Second Lesson:

Objectives:
The students will remember and use the concepts taught in the last class in order to help them understand and apply the concepts of specialization, comparative and absolute advantage, and international trade. They will learn why these new concepts are important and how they are important for their everyday lives.

Materials Needed:
1. 5 large post-its with vocabulary words
2. Vocabulary sheets for this lesson
3. Folding paper for origami
4. Clothes: two large t-shirts and two pairs of shoes

Vocabulary:
1. Specialization: Concentrating on the production of only one good or a few goods
2. Absolute advantage: occurs when a person can produce more goods in a given amount of time than another person
3. Comparative advantage: occurs when a person can produce more goods at a lower opportunity cost than anyone else

Review:
Begin with a creative review game to help the students remember what they learned last time. We will have 5 large post-its hanging around the classroom and each one will have a vocabulary word they learned from last time on it (economics, resources, factors of production, scarcity, and opportunity cost). The students will take their vocabulary sheets from last time and walk around the room stopping at each post-it. They may not just copy the definition on the post-it but will use the definitions to help them think of examples we talked about. They can draw a picture or write a word or phrase that helps them to remember the concept. The goal is to get them thinking again about what we talked about and to see if they remembered.

Activity (Specialization):
Give the students a simple task like making paper chains. Give the students two minutes to make as many as they can individually. Find out how many everybody could make. Then ask them if there is a more efficient way of making paper chains. If they don’t get it right away, try to guide them to the idea that they should assign each person a different task assembly line style. Try that out for two more minutes and then see how many they can make. Ask them why they were able to make more chains the second time around? What is the advantage to having each person do one job over and over?

Have one student read the definition of specialization aloud while the others follow along on their vocabulary sheets. Ask them if we just saw specialization occurring in that activity and why it works better than working individually.

Comparative and Absolute Advantage:
So, how do you think people decide what to specialize in? Do they pick something random and try it out or do they do things they are good at? Look at Michael Jordan. He was a good baseball player but a great basketball player. Why did he decide to play basketball and not baseball? Because he was better at playing basketball than at playing baseball. Now, let’s compare Michael Jordan to me. He is a lot better basketball player and a lot better baseball player than I am. That means that he has the absolute advantage in playing both those sports.

Have one student read the definition of absolute advantage while the other students follow along on their vocabulary sheet.

Basically absolute advantage just asks: Who is better at this? But there’s another advantage we talk about. Comparative advantage looks at who should actually specialize in what job. Even though Michael Jordan is much better than I am, it doesn’t make sense that he should play both sports at the same time. He wouldn’t have as much time to practice each one and be really great. So, he should play basketball because that’s what he’s better at and I could play baseball since I’m pretty good at it. That way, both of us could specialize in our specific sports and really improve our skills.

Have one student read the definition of comparative advantage while the other students follow along on their vocabulary sheet.

Does everybody understand why Michael Jordan has the comparative advantage of playing basketball? His opportunity cost is lower than mine.

**Trade:**

Now, we know these terms can be difficult to understand, but it helps to see how they are applied. Countries use these concepts when they engage in trade with one another. Have two student volunteers come to the front of the class. We will give one student two shirts and the other two pairs of shoes. Let’s pretend that one student represents a country that specializes in making shirts and the other represents a country that specializes in making shoes. But now person one has too many shirts and person two has too many shoes. What should they do? They should trade one shirt for one pair of shoes so that everybody has what they need. Now remember, why couldn’t person one just make a shirt and shoes for themselves and person two make a shirt and shoes for themselves? It would not have been as efficient. If person one has the comparative advantage in making shirts then they should produce shirts and let person two produce shoes. Look at it this way. In the end, there will be more shirts and shoes produced than if everybody did a little bit of everything. Remember at the beginning when you could make more paper cranes if you split up the jobs. That’s what happens in the real world. Countries do what they do best then trade so that everybody can get what they want. Also, trade happens when one country has a scarce resource. Remember what scarcity meant from the first lesson? Sometimes countries trade when there is a scarcity of something so that they can get that resource. (TEKS 1C)

**Accordion Fold:**

If extra time, we will ask for more examples of the terms we discussed today. What is something you should specialize in? Who in this class thinks they have the absolute advantage in
playing football? What about in acting? Let’s say the football player is also good at acting but they are best at football, which one should they participate in?

**Wrap-up:**

Why was it important for us to cover these topics today? Where do you think your toys/games/clothes come from? Why do they come from those places? Why aren’t they made right here in America?

**Test Questions:**

1. Why is it beneficial for one person to only concentrate on producing one good instead of many goods at the same time? What is it called when someone does this?
2. If an artist also can sing but they are best at art, which should they do and why?
3. Why is it important for countries to participate in international trade?
Second Lesson Vocabulary Sheet

1. Specialization: Concentrating on the production of only one good or a few goods

2. Absolute advantage: occurs when a person can produce more goods in a given amount of time than another person

3. Comparative advantage: occurs when a person can produce more goods at a lower opportunity cost than anyone else