. Record the total below each tally.*

- *Debrief with the students*
 - *Why did you trade?*
 - *Did your satisfaction increase as the game progressed? Why or Why not?*
 - *Why did you trade the items you traded?*
 - *Did you trade more than once? Why or why not?*
- *Refer to the record of satisfaction ratings as empirical evidence of “increased wealth.”*

Assessment: *The following questions (with possible responses) could be given in the form of a short written formative assessment.*

Why do people trade?

(People trade to get something of more value by giving up something of less value.)

- *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 or sucker someone.” Students should see that trade only takes place when both parties expect to gain. Sometimes, however, the gain is not material as when students trade to make someone else feel good.)*

Was it possible to trade without bearing a 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? (What was traded away was the cost of the trade. What was received was the benefit.)*

What were the necessary conditions for wealth-creating trade to take place? (Emphasize the importance of 2 “rules of the game” (institutions):

- *property rights – remind students that you emphasized 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 would not have experienced the same overall increase in satisfaction.)*

Encourage students to look for the role of institutions as we continue our study of economics.

Does the creation of wealth make everyone happy? (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 costs 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 that every individual person will be wealthier. Economists merely maintain that trade creates wealth overall and that trade will continue if people anticipate that they will be better off after the trade than if they do not trade at all.)

*If we were to observe twenty people buying items at an outdoor Farmers market, what could we conclude about their gains and losses? Their wealth?
(Each transaction takes place because both parties expect to gain. If one party does not expect to gain, there is no transaction and we would have nothing to observe! Therefore, we observe people trading money for we can conclude their wealth and the wealth of the grocery store has increased.)*