The Greenhouse Deal

How property rights and fair rules make trade possible

E.C.2.3 "Explain how clearly defined and enforced property rights and rule of law support the functioning of market economies."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline two details that define property rights, number two examples of enforcement, and circle two market decisions these protections help people make.

A Greenhouse Near the Station

1. At a vacant lot near a busy train station, Maya wants to build a greenhouse and sell herbs to restaurants. Before she spends money, she checks a public record that identifies who owns the lot. The owner can lease it to her because the law recognizes the owner's right to use the land and transfer its use by agreement. A written lease states how long Maya may stay and what she may build. Clear rights let Maya know what she can use, let the owner charge rent, and help both sides decide whether the deal is worth the risk.

2. Once the greenhouse opens, Maya signs a contract to deliver herbs every Tuesday. A restaurant agrees to pay within ten days. If the restaurant does not pay, Maya can use a court to seek payment under the contract. The court must apply the same published rules to both sides, rather than favoring whoever has more influence. Police also protect Maya's plants and equipment from theft. These forms of enforcement do not prevent every loss. They make it less costly to trust a new customer, so Maya can sell beyond her circle of friends.

3. Suppose instead that anyone could seize Maya's equipment, or officials could cancel her lease without following established law. Maya might avoid improving the lot, and a lender might hesitate to finance new equipment. Other growers could face the same uncertainty, reducing the supply of herbs and the number of possible sellers. Rule of law means officials as well as buyers and sellers must follow known rules and fair procedures. Together, secure property rights and evenhanded enforcement help people invest, make agreements, and trade with people they do not already know.

2 ANSWER WITH EVIDENCE

Use the passage

1. How do the public ownership record and written lease make building the greenhouse less risky for Maya?

2. How could enforcement of the restaurant's contract help Maya sell to customers she does not already know?

3. Why does protecting Maya's plants and equipment from theft support her business in the market?

4. If officials could cancel growers' leases without following established law, why might a lender hesitate, and what could happen to the herb market?

3 YOUR TURN

Your own words

Imagine you are opening a bicycle repair shop in a rented workspace. In four sentences, explain how clear property rights and rules enforced fairly would affect your decision to invest and your ability to trade, then explain one likely effect if those protections were weak.

ANSWER KEY

The Greenhouse Deal

HIGH SCHOOL · E.C.2.3

PART 1 · READ AND MARK

Underline two details that define property rights, number two examples of enforcement, and circle two market decisions these protections help people make. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How do the public ownership record and written lease make building the greenhouse less risky for Maya?	**The record identifies who can lease the lot, and the lease tells Maya how long she may use it and what she may build. She can judge the risk before investing.**
2	How could enforcement of the restaurant's contract help Maya sell to customers she does not already know?	**If a restaurant fails to pay, Maya can seek payment in court under rules applied to both sides. This lowers the risk of selling to a new customer.**
3	Why does protecting Maya's plants and equipment from theft support her business in the market?	**Protection makes it less likely that Maya will lose the property she needs to grow herbs and fulfill sales.**
4	If officials could cancel growers' leases without following established law, why might a lender hesitate, and what could happen to the herb market?	**A grower might lose access to the lot before earning enough to repay a loan. Fewer growers might invest, reducing the supply of herbs and the number of sellers.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A lease that clearly states how long I can use the workspace would help me decide whether to buy repair tools. Knowing that the tools belong to me would make that investment less risky. If a supplier failed to deliver parts I had paid for, fair enforcement of our agreement would help me keep repairs on schedule. Without those protections, I might buy fewer tools and serve fewer customers.

Accept explanations that link defined rights or fair enforcement to lower risk and a specific market action. Responses should explain the connection, not simply state that rules help businesses.