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National Council on Economic Education

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UNIT ONE: THREE WORLDS MEET

LESSON 1

THE NEW WORLD WAS AN OLD WORLD


**LESSON 1**

**THE NEW WORLD WAS AN OLD WORLD**

**LESSON DESCRIPTION**

This lesson introduces the *Guide to Economic Reasoning*. Students use the *Guide* to analyze certain practices of three Indian tribes at the time Europeans first encountered them. Students also use the *Guide* to solve two historic mysteries.

**MYSTERIES**

1. There are many instances in which American Indians were forced off their lands by European settlers. Yet, there were also instances when Indians sold the lands they had inhabited for centuries. Why did the Indians of New England willingly sell their land to Puritan settlers?

2. Why did the Iroquois, whose legends say they developed wampum, later buy wampum from European producers rather than make it themselves?

**ECONOMIC HISTORY**

Like other people throughout the world, North American Indians had to decide how to make the best use of their scarce resources — land and natural resources, labor and whatever tools and equipment they possessed — in order to attain an acceptable standard of living. The *Guide to Economic Reasoning* lists principles that describe how people make such decisions. Illustrations of the principles can be found in the behavior of various Indian groups, as shown in this lesson.

Contrary to popular belief, Indians from many tribes enjoyed good relations with whites, especially when the whites did not try to take land that the Indians claimed. Indians wanted the goods that European traders and settlers made available, such as metal tools and weapons, cloth and clothing. In the case of the New England tribes, Indians were willing to exchange their land for trade goods because they felt that they had more land than they needed. Tragically, one reason for that surplus is that the European settlers had spread new diseases for which Indians had no immunity. The high death toll from these diseases greatly reduced the Indian population of New England and, thus, their need for land.

*Wampum* refers to small cylindrical beads made by Indians, often from shells. Indians of the Northeast used wampum with one another primarily in inter-tribal gift-giving. But wampum soon became a medium of exchange for use in transactions between Indians and European traders. Because the cost of holding an inventory of money for purposes of exchange was high, self-interest encouraged a search for cheaper substitutes. Many colonists adopted wampum as a medium of exchange. Some colonial housewives made wampum as a profitable sideline to their household tasks. Eventually, white-owned businesses began to produce wampum as a full-time enterprise.

Why didn’t the Iroquois and other Indians continue to produce wampum? They were more profitably employed trapping beaver and other small fur-bearing animals and processing them for trade. Time spent making wampum would have been time taken away from the more profitable beaver industry.

Economists use the term *opportunity cost* to denote what a person gives up in choosing to do something. The concept of opportunity cost helps to explain specialization. The Iroquois specialized in trapping and processing beaver pelts. The opportunity cost of their choice to specialize was the time they could have spent making wampum. But trapping beaver was more profitable than making wampum, and the Iroquois chose the most profitable alternative use of their time. By comparison, most European colonists were not skilled hunters; some of them found it more profitable to make wampum than to travel into the wilderness to trap beaver.
CONCEPTS
• Economic systems
• Opportunity cost
• Scarcity
• Specialization and trade

OBJECTIVES
Students will:
1. Identify principles of economic reasoning illustrated in passages describing the lifestyles of three North American Indian tribes.
2. Use principles of economic reasoning to analyze two situations in which Indians at first appear to behave unreasonably.

CONTENT STANDARDS
Economics
• Productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others. (NCEE Content Standard 1)
• Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and among individuals or organizations in different nations. (NCEE Content Standard 5)
• 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. (NCEE Content Standard 6)

History
• Compare characteristics of societies in the Americas, Western Europe and Western Africa that increasingly interacted after 1450. (Era 1, Standard 1, National Standards for History)
• How early European exploration and colonization resulted in cultural and ecological interactions among previously unconnected peoples. (Era 1, Standard 2, National Standards for History)

TIME REQUIRED
45 Minutes

MATERIALS
• A transparency of Visuals 1.1 and 1.2
• Copies for each student of Activities 1.1, 1.2, 1.3 and 1.4

PROCEDURE
1. Tell the students about a scholarly finding that we now know was incorrect: Until recently, some scholars estimated that, before the arrival of white settlers, only about a million Indians lived in the area that is today the United States. According to this view, North America was nearly an “empty continent,” open to European settlement with little need for consideration of the small number of Indians who lived there. Today we know that, at the time Columbus landed, at least 20 million Indians lived in this area. But by the time Europeans began to explore north of Mexico, the diseases they carried with them had traveled ahead, wiping out the majority of the Native American inhabitants. Lacking the immunity that Europeans had developed to smallpox, influenza, typhoid and even measles, Indians continued to die in horrifying numbers, even into the late nineteenth century.

2. Tell the students that the purpose of this lesson is to examine aspects of the lives of some Indian people at the time when they first encountered Europeans. Scholars now recognize that many Indian people lived in complex cultures. The Choctaws, for example, are descendants of the mound-builders of the Mississippi Valley area; the Pueblos are descendents of the Indians who built cities at Mesa Verde, Chaco Canyon and many other sites in the Southwest, and had trading relationships with the people of Central Mexico.
3. Explain that there is one thing we know about people everywhere — Americans, Europeans, Asians and Africans: they all make economic decisions. We can understand economic behavior in any culture according to certain principles.

4. Display Visual 1.1 (the Guide to Economic Reasoning) to the class and review it briefly.

5. Distribute Activities 1.1, 1.2 and 1.3 to each student. Explain that these activities present case studies that describe in part how people from three Indian groups — the Choctaws of the Southeast, the Iroquois of the Northeast and the Puebloans of the Southwest — lived at the time Europeans entered their regions. Like the Europeans at that time, the Native Americans had developed economic systems. In many ways, they lived as well as their average European contemporaries. Like Europeans and all other peoples, Choctaws, Iroquois and Puebloans faced economic choices.

6. Display Visual 1.2. Orient the students to the locations shown.

7. Divide the students into groups of three to four. Assign each group to read the three case studies and to find, in each case study, one example of behavior illustrating each of the six principles of the Guide to Economic Reasoning. One student in each group should record the group’s six examples. Since the six principles in the Guide overlap, students may differ in their identification of examples. Some suggested answers follow:

A. People Choose

(Choctaws chose to produce more corn than they needed and traded corn for desirable goods they couldn’t produce. Iroquois chose to move frequently. When the fertility of the soil around their villages was exhausted, they determined that the benefits of moving outweighed the costs, and they moved. Puebloans saw that they could benefit by using irrigation to raise crops that otherwise would not have grown in the dry land where they lived. Modern Puebloans can often attain a higher standard of living by choosing to work at jobs outside their pueblos.)

B. People’s Choices Involve Costs

(Choctaws over-hunted the buffalo that lived in the southeastern forests. One cost of the meat and skin they acquired at any time was meat and skin they would be unable to acquire in future years. Iroquois went to war to obtain beaver pelts and European trade goods. One cost of war was the products that could have been made by young men lost in wars. Puebloan men chose to hunt less and farm more; they used considerable labor to keep their irrigation systems working. One cost of more agricultural production was meat the men might have obtained if they had hunted more.)

C. People Respond to Incentives in Predictable Ways

(Choctaws specialized in crafts such as tool making because they knew they could give their tools as gifts and receive gifts in return. Gift-giving and gift-receiving constituted a system of incentives. Iroquois expanded warfare in order to obtain beaver pelts that they could trade for valuable European trade goods. European goods were incentives. Puebloans cooperated to build and maintain irrigation systems because, with irrigation, they could increase their food supply. Increased food was an incentive.)

D. People Create Economic Systems That Influence Individual Choices and Incentives

(Choctaw families followed economic rules. They were allowed to own farmland only as long as they used it; or, Choctaws were expected to give gifts to other villagers and to the chief. Iroquois rules allowed men to hunt, fish and make war, while the women raised crops. Pueblo rules required men to raise crops and weave cloth, while
the women ground corn, baked bread and made pottery. )

E. People Gain When They Trade Voluntarily

(Choctaws traded their corn for salt, shells, buffalo meat and hides. Their trading partners benefited because they could not produce corn as cheaply. Both sides were better off in that they obtained products through trade that would otherwise have been more expensive to produce themselves. Iroquois traded only when warfare was impractical. They benefited greatly when they took beaver skins or trade goods by violence, but the cost was high in lives lost. Puebloans improved their standard of living when they spent most of their time farming, maintaining irrigation systems and trading with nomadic people for meat and hides.)

F. People’s Choices Have Consequences That Lie in the Future

(Choctaws chose to farm and became prosperous by trading their surplus food. Iroquois seldom chose to trade. Instead, they relied on warfare to acquire wealth. As a result, many young Iroquois men were killed. Puebloans chose to cooperate in building irrigation systems and prospered in an inhospitable climate.)

8. Tell the students that the principles in the Guide to Economic Reasoning can often help to explain historical “mysteries” — behavior of people in history that at first glance doesn’t seem to make sense. Give each student a copy of Activity 1.4; tell the students — still working in their small groups — to develop explanations for the two mysteries. After 10 or 15 minutes, ask individual students to summarize the explanations that their groups developed.

(Possible answers: The New England Indians chose to give up some of their land in exchange for goods that they valued more. The Iroquois chose to give up wampum production in order to spend more time trapping beavers, since they could trade beaver pelts for other goods they valued. Both cases illustrate the principles that people choose and that choices involve costs. Both cases also illustrate the principle that people gain when they trade voluntarily: the Iroquois trappers, the traders who received furs and shipped them to Europe and the colonists who were able to trade wampum for furs, deerskins, wild game and other goods the Indians produced.)

CLOSURE

Review the idea that Indians, like other people, made economic decisions. Their behavior differed in specifics from the behavior of Europeans, but in general, like the Europeans, they made choices within systems of rules and incentives as they sought to increase benefits and decrease costs.

ASSESSMENT

Multiple-Choice Questions

1. The opportunity cost of making a choice is what is given up. Pueblo Indians chose to spend most of their time raising crops and keeping their irrigation systems working properly. One opportunity cost of this choice was

A. corn, beans and squash.
B. too little free time.
C. acquiring meat and hides by hunting.
D. unemployment.

2. After whites began producing wampum, the Iroquois stopped making their own because

A. they didn’t need it for trade any more.
B. they could get more wampum if they specialized in trapping beaver and traded beaver pelts for wampum.
C. they realized that wampum had no real value.
D. warriors regarded making wampum as “women’s work.”
ESSAY QUESTIONS

1. Early interaction between Europeans and Indians was sometimes warlike — in the case, for example, of the explorations of Hernando De Soto and Coronado of Spain, or the English colonization of Virginia led by Captain John Smith. In other cases, however, Indians and Europeans interacted peacefully. Provide examples of peaceful interaction and explain why peace was more attractive to both sides, in these cases, than war.

(Possible answer: Where each side had something to trade that the other side valued, peace rather than war was the normal situation. Both the New England tribes and the Iroquois desired the goods that Europeans had and were willing to trade for them. The New England tribes traded land and the Iroquois traded beaver pelts. Significantly, in neither case did the Europeans threaten the land ownership of the Indians. The New England tribes had more land than they wanted, and the land that the Iroquois controlled farther inland was not at that time desired by the Puritan colonists.)

2. Before Europeans came to North America, many Indian tribes specialized and traded with one another. Provide some examples of specialization and trade among Indians.

(Possible answer: Choctaws raised surplus corn and traveled long distances to trade with the Plains Indians for buffalo meat and hides; they also traded with the Indians closer to the Atlantic Ocean for salt, dried fish and sea shells, and with Indians from the northeast for beaver and muskrat pelts. Western Puebloans traded with the Apaches for deer, rabbits and tanned deerskins, while the eastern Puebloans traded with the Plains Indians for buffalo meat and hides. If the class has covered the mound builders of the Mississippi Valley or the cities of Chaco Canyon, Mesa Verde, and others, references may also be made to the long-distance trading of these cultures.)
VISUAL 1.1
GUIDE TO ECONOMIC REASONING

1. People choose.

2. People’s choices involve costs.

3. People respond to incentives in predictable ways.

4. People create economic systems that influence individual choices and incentives.

5. People gain when they trade voluntarily.

6. People’s choices have consequences that lie in the future.
VISUAL 1.2

LOCATION OF PUEBLOAN, IROQUOIS AND CHOCTAW PEOPLE, BEFORE EUROPEAN CONTACT
ACTIVITY 1.1
THE CHOCTAWS

The Choctaw people lived in what is today Mississippi, western Alabama and eastern Louisiana, in villages of wood-and-clay houses surrounded by farmland. When Spanish explorer Hernando De Soto first made contact with the Choctaws in 1540, Choctaw villages were grouped into three geographical divisions, located along the three major rivers in the area. Each village was governed by a village chief and a council of elders; each division was governed by a district chief (mingo) elected by all the men in the division.

Choctaw farmers raised corn, beans, squash, melons, sweet potatoes and several other crops. Their farm tools included hoes, axes, shovels and spades; these were similar to the tools of European farmers of the time, except that the Choctaws’ tools were made of wood, flint or bone, since the Choctaws had no metal available to them. Each field was considered to be owned by an individual family, which received all the crops raised on it, but if a field was abandoned it reverted to the tribe. Corn and beans were raised together in the same field, which maintained the fertility of the soil; growing corn removes nitrogen from the soil, but beans replace it.

Among the villagers, a system of barter existed in the form of mutual gift-giving. A person who was especially skilled in making tools, for example, would give a tool to another villager; this gift-giver would at some time in the future receive a gift of equal value. Gifts of food were given to the chief, who in turn gave food items to people in need or used food items in feasts to honor visitors or to feed the families of men away on hunting or war parties.

Choctaw farmers usually raised a surplus of corn, which they traded with other Indians of the Southeast such as the Chickasaws and the Alabamans. Trade with groups to the east brought the Choctaws salt, dried fish and seashells. In the eighteenth century, Choctaw traders traveled as far north as the Wabash River (in present-day Indiana) and as far west as the Great Plains and the Llano Estacado (now the Texas Panhandle and eastern New Mexico). By that time the forest buffalo, once common in the Southeast, had been hunted to extinction, so the Choctaws traded with Indian people on the Great Plains, exchanging excess corn for buffalo skins. They also traded with northern groups of Indians for beaver and muskrat pelts, which they could exchange with French and Spanish trappers on the southern Mississippi for metal tools and cooking vessels, rifles and cotton cloth.
Activity 1.1, Continued
The Choctaws

Question for Discussion
How did the behavior of the Choctaws illustrate principles of economic reasoning?
A. People choose.

B. People's choices involve costs.

C. People respond to incentives in predictable ways.

D. People create economic systems that influence individual choices and incentives.

E. People gain when they trade voluntarily.

F. People's choices have consequences that lie in the future.
ACTIVITY 1.2

THE IROQUOIS

The term “Iroquois” does not refer to a single tribe. In the region that is today the northeastern United States and southeastern Canada, most of the largest Indian groups spoke some version of the Iroquoian language. After Europeans began to trade in this area, five major tribes in what is today upper New York State formed the League of the Iroquois, a confederacy of the Mohawk, Oneida, Onondaga, Seneca and Cayuga people.

The Iroquois lived by farming, fishing, hunting and gathering. The men used fire to clear fields from the heavily forested lands typical of the region. The women raised the “three sisters” — corn, beans and squash — that were the most important crops among most North American tribes that practiced agriculture. Every six to twelve years, when the soil they farmed was worn out, Iroquois from a given village would move to a new location. In the spring, family groups would move temporarily to lakes or streams and would return to their villages with fresh and dried fish. After harvest, hunting parties traveled deep into the woods in search of deer, bear and small mammals, returning in early winter with fresh and preserved meat.

The Iroquois lived in “longhouses,” large wooden structures partitioned into several apartments occupied by related families. Women owned the longhouses. When a man married, he went to live in the longhouse of his wife.

Iroquois men traveled long distances to hunt or to make war, but they traded very little with other Indian peoples. By the early seventeenth century, French, Dutch and English traders were trading valuable goods such as weapons and metal tools with the Huron, Ottawa and other tribes in exchange for beaver pelts. The Iroquois, blocked by these tribes from trading directly with the Europeans, attacked them more and more frequently to obtain European trade goods or to drive others out of areas where beaver were abundant. By 1675, the Iroquois had destroyed or driven out most of the tribes that had competed with them for beaver.

Many young Iroquois men were killed in the continuing warfare. To compensate for this, victorious Iroquois warriors often adopted their prisoners rather than killing them. The influence of women in managing Iroquois villages grew because of the reduced number of young men and the frequent, long absences of war parties.
ACTIVITY 1.2, CONTINUED

THE IROquoIS

QUESTION FOR DISCUSSION
How did the behavior of the Iroquois illustrate principles of economic reasoning?
A. People choose.

B. People’s choices involve costs.

C. People respond to incentives in predictable ways.

D. People create economic systems that influence individual choices and incentives.

E. People gain when they trade voluntarily.

F. People’s choices have consequences that lie in the future.
ACTIVITY 1.3
THE PUEBLOANS

When Spanish explorers first entered what today is north-central New Mexico, late in the sixteenth century, they found villages made up of large adobe (clay brick) apartment buildings two or three stories high. Many of these villages, called pueblos by the Spaniards, are still occupied by descendants of the people who lived there when the Spanish arrived.

The Puebloans raised corn, beans and squash, as did other agricultural groups throughout North America. They also grew cotton and kept flocks of turkeys. In the semi-desert area in which their pueblos were located, crops could not have survived without irrigation. In each pueblo, the whole community labored to build and maintain the irrigation systems upon which their livelihood depended. Perhaps this necessary task influenced the beliefs of the Puebloans — for example, that individuals should not compete to outperform their neighbors, and that members of the community should cooperate with each other for the common good and follow traditional ways.

Each pueblo was politically separate from the others. Land was considered to be owned by the community, but individual plots of land usually were kept by the same family for many generations. In some pueblos, inheritance was through the families of wives, but in others it was through the husband’s family. In contrast to the practices of agricultural people of the Northeast and Southeast, Puebloan men cultivated the fields. Men of some pueblos hunted, but hunting was not as important to the Puebloan way of life as it was to most other Native American peoples. Until recent times, only men were weavers. Women ground corn, baked bread and made pottery. Much time was taken up with elaborate religious ceremonies and dances.

Trade was carried on among pueblos, and people living in pueblos traded with other groups living near them. The people of Acoma and Pecos exchanged cornmeal with the Apaches for deer, rabbit and tanned deerskin. The people of Taos, the most northern of the pueblos, traded with the Plains tribes and hunted buffalo as the Plains tribes did. As Indians throughout the Southwest acquired horses, trade increased, but the pueblos also suffered from raids by nomadic peoples such as the Navajos and the Comanches.

Spanish colonization after 1598 introduced new crops to the Puebloans, as well as pigs, sheep, horses and cattle. However, Spanish colonists also took over much of the land that the Puebloans had farmed. Today, many Puebloans still farm as their ancestors did, but others leave the pueblo every day to work in nearby towns and cities. Many Puebloans still live in the homes built by their ancestors and follow the old customs and ceremonies that existed hundreds of years before the Spaniards arrived.
Activity 1.3, Continued
The Puebloans

Question for Discussion
How did the behavior of the Puebloans illustrate principles of economic reasoning?

A. People choose.

B. People’s choices involve costs.

C. People respond to incentives in predictable ways.

D. People create economic systems that influence individual choices and incentives.

E. People gain when they trade voluntarily.

F. People’s choices have consequences that lie in the future.
ACTIVITY 1.4
TWO ECONOMIC MYSTERIES

1. It was not always the case that Indians were forced off their lands by white settlers. In New England, for example, early Puritan settlers found the Wampanoag, Abenaki, Massachusetts and Narragansett people eager to sell land. Why would Indians sell land they had inhabited for centuries? Here are some clues:

- Englishmen trading or settling in New England had many desirable goods that Indians did not have, such as metal knives, hoes and axes, woven cloth that was lighter and more comfortable than animal skins, and luxuries such as jewelry and mirrors.
- Puritan governments established strict procedures for purchasing Indian lands. Most Puritans believed that Indians should be treated fairly.
- The Indian population of New England fell by at least one third after the plague of 1616-17, and was further reduced by another epidemic in 1633-34. Even before these epidemics, the Indian population of New England was not very dense.
- Rules of land ownership among New England tribes were fairly similar to English rules. Indians did not have written records, but most land appears to have been owned by individuals or families, not by the tribe. In most cases, Indians who sold land kept the right to hunt and fish on it. This was consistent with English common law, which allowed anyone to hunt or fish on unfenced land.

Use these clues and the Guide to Economic Reasoning to solve the mystery: Why were the Indians of New England willing to sell their land?

2. Wampum was a bead made out of seashells. After Europeans settled in the American Northeast, wampum came to be used widely as a medium of exchange between colonists and Indians. (A medium of exchange is a good that almost everyone will accept in exchange for another good or a service.) Because gold and silver coins were extremely scarce in the English colonies, colonists also began to use wampum in trading among themselves. The Iroquois claimed to have invented wampum and they valued it highly. Yet by the time of the American Revolution, most wampum was being made not by the Iroquois, but by a factory in Park Ridge, New Jersey, owned and operated by a white family, the Campbells. Indians who wanted wampum to use in trade generally purchased it from the Campbells. Why would the Iroquois allow whites to take over the manufacture of wampum? Here are some clues:

- Beaver hats had for centuries been an item of prestige in Europe. The hats were actually made from the under hairs of the beaver pelt, woven into a lustrous and durable felt. So popular were these hats that, by the sixteenth century, beaver had become extinct in most of Europe.
- Like other Indians, the Iroquois desired many goods that were available through trade with Europeans.
- The Campbells were able to produce wampum beads very quickly and efficiently. They lived near the ocean, which allowed them ready access to shells. They established the custom of offering outdoor clam feasts at which neighbors ate without charge as long as they were careful not to break the clamshells.
ACTIVITY 1.4, CONTINUED

TWO ECONOMIC MYSTERIES

• Once the Iroquois had driven out the tribes that had blocked trading with the Europeans, they became accomplished trappers of beavers and other fur-bearing animals. As beaver populations diminished, Iroquois trappers had to go farther from their homes to find large numbers of beaver.

Use these clues and the Guide to Economic Reasoning to solve the mystery: Why did the Iroquois (and other Indian tribes) buy their wampum from white producers like the Campbells?