Choices Shape Economies

Compare who makes economic decisions in market, mixed, and command systems.

SS6E7 "Analyze different economic systems."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline each phrase that tells who makes economic decisions, then label the evidence in the margin as market, mixed, or command to help you compare systems.

Who Decides?

1 Every economic system must answer three questions: What goods and services will be made? How will they be made? Who will receive them? In a market economy, individuals and businesses make many choices. Prices help guide those choices. If many people want bicycles, a business may produce more bicycles. Competition can give buyers choices, while consumers and workers can decide how to spend or earn money. The government still sets safety rules, collects taxes, and provides some public services.

2 Most European countries use mixed economies, which combine market choices with government action. Germany, France, and the United Kingdom have private businesses that sell products and hire workers. Their governments also fund services such as schools, roads, and health care in different ways. Governments may set rules for safety, pollution, or worker pay. Because both businesses and government make important economic decisions, these countries are not purely market economies. People can often choose among goods, jobs, and places to invest savings.

3 In a command economy, the government owns or controls much of production and makes major decisions about prices, jobs, and output. North Korea is a current example outside Europe. In Europe, Belarus has a large state role in important industries, although it also has some private businesses. A government can direct resources toward a national goal, but limited competition may reduce consumer choice. Comparing systems means looking at who makes decisions and how those decisions affect people.

2 ANSWER WITH EVIDENCE

Use the passage

1. How do prices and consumer demand influence a business in the market economy example?

2. What two kinds of decision makers show that Germany, France, and the United Kingdom have mixed economies?

3. Compare who makes major economic decisions in a market economy and in a command economy.

4. What benefit and what possible drawback of a command economy does the passage describe?

3 YOUR TURN

Your own words

Invent a European town that uses a market, mixed, or command economy. In 4 or 5 sentences, name the system, explain who makes decisions about a bakery, buses, and jobs, and describe one effect on consumer choice.

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PART 1 · READ AND MARK

Underline each phrase that tells who makes economic decisions, then label the evidence in the margin as market, mixed, or command to help you compare systems. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How do prices and consumer demand influence a business in the market economy example?	**Prices help guide choices. If many people want bicycles, a business may produce more bicycles.**
2	What two kinds of decision makers show that Germany, France, and the United Kingdom have mixed economies?	**Private businesses make decisions about selling products and hiring workers, while governments fund services and set rules.**
3	Compare who makes major economic decisions in a market economy and in a command economy.	**In a market economy, individuals and businesses make many choices. In a command economy, the government controls much production and makes major decisions.**
4	What benefit and what possible drawback of a command economy does the passage describe?	**The government can direct resources toward a national goal. Limited competition may reduce consumer choice.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Rivermill uses a mixed economy. A family owns the bakery and chooses what bread to sell. The town government pays for buses and sets safety rules. Local businesses hire workers, so residents can apply for different jobs. Shoppers can choose among several bakeries.

Accept equivalent descriptions of decision makers, government roles, competition, and consumer choice when they match the passage. For the open response, accept any logically consistent system description that addresses the bakery, buses, jobs, and consumer choice.