The Trade-Off Market

Use opportunity costs to explain specialization and exchange.

SS24.E.11d "Construct and explain examples of specialization and exchange."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline each region's daily production choices, circle the opportunity costs, and number the two gains from trading. Use your marks to trace why the regions specialize and exchange.

Fish, Baskets, and a Better Trade

1. On a busy morning, two neighboring regions prepare goods for a market. A worker in Harbor can catch and dry 12 fish in a day or weave six baskets. A worker in Valley can catch and dry four river fish in a day or weave four baskets. These are simplified daily production choices, not claims about real places. Harbor workers can make more of either product in a day. Yet total output is not the only reason people choose a task. To decide who should specialize, the regions compare what each worker must give up when switching tasks.

2. In Harbor, weaving one basket uses time that could produce two fish. In Valley, weaving one basket uses time that could produce one fish. That forgone output is the opportunity cost of a basket. Valley gives up fewer fish per basket, even though its workers produce fewer baskets per day. Meanwhile, a fish costs Harbor half a basket of forgone weaving, but it costs Valley one basket. Harbor therefore specializes in fish, while Valley specializes in baskets. This pattern follows relative costs rather than simply asking which region can produce the most of each good.

3. Suppose Harbor sends three fish to Valley and receives two baskets. Harbor would give up four fish to weave those two baskets itself, so paying three saves it one fish. Valley would give up only two fish to weave those baskets, so receiving three gives it one more fish than producing fish instead. Both can benefit, although Harbor is faster at both tasks. The trade only works if workers can shift production and the fish and baskets can be exchanged. Transportation costs or damaged goods could shrink or erase the gains. Specialization creates a possible gain, not a guarantee.

2 ANSWER WITH EVIDENCE

Use the passage

1. Construct a one-day production example that shows why Valley, not Harbor, specializes in baskets.

2. Use the daily production choices to explain why Harbor specializes in fish, even though it can also make more baskets than Valley.

3. Use the passage's exchange to explain how Harbor gains by trading for two baskets instead of making them.

4. Explain why Valley gains from the same exchange, and identify one condition from the passage that could erase its gain.

3 YOUR TURN

Your own words

Invent two communities and two goods unlike those in the passage. In four sentences, give each community's one-day production choices, state what each specializes in, describe a specific exchange, and explain why both gain using what each gives up.

ANSWER KEY

The Trade-Off Market

GRADE 12 · SS24.E.11d

PART 1 · READ AND MARK

Underline each region's daily production choices, circle the opportunity costs, and number the two gains from trading. Use your marks to trace why the regions specialize and exchange. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Construct a one-day production example that shows why Valley, not Harbor, specializes in baskets.	**Weaving two baskets costs Valley two fish in forgone production but costs Harbor four fish. Valley gives up fewer fish to make the baskets.**
2	Use the daily production choices to explain why Harbor specializes in fish, even though it can also make more baskets than Valley.	**Each fish costs Harbor half a basket in forgone weaving, compared with one basket in Valley. Harbor gives up fewer baskets per fish.**
3	Use the passage's exchange to explain how Harbor gains by trading for two baskets instead of making them.	**Harbor trades three fish for two baskets. Making those baskets would cost Harbor four fish, so it saves one fish.**
4	Explain why Valley gains from the same exchange, and identify one condition from the passage that could erase its gain.	**Valley receives three fish for two baskets that cost it two fish to make, gaining one fish. Transportation costs or damaged goods could erase that gain.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

In an imagined Plains community, a worker can produce eight jars of honey or two scarves per day; in Ridge, a worker can produce two jars or two scarves. Plains specializes in honey because a scarf costs it four jars, while a scarf costs Ridge only one jar, so Ridge specializes in scarves. Plains trades two jars for one Ridge scarf. Plains saves two jars compared with making the scarf, and Ridge receives two jars instead of the one it gave up weaving it.

Accept other invented communities and goods if the daily outputs support the stated specializations and the exchange benefits both sides. Check gains against forgone production, not just total output.