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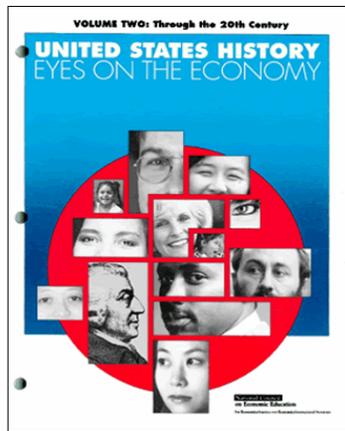
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National Council on Economic Education

UNIT TWO: LESSON TWO

WAS FREE LAND A GOOD DEAL?

INTRODUCTION

History The Homestead Act of 1862 provided ownership of 160 acres of land in the West to anyone who lived on and developed the land for five years. This legislation gave land to U.S. citizens from a seemingly unlimited quantity of publicly owned land.

Mystery From 1863 to 1872, ten times as many acres were sold by the federal government for cash as were homesteaded. Why would farmers choose land they had to pay for over free land?

Reasoning Cost influenced the choices made by homesteaders. Even though the allocation plan provided in the Homestead Act offered new land which could be acquired without payment, it was not free. The usable land was a scarce resource already being used by Native Americans, ranchers, and trappers. Land that seemed to be free sometimes had higher total costs than land for which farmers paid.

CONCEPTS

Cost
Total Costs
Competition
Scarce Resources

OBJECTIVES

- ◆ Identify costs of a decision to homestead in the West.
- ◆ Compare the expected costs and expected benefits of five different farm sites.
- ◆ Identify competing uses of the land by different individuals.
- ◆ Choose a homestead site based on an evaluation of expected costs and benefits.

LESSON DESCRIPTION

Students will work in small groups to investigate the consequences of settling on free land in the western United States during the late 1800s. This work is followed by a class discussion in

which students explain their choices, using economic reasoning.

TIME REQUIRED

- ◆ One class period

MATERIALS

One copy for each student of Activity 1.
One transparency of Visual 1. Students may wish to refer to a wall map of the western United States.

PROCEDURE

1. Explain that the purpose of this lesson is to help students understand the mysterious behavior of most homesteaders in the 1860s. Display Visual 1 to the class. Ask them to consider why farmers, who are intelligent people, would choose to pay the government and the railroads for farmland at a time when the government was allocating 160-acre parcels of free land to anyone who would live on it. How might economic reasoning help us to solve this mystery?

2. Review the principle of economic reasoning that people's choices involve costs. Explain that the Homestead Act was passed by Congress in 1862. It called for an unusual means to allocate land. Individuals could own land without paying money for it. Your task is to investigate how this new system influenced individual choices. One choice, in particular, may seem odd, but it represented the preferred choice of many. Many farmers, for example, refused to accept offers of free land. They bought land instead. Why would they choose to do that?

3. Divide the students into small groups. Distribute Activity 1. Ask the groups to read Activity 1. Then they should use the information in Activity 1 to choose a farming site—either a homestead site or a site purchased from the railroad. They might also wish to refer to wall maps of the western United States.

4. After students make their choice, ask the groups to discuss the following questions:
A. How did the Homestead Act influence the choices of individuals to settle in the West? (Reduced the costs of settlement.)

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- B. What was the major cost of your decisions? (Encourage the students to name their next best alternative.)
- C. Was the land free? (No. To get it, settlers had to give up their next best alternative; they also had to pay moving costs; and staying for five years was also a cost.)
- D. Would your decision have been different if you had \$2,000 in savings? (Many students then would have chosen land being sold by the railroad because of its many advantages, such as access to transportation, proximity to a town, and fertility of the soil.)
- E. Was some of the land too costly to homestead? (Yes, for any of the groups who preferred to remain where they were instead of moving to a homestead area.)
- F. Would you have to compete with anyone or anything else to use your free land? (Yes. The land was already being used by Native Americans, ranchers, miners, trappers, and wild animals, including buffalo, wolves, and coyotes, not to mention mosquitoes, flies, ants, bees, and grasshoppers.)
- ernment. Instead, they chose to pay for land that had a lower total cost. Ask the students to practice their reasoning by using a current example. Explain that many cities recently have experimented with urban homesteading. The urban homestead idea offers an abandoned home owned by the government in high crime areas for sale to a homesteader for \$1, provided that she or he agrees to live in and rehabilitate the property. *Ask:*
- A. Predict how this allocation system for urban houses might change people's behavior. (This allocation system will attract people without cash resources but with skills as fixer-uppers and people willing to risk living in high-risk neighborhoods.)
- B. What would be the opportunity cost to the homesteader? (Alternative housing not taken.)
- C. What expenses would the homesteader face? (The cost of fixing up abandoned homes may be very high. For example, loans may be needed just to purchase materials. Some repairs may require professional assistance.)
- D. When might the price of \$1.00 for an urban home be too high? (Even if the purchase price is only \$1.00, the cost of restoring the home, and paying taxes on it, may exceed its value to a prospective urban homesteader. These costs may tell us why the home was abandoned in the first place.)

CLOSURE

Review the point of this lesson which is that people's choices involve costs, even when they appear not to. Many farmers rejected as too costly the "free" land offered by the federal gov-

VISUAL 1
ECONOMIC MYSTERY
IS FREE LAND A GOOD DEAL?

In 1862, the U.S. Congress passed the Homestead Act. It provided 160 acres *free* to a homesteader who lived on and developed that land for five years. Yet, farmers often paid cash for other parcels of land rather than accept the homestead offer.

From 1863 to 1872, the federal government sold ten times more acres than it gave away to homesteaders. And farmers bought high-priced land from the railroads more often than they accepted land from the U.S government.

Why would farmers refuse free land? Why would they prefer expensive land to cheap land?

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Name _____

ACTIVITY 1 IS FREE LAND A GOOD DEAL?

IMAGINE THAT IT IS 1866. YOU CURRENTLY live on a small family farm in Illinois with your spouse and two children. But the farm belongs to your father, and you will not inherit it; your older brother will. That is the way these decisions are made in your family. You do not have enough cash to buy a farm in your area. You have only \$750 you can use to buy land or move to another area. You have heard of the Homestead Act that was passed in 1862 as part of the Republican Party's plan for America's future. You find this idea of the Homestead Act very appealing—it offers full ownership of 160 acres to a homesteader, if the homesteader will live on and develop the land for five years.

You have also heard that railroads are selling farmland which is close to the track being laid across the country. You have sent for information on Homestead and railroad land, and you have ordered some maps to help you locate the new opportunities.

Outlined below are five sites that might represent good opportunities for you and your family. Which site would be your first choice? What would be the costs to obtain and develop each site? Or would you prefer to stay in Illinois and work the family farm with your older brother? Use the principles in the *Handy Dandy Guide (HDG)* to help explain your choice.

Consider the following factors as you make your choice.

1. How far must you travel? If you travel by horse and wagon, each mile will cost something in time, in physical wear and tear on the horses, and in food to support you and the horses as you travel. If you travel by train, you will have to pay ticket prices, with prices increasing as distances increase.

2. What will you be able to grow on the land? If you can grow vegetables or fruits, 160 acres will probably produce a large enough crop at

current prices to enable you to make a living. If you grow wheat, which tends to sell for a lower price, you will not earn enough from 160 acres to make a living. If you decide to raise livestock, you may need more land to graze the animals.

3. How ready is the land for cultivation? Is the soil rocky, or infertile? Is water available or will irrigation be needed? How feasible will it be to irrigate, if that is needed? Is the terrain flat and easy to plow, or hilly and rugged?

4. How will you obtain supplies? You will need seeds, tools and medicines, some food (especially if the soil is poor and difficult to cultivate for vegetables and fruit), and other basic materials. How far away is the nearest town? How much time and effort will you have to expend to get there?

5. How will you get your crop to market? Can you sell it locally, to residents in a nearby city? Will you sell it to a middle-merchant (for example, a flour miller or stockyard) in the distant city? Can you ship the crop a long distance? Where is the nearest railroad?

6. What are the personal costs involved? How far are you from a church, a school, neighbors? You must live on the land for five years. Will you be able to last that long? Do you want to?

7. What is the competition for this land? Will you be able to get to it before other homesteaders claim it? Will the previous users of the land (ranchers, Native Americans, wild animals, insects) accept you?

Site One, Homestead Opportunity:

160 acres in eastern Nebraska, within 60 miles of the Iowa border.

1. This parcel has a small, spring-fed stream running across one corner of the property; the land has about 10 acres of deciduous forest.

2. A village of 60 people is located 6 miles away; it was established five years ago, has a small school building and a public meetinghouse used for church services; it also has a general agricultural supplies store.

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Site Two, Homestead Opportunity:

160 acres in northeastern Montana, roughly 100 miles west of the North Dakota border.

1. This property includes several natural pits that collect water during the spring thaw, and they generally do not dry out until mid-to-late summer. A tributary of the Missouri River runs within 10 miles. The land is covered with grass and brush.

2. A trading post is located 17 miles away. It is not always open, but it does order and supply many materials. The nearest village is about 50 miles away and has a population of 40 people.

Site Three, Homestead Opportunity:

160 acres in southern Idaho, about 30 miles from the Nevada border.

1. The Snake River is about 40 miles away, and there are several creekbeds within 10 miles that become full during rainy periods (feeding into the Snake). The land is covered with grass and brush, and it is very stony.

2. The Oregon Trail passes within 50 miles, and a few homesteads are spotted in a 20-mile radius. A trading post is located on the Snake River. The nearest village, located 25 miles away, has a population of 30 people.

Site Four, Homestead Opportunity:

160 acres in western Washington, within 10 miles of Puget Sound.

1. Two small streams run through the property, one of which becomes a forceful tributary of a nearby river during rainy periods. About 35 acres are marsh throughout the year, and another 35 acres are marshy during the winter and

spring. About 130 acres are covered by an evergreen forest.

2. A few homesteads are scattered within a 10-mile radius. The nearest village is 15 miles away and has a population of 45 people.

Site Five, Railroad Company Property:

80 acres in western Iowa, within 2 miles of a railroad junction.

1. The property is offered by a railroad with routes to Chicago and to other eastern cities. A railroad with routes to Minneapolis and St. Paul passes within 2 miles.

2. Asking price is \$12 per acre, which is expensive for railroad land. This price reflects the high demand for the property which is located near *two* railroad lines.

3. The area has several dozen existing and developed farms, mostly raising hogs and corn. A stream runs through the property, and the land is gently rolling grassland, with some small groves of deciduous trees. A small town (250 people) exists at the railroad junction. Several villages of 20–50 people are scattered in a 25-mile radius from the site. The property can be purchased on credit, for a 2-year or 10-year period. A down payment of \$400 is required in either case. Monthly payments of \$50 (2-year plan) or twice a year payments of \$150 (10-year plan) will follow. For this small piece of land, the 2-year plan will be easiest to obtain from the railroad.

QUESTIONS FOR DISCUSSION

1. Which site would you choose? Why?
2. Which site would be your second choice? Why?



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