Trading Up: Bringing Ethiopia’s Economy Into The 21st Century

GRADE LEVEL: 9-12

TIME ALLOTMENT: One to two 45-minute class periods

OVERVIEW
In this lesson, students will learn about the efforts of Ethiopian reformers to create a modern agricultural commodities exchange in an economic environment historically dominated by inefficient tradition and government corruption.

LEARNING STANDARDS
New York State Standards
http://www.emsc.nysed.gov/ciai/cores.html#SOCIALSTUDIES

Standard 2: World History
Use a variety of intellectual skills to demonstrate their understanding of major ideas, eras, themes, developments, and turning points in world history and examine the broad sweep of history from a variety of perspectives.

- Key Idea 1: The study of world history requires an understanding of world cultures and civilizations, including an analysis of important ideas, social and cultural values, beliefs, and traditions. This study also examines the human condition and the connections and interactions of people across time and space and the ways different people view the same event or issue from a variety of perspectives.
- Key Idea 2: Establishing timeframes, exploring different periodizations, examining themes across time and within cultures, and focusing on important turning points in world history help organize the study of world cultures and civilizations.
- Key Idea 3: Study of the major social, political, cultural, and religious developments in world history involves learning about the important roles and contributions of individuals and groups.

MEDIA RESOURCES
Selected clips from The Market Maker, an episode of the PBS documentary series Wide Angle.

Why Trade Matters
An introduction to the challenges faced by the developing Ethiopian economy and the tragic consequences of its collapse in 1984.

The Moving Parts of a Market
A look at market reformers’ successful efforts to bring a modern commodity exchange to the Ethiopian capital of Addis Ababa, and the
obstacles they still face in gaining wider acceptance throughout the country.

The Coffee Crisis
In an effort to mitigate the impact of the 2008 global economic collapse, the Ethiopian government calls upon the fledgling Ethiopian Commodity Exchange (ECX) to start trading coffee—the nation’s primary cash crop—before it is prepared to do so.

Winning the Farmers’ Trust
With the coffee crisis under control, the ECX reformers return to their original mission of winning farmers’ trust and getting them to deposit their crops in the exchange’s warehouse.

Next Steps
While the ECX reformers celebrate the success of their new sesame market, they acknowledge the massive challenges they still face in bringing the ECX to millions of Ethiopia’s poor subsistence farmers.

OBJECTIVES
Students will be able to:
- Describe the limitations of traditional “face-to-face” commerce and the transformative potential of open and reliable trading markets
- Outline the key elements of a successful commodities exchange.
- Understand the underlying causes of the 1984 Ethiopian famine
- Describe the impact of the 2008 global economic crisis on the Ethiopian Commodity exchange.

LEARNING ACTIVITIES

1. Ask students what they think a society is based on. (Accept all answers, but encourage an understanding that an economy is a central element of any society.) Ask students what they think an economy is at its most basic and essential level? (Accept all answers, but encourage an understanding that the basic element of an economy is trade.) Tell students that in this lesson they will be examining how trade works—and how it often does not work—by taking a look at selected clips from The Market Maker, an episode of the PBS documentary series Wide Angle.

2. Frame the first clip, Why Trade Matters by explaining that The Market Maker refers specifically to Eleni Gabre-Madhins, an Ethiopian born into privilege and educated in the United States who gave up a promising career with the World Bank to return to her native land and attempt to create a more modern trading system for Ethiopian farmers. Provide a focus for the clip by asking
students what the problems are with the existing Ethiopian trade system. Play Why Trade Matters. pause the clip at 1:26, after host Aaron Brown says “Trading grinds to a halt, and in Ethiopia, that has devastating consequences.”

3. Follow up the first part of the clip by reviewing the focus question: what are the problems with the existing Ethiopian trade system? (There are no quality control standards, no assurance of payment, and trade tends to be conducted only among people who know and trust one another.) Provide a focus for the remainder of the clip by asking students what Eleni Gabre-Madhins thinks was the main cause of the 1984 famine. Play the clip through to its end.

4. Follow up the clip by reviewing the focus question: what does Eleni Gabre-Madhins think was the main cause of the 1984 famine? (Lack of “entitlement” and “access.”) Ask students what they think this means. (That the problem wasn’t food production—there was in fact a surplus of food in the south of the country—but a lack of a system to distribute that food to those who needed it.)

5. Frame the next clip by explaining to students that the system Ethiopia needed then—and needs today—was a national market for trading crops—or “commodities”—and that this is exactly what Eleni Gabre-Madhins set out to create. Provide a focus for the clip by asking students what the “moving parts” of that market are, and what challenges Eleni and her staff faced in their creation and implementation. Play The Moving Parts of a Market.

6. Follow up the clip by reviewing the focus question: what are the “moving parts” of that market and what challenges did Eleni and her staff face in their creation and implementation? (A trading system requires warehouses, quality control, information systems, payment, and the actual trading itself. Developed countries already have this “infrastructure,” but in Ethiopia they had to be created almost from scratch. Meanwhile, the “little guy” farmers are largely set in their traditional ways, nervous about change, and fearful of the unknown—even as it promises a better life for them and their families. As Aaron Brown observes, “They are locked in a long ago yesterday from which it is hard to even conceive of a tomorrow.”)

7. Frame the next clip by explaining that Eleni’s strategy for building the Ethiopian Commodities Exchange—or “ECX”—was to start with smaller, less important crops and slowly build up to handling Ethiopia’s main commodity: coffee. Provide a focus question for the clip by asking students why coffee was rushed into the ECX shortly after it was launched in April 2008. Play The Coffee Crisis. Pause at 1:43 after host Aaron Brown says “This was both an extraordinary opportunity, and an extraordinary risk.”
8. Follow the clip by reviewing the focus question: why was coffee rushed into the ECX? (The global financial crisis in summer 2008 lowered the price of coffee—Ethiopian’s largest export and the commodity upon which its economy depended. In response, Ethiopia’s government insisted that Eleni’s recently-launched ECX start trading coffee in order to stabilize its price.) Provide a focus for the remainder of the clip by asking students what opportunities and risks were presented by the integration of coffee into the ECX. Play the clip through to the end.

9. Follow up the clip by reviewing the focus question: what opportunities and risks were presented by the integration of coffee into the ECX? (Ethiopia’s vast exportation of coffee had previously been controlled by a corrupt government-run auction system which paid farmers less than their crops were worth; Eleni’s freer, fairer, more reliable and more efficient market system could win the trust of farmers by securing them fair prices. The risk was that that sheer size of the Ethiopia’s vast coffee crop would overwhelm the limited logistics of the still-new ECX.) How does Eleni answer Aaron Brown’s question about what coffee has to do with feeding people? (If coffee farmers can get better prices for their coffee, they can better feed their families and fuel the Ethiopian economy as a whole.)

10. Frame the next clip by explaining that while the ECX was ultimately able to absorb the integration of coffee, the farmers of less lucrative but essential food commodities like sesame—the people for whom the ECX had been created to assist in the first place—felt forgotten and neglected, and Eleni and her assistant Ben have to convince them to trust the new system. Provide a focus question for the clip by asking students what fears and concerns the sesame farmers have about entrusting their crops to the ECX. Play Winning the Farmers’ Trust.

11. Follow the clip by reviewing the focus question: what fears and concerns do the sesame farmers have about entrusting their crops to the ECX? (They wonder if the ECX really connects them with buyers, worry that commodities brokers will no longer have jobs, and fear that the ECX is just a new front for the old corrupt exporters.) After explanations and assurances by Eleni and Ben that trusting the ECX is in the sesame farmers’ best interests, what is the one farmer’s first, decisive vote of confidence in the ECX? (He deposits his sesame crop in an ECX warehouse.)

12. Frame the next and final clip by explaining that the ECX is still in its infancy, and that even its initial successes with coffee and sesame crops only represent the beginning of a system which will truly deliver a fair and stable market throughout a country still very much mired in ancient ways and mistrust of modernity. Provide a focus question for the clip by asking students what Eleni’s vision for the ECX in five years is. Play Next Steps.
13. Follow up the clip by reviewing the focus question: What is Eleni’s vision for the ECX in five years? *(That there will be fewer trucks and donkeys and that they’ll have been replaced with a more modern ECX building, information system, and warehouse complex.)*

**Culminating Activity**

Have students divide into groups and have each group select a regional agricultural commodity to research. When was that commodity introduced to the region? Was it originally a subsistence commodity which fed people (like sesame in Ethiopia) or a commercial commodity which fueled the economy (like coffee in Ethiopia)? Is it traded on a commodities market? When and how did that market start and how has it evolved over time? Have each group report their findings in a brief presentation to the class.