

Standard 6 : Specialization and Trade

Students will understand that:

When individuals, regions, and nations specialize in what they can produce at the lowest cost and then trade with others, both production and consumption increase.

Students will be able to use this knowledge to:

Explain how they can benefit themselves and others by developing special skills and strengths.

Benchmarks

Grade 4

At the completion of Grade 4, students will know that:	At the completion of Grade 4, students will use this knowledge to:
Economic specialization occurs when people concentrate their production on fewer kinds of goods and services than they consume.	Name several adults in the school or community who specialize in the production of a good or service (e.g., baker, law enforcement officer, teacher, etc.) and identify other goods and services that these individuals consume but do not produce for themselves.
Division of labor occurs when the production of a good is broken down into numerous separate tasks, with different workers performing each task.	Participate in a simulated assembly line and identify the separate operations and the different tasks involved.
Specialization and division of labor usually increase the productivity of workers.	Work individually to produce a product and then work as a member of a small group to produce the same product. Explain why more goods usually are produced when each member of the group performs a particular task in making the good.
Greater specialization leads to increasing interdependence among producers and consumers.	Compare the extent of specialization and interdependence of a shipwrecked sailor living on an isolated Pacific island with a family that owns a cattle ranch in New Mexico.

Grade 8

At the completion of Grade 8, students will know the Grade 4 benchmarks for	At the completion of Grade 8, students will use this knowledge to:
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this standard, and also that:	
Labor productivity is output per worker.	Produce a product using an assembly line process and compute output per worker.
Like trade among individuals within one country, international trade promotes specialization and division of labor and increases output and consumption.	Explain why Canada produces relatively more ice hockey players and the United States produces relatively more baseball players.
As a result of growing international economic interdependence, economic conditions and policies in one nation increasingly affect economic conditions and policies in other nations.	Explain how a tariff on imported cacao beans affects the production of chocolate candy in the United States and how it affects people in cacao- growing countries. Also, analyze data on the kinds and value of goods that Japan, Canada, Mexico, and Germany export to the United States and predict the likely effect of a recession in the United States on the economies of these countries.

Grade 12

At the completion of Grade 12, students will know the Grade 4 and Grade 8 benchmarks for this standard, and also that:	At the completion of Grade 12, students will use this knowledge to:
Two factors that prompt international trade are international differences in the availability of productive resources and differences in relative prices.	Name three things, such as bananas, coffee and Eucalyptus oil, that could be produced in the continental United States, although production would be very costly, and explain in terms of opportunity costs why the United States is probably better off importing such goods.
Transaction costs are costs (other than price) that are associated with the purchase of a good or service. When transaction costs decrease, trade increases.	Identify transaction costs associated with the purchase of a good or service. Also, explain why each of the following encourages exchange: (1) more efficient trucks can carry larger loads for the same fuel costs; (2) automated teller machines; (3) credit cards; and (4) classified advertising.
Individuals and nations have a comparative advantage in the production of goods or services if they can produce a product at a	Apply the concepts of opportunity cost and comparative advantage to the following problem: The Netherlands can produce in

<p>lower opportunity cost than other individuals or nations.</p>	<p>one day either four drill presses or eight embroidered tablecloths. Using the same amount of resources, Portugal can produce either two drill presses or seven embroidered tablecloths. Which country should specialize in drill presses and import tablecloths, and why? Which country should specialize in table cloths and import drill presses, and why?</p>
<p>Comparative advantages change over time because of changes in factor endowments, resource prices, and events that occur in other nations.</p>	<p>Explain why the United States no longer has a comparative advantage in the production of shoes.</p>