Who Shapes Markets?

Trace how public decisions affect a working waterfront.

SS24.E.7a "Research and explain ways the government influences the economy, including promoting and securing competition, protecting private property rights, distributing resources, providing public goods and services..."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Circle each economic problem a government action is meant to address, underline the action, and write matching numbers beside each problem and its response.

Decisions at Bellhaven Pier

1. In the fictional port city of Bellhaven, small seafood sellers share a busy pier. Two large distributors propose a merger that could leave restaurants with only one major supplier. Federal antitrust agencies can challenge a merger when evidence shows it may substantially reduce competition, preserving choices for buyers and limiting a firm's power to raise prices. Uncertain warehouse ownership and unreliable leases can also discourage investment. Recorded deeds identify who owns pier warehouses, and courts enforce lawful leases between owners and sellers. These protections do not guarantee profits, but they make it easier to invest in storage equipment and plan future sales.

2. At the pier, sellers need more than fair contracts. The city pays for streetlights and maintains the public walkway, services that benefit many users and might be underprovided if each seller had to pay alone. A fish-processing plant, however, sends dirty water into the harbor, raising cleanup costs for nearby boat owners who did not agree to bear them. The city can limit discharges or charge a pollution fee so the plant faces more of the costs it creates. The city also offers reduced-fare bus passes to low-income residents, shifting public resources toward people whose transportation costs could otherwise limit access to work.

3. Now imagine a nationwide recession reduces restaurant orders. Even efficient sellers may cut hours when customers spend less. Congress can fund temporary unemployment benefits and public repairs, supporting household spending and jobs as private demand weakens. If inflation is not the more urgent threat, the Federal Reserve can lower its policy interest rate to encourage borrowing and investment across the economy. Neither response instantly restores every lost job; spending can raise public debt, and lower rates may add inflation pressure. Government choices therefore require evidence about the problem, the likely benefits, and the costs, rather than assuming every intervention works equally well.

2 ANSWER WITH EVIDENCE

Use the passage

1. How do merger review and enforcement of leases address different obstacles to trade and investment at the pier?

2. Why might the city pay for streetlights and maintain the public walkway instead of leaving each seller to pay for them?

3. How does the plant's dirty water affect boat owners, and how could a city response change the plant's decisions?

4. Compare one action Congress and one action the Federal Reserve could take during the recession. Include one possible cost or limitation.

3 YOUR TURN

Your own words

A rural town has unreliable broadband, and a new factory's noise disrupts nearby homes. Write one paragraph proposing two different government actions, explaining the economic problem each addresses and identifying one possible cost or limitation.

ANSWER KEY

Who Shapes Markets?

GRADE 12 · SS24.E.7a

PART 1 · READ AND MARK

Circle each economic problem a government action is meant to address, underline the action, and write matching numbers beside each problem and its response. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How do merger review and enforcement of leases address different obstacles to trade and investment at the pier?	**Merger review can preserve competition and buyers' choices. Enforcing leases reduces uncertainty for owners and sellers, making investment easier to plan.**
2	Why might the city pay for streetlights and maintain the public walkway instead of leaving each seller to pay for them?	**Many people benefit from these services, so individual sellers might not pay enough to provide or maintain them.**
3	How does the plant's dirty water affect boat owners, and how could a city response change the plant's decisions?	**The pollution imposes cleanup costs on boat owners. A discharge limit could require the plant to pollute less, while a fee could give it a financial reason to reduce pollution.**
4	Compare one action Congress and one action the Federal Reserve could take during the recession. Include one possible cost or limitation.	**Congress could fund temporary benefits or repairs to support spending and jobs. The Federal Reserve could lower its policy rate to encourage borrowing and investment. Public spending can raise debt, lower rates can add inflation pressure, and neither action restores every job immediately.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

The town could offer a competitive grant to extend broadband to remote homes, where providers may not expect enough customers to cover construction costs. Requiring bids could limit the subsidy needed. The town could also set nighttime noise limits for the factory because nearby residents bear costs that are absent from the factory's sales prices. The grant uses tax revenue, and strict noise limits could raise the factory's operating costs.

Accept other plausible actions if the student explains how each addresses its stated problem and identifies a realistic cost or limitation. Broadband proposals should recognize that service can be sold to individual customers, even if serving remote areas is not profitable.