# Coats and Choices

How three economic systems meet the same need

**GE.2.1** "Describe the various economic systems such as a free market, a command economy, or a mixed economy."

NAME _____ DATE _____

## 1 READ AND MARK

Read it twice

**YOUR JOB** As you read, underline who makes production decisions, circle how people get coats, and number the three economic systems. Use your marks to compare how each system works.

### A Cold Week in Three Towns

1 A cold snap sends shoppers looking for coats in a town with a **free market economy**. Clothing businesses decide which coats to make and how many to stock. Shoppers choose what to buy, and stores set prices as they compete for customers. If coats sell quickly, higher prices and the chance to earn more money may lead businesses to order extra coats. People who cannot afford the prices may still go without one. Government can enforce contracts and require safe products, but it does not usually tell stores how many coats to sell.

2 In a town with a **command economy**, government planners make the main decisions about coat production. They assign materials to factories, set production targets, and decide how coats will be distributed. During the cold snap, planners might direct more coats to neighborhoods they judge to be most in need. Residents might receive coats through a government distribution center rather than choose among competing stores. This system can focus resources on a shared goal, but a mistaken production target can leave too few coats available. Factories cannot simply change their output to chase higher sales.

3 A third town has a **mixed economy**. Private businesses choose many of the coats they sell, and shoppers choose among stores and prices. At the same time, the government collects taxes to pay for a coat program for residents with low incomes. When the cold snap arrives, stores may order more coats, while the public program helps people who might be unable to buy one. Government also sets product safety rules. A mixed economy combines market decisions with government action, though the amount of government involvement varies from place to place.

## 2 ANSWER WITH EVIDENCE

Use the passage

1. Describe how businesses and shoppers make decisions about coats in the free market town.

2. Describe who controls coat production and distribution in the command economy town.

3. Explain why the third town has a mixed economy rather than only a free market economy.

4. Compare how the free market town and the command economy town might get more coats to residents during the cold snap.

## 3 YOUR TURN

Your own words

Invent a bicycle-repair plan for a town using one of the three economic systems. In 4 to 5 sentences, describe who decides which repairs are offered, how residents get repairs, and one tradeoff compared with a different system.

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## PART 1 · READ AND MARK

As you read, underline who makes production decisions, circle how people get coats, and number the three economic systems. Use your marks to compare how each system works. Accept any marking that follows this job and points at the right text.

## PART 2 · ANSWERS

| # | QUESTION | ANSWER |
|---|---|---|
| 1 | Describe how businesses and shoppers make decisions about coats in the free market town. | **Businesses decide what to stock and set prices while competing for customers. Shoppers choose what to buy.** |
| 2 | Describe who controls coat production and distribution in the command economy town. | **Government planners assign materials, set production targets, and decide how coats will be distributed.** |
| 3 | Explain why the third town has a mixed economy rather than only a free market economy. | **Private businesses sell coats and shoppers choose among them, but the government also funds a coat program and sets safety rules.** |
| 4 | Compare how the free market town and the command economy town might get more coats to residents during the cold snap. | **In the free market town, quick sales and the chance to earn more money may lead businesses to order extra coats. In the command economy town, planners might direct more coats to neighborhoods they judge most in need.** |

## PART 3 · YOUR TURN (SAMPLE ANSWER)

My town uses a mixed economy for bicycle repairs. Private mechanics decide which repairs to offer, and residents can choose a shop and pay its price. The town uses tax money to cover basic repairs for residents with low incomes, who can visit a participating shop. Compared with a free market system without that program, more residents can get help, but the program costs tax money.

Accept descriptions that correctly distinguish who makes production decisions and how goods or services are distributed. For Part 3, the invented plan should fit the named system, and its tradeoff should compare that plan with a different system.