Choices Shape Economies

Compare how economic systems answer key questions.

SS6E10 "Analyze different economic systems."

NAME ____________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline words or phrases that show who makes economic choices in each system. Circle the sentence that identifies Australia's economic system.

Who Decides?

1 Every economic system must deal with scarcity, because land, workers, tools, and time are limited. Communities answer three connected questions: What goods and services will be made? How will they be made? Who will receive them? In a traditional economy, customs and long-held roles guide many choices. For example, families may use skills passed down through generations and share certain goods according to community rules. This system can preserve cultural practices, but it may change slowly when new needs arise.

2 In a command economy, a central government makes most major economic decisions. It may own factories, farms, or natural resources, set production goals, and decide where products go. Leaders can direct resources quickly toward a national goal, such as building rail lines. However, officials may not know what each local shopper needs or wants. A command system gives individual buyers and business owners less power over prices, jobs, and production choices. Few countries today use a completely command system.

3 A market economy relies mostly on private ownership and voluntary buying and selling. Businesses choose what to offer, while consumer demand and prices influence those choices. Australia has a mixed economy, not a pure market economy. Private businesses make many products and services, but the government also funds Medicare, public schools, and roads. It sets safety and competition rules and collects taxes. Australian consumers and businesses make many choices, while government action helps provide services and protect the public.

2 ANSWER WITH EVIDENCE

Use the passage

1. How does the source of economic decisions differ in a traditional economy and a command economy?

2. What problem could occur when command economy officials do not know what local shoppers need or want?

3. How do consumer demand and prices influence businesses in a market economy?

4. Use two details from the passage to explain why Australia has a mixed economy.

3 YOUR TURN

Your own words

A town must provide winter coats after a storm. Complete the table to show who would make choices and how coats could be made and shared in each economic system.

ECONOMIC SYSTEM	WHO MAKES CHOICES?	HOW ARE COATS MADE AND SHARED?

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PART 1 · READ AND MARK

Underline words or phrases that show who makes economic choices in each system. Circle the sentence that identifies Australia's economic system. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How does the source of economic decisions differ in a traditional economy and a command economy?	**Traditional economies use customs and long-held roles. Command economies rely on a central government to make most major decisions.**
2	What problem could occur when command economy officials do not know what local shoppers need or want?	**Officials could direct resources toward goods or services that do not match local shoppers' needs or wants.**
3	How do consumer demand and prices influence businesses in a market economy?	**Businesses use consumer demand and prices to help decide what goods and services to offer.**
4	Use two details from the passage to explain why Australia has a mixed economy.	**Private businesses make many products and services, and consumers make many choices. The government also funds services, collects taxes, and sets rules.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

ECONOMIC SYSTEM	WHO MAKES CHOICES?	HOW ARE COATS MADE AND SHARED?
Traditional	Community elders and customs guide choices.	Families use familiar skills to make coats and share them by custom.
Command	Government officials decide.	State factories make set numbers of coats, and officials distribute them.
Market	Businesses and buyers make choices through prices.	Companies sell coats, and people who can pay buy them.
Mixed	Businesses sell coats, while government also acts.	Stores sell coats, and government funds coats for families in need.

Accept equivalent explanations that correctly identify customs, government direction, private choices, and mixed government and private roles. In the table, accept reasonable examples as long as each system's decision maker and method of providing coats match the system.