# The Bicycle Tradeoff

Use market data to weigh the effects of a tariff.

**USH.P.2.4** "Identify the principles of economic systems and develop an understanding of the benefits of a market system in local, national, and global settings. Evaluate economic data from charts and graphs, noting trends and making predictions..."

NAME _____ DATE _____

## 1 READ AND MARK

Read it twice

**YOUR JOB** Underline one benefit of a market system, circle two table values that show a change after the tariff, and number one intended and one possible unintended effect of the policy in the passage.

### Bikes in Harborland

1. In the fictional country of Harborland, bicycle shops choose which bikes to stock, and customers choose which to buy. Local workers build some bikes, while overseas factories supply others. These choices are part of a market system: prices and competition help coordinate buyers and sellers. Imports give shoppers more options and push local makers to improve.

2. To help domestic bicycle makers compete, Harborland's government places a 20% tariff, a tax on imported bikes, before Year 2. The table shows a made-up example, not real national statistics. The average shop price covers all bikes sold. Officials hope domestic factories will sell more bikes, but the tariff may also affect shoppers.

**HARBORLAND BICYCLE MARKET, FICTIONAL EXAMPLE**

| Year | Tariff | Average bike price | Domestic bikes sold | Imported bikes sold |
|---|---|---|---|---|
| 1 | 0% | $300 | 1,000 | 900 |
| 2 | 20% | $340 | 1,150 | 650 |
| 3 | 20% | $350 | 1,200 | 550 |

3. The tariff does not set bike prices directly. Importers may pass the tax to shops, which may charge customers more. Domestic factories might hire workers as sales grow, but a higher price can also keep some families from buying a bike. Changes in shipping costs might affect sales, too, so the table cannot prove what caused every change.

## 2 ANSWER WITH EVIDENCE

Use the passage

1. How can competition and imports benefit Harborland's shoppers and local bike makers?

2. From Year 1 to Year 3, how did sales of domestic and imported bikes change? Give both amounts.

3. What intended result and possible unintended result appear after the tariff? Use numbers to support both.

4. If the Year 2 to Year 3 price trend continues, what average bike price would you predict for Year 4? Why is that prediction uncertain?

## 3 YOUR TURN

Your own words

Propose a policy other than a tariff that could support Harborland's domestic bike makers. In 4 to 5 sentences, use one number from the table, explain a likely effect on local buyers or workers and on overseas sellers, and identify one possible unintended cost.

# The Bicycle Tradeoff



## PART 1 · READ AND MARK

Underline one benefit of a market system, circle two table values that show a change after the tariff, and number one intended and one possible unintended effect of the policy in the passage. Accept any marking that follows this job and points at the right text.

## PART 2 · ANSWERS

| # | QUESTION | ANSWER |
|---|---|---|
| 1 | How can competition and imports benefit Harborland's shoppers and local bike makers? | **Imports give shoppers more choices, and competition pushes local makers to improve.** |
| 2 | From Year 1 to Year 3, how did sales of domestic and imported bikes change? Give both amounts. | **Domestic bike sales rose by 200, from 1,000 to 1,200. Imported bike sales fell by 350, from 900 to 550.** |
| 3 | What intended result and possible unintended result appear after the tariff? Use numbers to support both. | **Domestic bike sales rose from 1,000 to 1,200, as officials hoped. The average price rose from $300 to $350, a possible cost to shoppers. The data do not prove the tariff caused either change.** |
| 4 | If the Year 2 to Year 3 price trend continues, what average bike price would you predict for Year 4? Why is that prediction uncertain? | **The predicted price is $360 because it rose by $10 from Year 2 to Year 3. Changes in shipping costs or other conditions could alter the trend.** |

## PART 3 · YOUR TURN (SAMPLE ANSWER)

Harborland could fund training for local bike workers instead of taxing imports. In Year 3, domestic bike sales reached 1,200, giving local makers a growing customer base to serve. Training could help workers build bikes more efficiently, while overseas sellers could still compete for shoppers. Taxpayers would pay for the program even if it failed to lower bike prices.

Accept other plausible policies and predictions supported by the table. Students should distinguish a change shown in the data from proof that the tariff caused it.