The Trade Choice

Compare what two countries make with what they give up.

GE.4.4 "Use the concepts of absolute advantage and comparative advantage to determine why a country may choose to produce a particular commodity rather than another."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline the four one-day production amounts and circle the proposed trade. Write 1 beside the country with the lower opportunity cost for lanterns and 2 beside the country with the lower opportunity cost for filters.

Lanterns, Filters, and a Choice

1. After a storm, two countries plan to supply solar lanterns and portable water filters. Harborland and Valleyland each have one equally sized crew available for one day. Harborland's crew can make 12 lanterns or 12 filters that day. Valleyland's crew can make 8 lanterns or 4 filters. Both crews make products of equal quality, and each country must choose how to use its crew. A country has an absolute advantage in a product if it can make more of that product with the same resources. At first glance, one country may seem best suited to make everything.

2. Choosing one product means giving up some of the other. Economists call what is given up the opportunity cost. To find the cost of one lantern, compare how many filters a crew could have made instead. Reverse the comparison to find the cost of one filter. A country has a comparative advantage when its opportunity cost for a product is lower than the other country's. This comparison can point toward a surprising production choice, even when one country has an absolute advantage in both goods. Since each crew has only one day, production decisions involve real trade-offs.

3. Suppose each country focuses its crew on one product and then they trade. The proposed exchange is four lanterns for three filters. To test whether this deal helps both sides, compare that exchange with what each crew would give up by making those goods at home. A crew could also divide its day between the two products, producing part of each full-day amount. After trading, each country may have some of both goods. A useful deal lets each country obtain a bundle it could not make with its own one-day crew.

2 ANSWER WITH EVIDENCE

Use the passage

1. Which country has an absolute advantage in both goods? Use the one-day outputs to explain.

2. How many filters does each country give up to make one lantern? Which country has the comparative advantage in lanterns?

3. How many lanterns does each country give up to make one filter? Which country has the comparative advantage in filters?

4. Harborland makes 12 filters, and Valleyland makes 8 lanterns. After they trade four lanterns for three filters, what does each have? Compare each bundle with what that country could make alone.

3 YOUR TURN

Your own words

Invent two countries and two goods not named in the passage. In 4 to 6 sentences, give what an equally sized crew in each country could make in one day if it made only one good, then identify the absolute and comparative advantages and explain which good each country should produce using opportunity costs.

The Trade Choice

PART 1 · READ AND MARK

Underline the four one-day production amounts and circle the proposed trade. Write 1 beside the country with the lower opportunity cost for lanterns and 2 beside the country with the lower opportunity cost for filters. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Which country has an absolute advantage in both goods? Use the one-day outputs to explain.	**Harborland makes more with an equally sized crew: 12 versus 8 lanterns and 12 versus 4 filters.**
2	How many filters does each country give up to make one lantern? Which country has the comparative advantage in lanterns?	**Harborland gives up 1 filter per lantern; Valleyland gives up 0.5 filter. Valleyland has the comparative advantage in lanterns.**
3	How many lanterns does each country give up to make one filter? Which country has the comparative advantage in filters?	**Harborland gives up 1 lantern per filter; Valleyland gives up 2 lanterns. Harborland has the comparative advantage in filters.**
4	Harborland makes 12 filters, and Valleyland makes 8 lanterns. After they trade four lanterns for three filters, what does each have? Compare each bundle with what that country could make alone.	**Harborland has 4 lanterns and 9 filters; making 4 lanterns itself would leave only 8 filters. Valleyland has 4 lanterns and 3 filters; making 3 filters itself would leave only 2 lanterns.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

In one day, a crew in Cedar makes 20 baskets or 10 clay pots, while an equally sized crew in Pine makes 12 baskets or 8 clay pots. Cedar has an absolute advantage in both goods. Cedar gives up 0.5 pot per basket, compared with two-thirds of a pot in Pine, so Cedar has a comparative advantage in baskets. Pine gives up 1.5 baskets per pot, compared with 2 in Cedar, so Pine has a comparative advantage in pots. Cedar should make baskets and Pine should make pots because each gives up less of the other good.

For the marking job, accept labels beside either occurrence of a country name if the labels clearly assign 1 to Valleyland and 2 to Harborland. In Part 3, accept any internally consistent outputs, opportunity costs, and production choices, including cases where each country has an absolute advantage in a different good.