# Choices Shape Markets

Read how economic choices help create a mixed market economy.

**SS.7.E.1.3** "Review the concepts of supply and demand, choice, scarcity, and opportunity cost as they relate to the development of the mixed market economy in the United States."

NAME ____________________ DATE ____________

## 1 READ AND MARK

Read it twice

**YOUR JOB** Underline the sentence that explains scarcity, circle the supply-and-demand example, number the two opportunity-cost examples 1 and 2, and put a star by one government action that helps make the economy mixed.

### Markets, Choices, and Government

1 People in the United States often buy and sell in markets. A market can be a neighborhood store, an online shop, or a farmers' market. Businesses decide what to offer, and consumers decide what to buy. These choices help shape prices and production. When many shoppers want strawberries but few farms have them ready, demand is high compared with supply. Sellers may raise prices, and farms may plan to grow more strawberries next season to meet demand.

2 As the United States grew, most businesses remained privately owned, so owners usually chose what to produce and workers chose many jobs. Over time, market activity was paired with government action, creating a mixed market economy. Government agencies set food safety rules, enforce contracts, collect taxes, and provide services such as public schools and roads. These rules and services can affect business costs and consumer choices. For example, a restaurant must follow health rules while still deciding its menu and prices.

3 Scarcity exists because resources, including time, workers, land, and money, are limited. A city cannot spend the same tax dollars on every project. If it funds a new bus route instead of repairing a park, the opportunity cost is the park repair it gave up. Businesses face similar tradeoffs when they use workers and materials for one product rather than another. Consumers also weigh choices. Together, supply, demand, scarcity, and opportunity cost influence decisions by families, businesses, and government in the United States.

## 2 ANSWER WITH EVIDENCE

Use the passage

1. Why might strawberry sellers raise their prices in the passage?

2. How does the passage show that the United States has a mixed market economy?

3. When the city funds a bus route instead of repairing a park, what is the opportunity cost? Explain why.

4. Name two resources the passage says are limited. How does scarcity affect decisions?

## 3 YOUR TURN

Your own words

Write four sentences about a privately owned local business. Include a supply-and-demand situation, one scarce resource, an opportunity cost, and one government rule or service that affects the business.

### PART 1 · READ AND MARK

Underline the sentence that explains scarcity, circle the supply-and-demand example, number the two opportunity-cost examples 1 and 2, and put a star by one government action that helps make the economy mixed. Accept any marking that follows this job and points at the right text.

### PART 2 · ANSWERS

| # | QUESTION | ANSWER |
|---|---|---|
| 1 | Why might strawberry sellers raise their prices in the passage? | **Many shoppers want strawberries, but few farms have them ready. Demand is high compared with supply.** |
| 2 | How does the passage show that the United States has a mixed market economy? | **Most businesses are privately owned and make many decisions, while government sets rules, enforces contracts, collects taxes, and provides services.** |
| 3 | When the city funds a bus route instead of repairing a park, what is the opportunity cost? Explain why. | **The opportunity cost is the park repair. The city gives up that repair when it uses limited tax dollars for the bus route.** |
| 4 | Name two resources the passage says are limited. How does scarcity affect decisions? | **Answers may name any two of time, workers, land, and money. Because resources are limited, people, businesses, and government must choose how to use them.** |

### PART 3 · YOUR TURN (SAMPLE ANSWER)

A privately owned bike shop sees high demand for helmets after a safety campaign, but its supply is low. Because money and shelf space are scarce, the owner orders helmets instead of new water bottles. The opportunity cost is the water bottles the shop does not buy. Government safety standards for helmets affect what the shop can sell, while the owner still chooses prices and products.

Accept equivalent wording that accurately connects high demand and low supply to higher prices or increased production. For the open response, accept varied business examples if all four required economic ideas are accurate and clearly connected.