Who Gains From Trade?

Trace expected benefits from one exchange to the wider community.

E.C.1.6 "Explain how voluntary exchange occurs when all parties expect to benefit and how trade contributes to mutual gain and overall well-being."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline one reason Lena expects to benefit and one reason Malik expects to benefit, circle the agreed price, and number two possible effects on people beyond Lena and Malik.

Tomatoes for the Food Truck

1. At a neighborhood farmers market, Lena grows tomatoes, and Malik runs a food truck that makes sandwiches. Lena can grow more tomatoes than she can sell at her own stand before they spoil. Malik can prepare sandwiches quickly, but growing tomatoes would take time away from cooking and serving customers. They agree that Lena will sell Malik 40 tomatoes for $40. Lena expects money she can use for seeds and supplies; Malik expects fresh tomatoes that will help him sell sandwiches. Each can refuse the deal if the terms seem worse than other options.

2. Before they bargain, Lena decides that selling the tomatoes for less than $32 is not worth giving up the chance to sell them elsewhere. Malik decides he would pay at most $50 because he expects the tomatoes to be useful in his food truck. At their agreed price of $40, Lena receives $8 more than her minimum acceptable price, while Malik pays $10 less than his maximum. Those gaps show why both expect to gain, not how much cash profit either earns. Their estimates could be wrong if customers buy fewer sandwiches than expected.

3. This exchange also lets each person focus on work they do well: Lena grows food, while Malik cooks and serves it. If Malik sells more sandwiches, customers may have another meal choice, and he may purchase more ingredients from other sellers. Those possible effects can increase overall well-being, but they are not automatic. For example, wasted food or pollution from extra deliveries could impose costs on others. Voluntary trade begins with both parties expecting personal benefits; judging its wider effects also means asking who else gains or bears costs.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why does the trade look better to Lena and Malik than the options each would give up?

2. How does the $40 price compare with what each person was willing to accept or pay? Explain what the two differences show.

3. How might this trade benefit people other than Lena and Malik? Connect one possible benefit to the exchange.

4. Why does an agreement to trade not prove that everyone will be better off afterward?

3 YOUR TURN

Your own words

Invent a voluntary trade that does not involve tomatoes or sandwiches. In five sentences, identify what each person gives up and receives, explain why each expects to benefit, and describe one possible benefit and one possible cost for others.

ANSWER KEY

Who Gains From Trade?

HIGH SCHOOL · E.C.1.6

PART 1 · READ AND MARK

Underline one reason Lena expects to benefit and one reason Malik expects to benefit, circle the agreed price, and number two possible effects on people beyond Lena and Malik. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why does the trade look better to Lena and Malik than the options each would give up?	**Lena gets money for tomatoes she might not sell before they spoil. Malik gets tomatoes without taking time away from cooking and serving customers to grow them.**
2	How does the $40 price compare with what each person was willing to accept or pay? Explain what the two differences show.	**The price is $8 above Lena's $32 minimum and $10 below Malik's $50 maximum. Both expect to gain at that price, though the differences are not their cash profits.**
3	How might this trade benefit people other than Lena and Malik? Connect one possible benefit to the exchange.	**Malik may sell more sandwiches made with Lena's tomatoes, giving customers another meal choice. He may also buy more ingredients from other sellers.**
4	Why does an agreement to trade not prove that everyone will be better off afterward?	**Lena and Malik expect to benefit, but their estimates could be wrong. Wasted food or pollution from extra deliveries could also impose costs on others.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A student sells a used laptop to a neighbor for $150, giving up the laptop and receiving money. The student expects to benefit because the money is more useful than a laptop they no longer use. The neighbor gives up $150 and receives a working laptop they value more than the money. The neighbor could use it to apply for jobs, which may also help an employer fill an opening. If the battery is discarded improperly later, it could create a cost for others.

Accept different plausible benefits or costs when students explain how they follow from the trade. For question 2, do not treat the $8 and $10 differences as measured profits.