Coats and Choices

How economic systems shape production, trade, and competition

E.C.2 "Evaluate how societies answer basic economic questions. Compare traditional, market (free enterprise), command, and mixed economic systems, and explain how each addresses the three basic economic questions of what to produce..."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Read the passage. Underline each example of a decision about what, how, or for whom to produce, and circle the words that show who makes that decision.

Who Makes the Coats?

1. Imagine a town deciding how to supply winter coats. In a traditional system, families follow inherited roles: households make familiar coat styles by hand and share them according to custom. In a market system, sellers choose styles, compete over materials and methods, and sell coats to buyers willing and able to pay. In a command system, officials set coat targets, assign factories their methods, and distribute coats according to a government plan. In a mixed system, businesses make and sell coats, while the government buys some for shelters and sets workplace safety rules. Each system answers what, how, and for whom to produce differently.

2. Two nearby towns can trade instead of making everything themselves. In one workday, an inland maker can produce eight berry crates or four baskets; a coastal maker can produce six berry crates or six baskets. Inland has an absolute advantage in berries, while coast has an absolute advantage in baskets. For each berry crate, inland gives up half a basket, while coast gives up one basket. That lower opportunity cost gives inland a comparative advantage in berries; coast has one in baskets. If each town specializes and trades, its choices about what and how to produce change, and trade helps determine who receives the goods.

3. Government fiduciary policy concerns the responsible management of public money. A town might use tax revenue to buy coats for shelters; that expands access but costs taxpayers money. If only large suppliers can win contracts, the policy may also reduce competition. Safety regulations can protect workers and buyers, but compliance costs may make it harder for small firms to enter the market. Clear property rights let owners keep or sell their factories, giving them reason to invest. When courts enforce contracts equally under the rule of law, buyers and sellers can trust agreements. Fair bidding and predictable rules help smaller firms compete.

2 ANSWER WITH EVIDENCE

Use the passage

1. How do market and command systems differ in deciding what coats to make and who receives them?

2. Which town has a comparative advantage in berry crates? Use the cost of making one crate to explain why. How is this different from absolute advantage?

3. How do property rights and the rule of law help a market economy function?

4. Give one benefit and one cost of either the town's coat purchases or its safety rules. How could that choice affect competition?

3 YOUR TURN

Your own words

A mountain town needs low-cost water filters. In one paragraph, compare how a market system and a command system would decide what filters to make, how to make them, and who receives them. Then propose one government spending choice or rule for a mixed system, with one benefit and one cost that could affect competition.

ANSWER KEY

Coats and Choices

HIGH SCHOOL · E.C.2

PART 1 · READ AND MARK

Read the passage. Underline each example of a decision about what, how, or for whom to produce, and circle the words that show who makes that decision. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How do market and command systems differ in deciding what coats to make and who receives them?	**In a market system, sellers choose coat styles, and buyers willing and able to pay receive coats. In a command system, officials set coat targets and distribute coats according to a plan.**
2	Which town has a comparative advantage in berry crates? Use the cost of making one crate to explain why. How is this different from absolute advantage?	**Inland has a comparative advantage in berry crates because each crate costs it half a basket, compared with one basket for coast. Inland also has an absolute advantage in berries because it can make more crates per day.**
3	How do property rights and the rule of law help a market economy function?	**Property rights give owners reason to invest in factories. Courts that enforce contracts equally help buyers and sellers trust their agreements.**
4	Give one benefit and one cost of either the town's coat purchases or its safety rules. How could that choice affect competition?	**Buying coats for shelters expands access but costs taxpayers money. If only large suppliers can win the contracts, smaller firms may be excluded and competition may decrease. Also accept the passage's safety-rule example.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

In a market system, filter companies choose models based on demand, select materials and workers, and sell to customers who can pay. In a command system, officials decide how many filters to make, assign factories and supplies, and distribute filters according to a plan. In a mixed system, the town could use tax funds to buy filters for families with unsafe water. This would improve access, but the purchases would cost taxpayers money. If the town awarded the contract only to one large supplier, smaller companies could lose the chance to compete. Open bidding would give more firms a chance.

For question 4, also accept that safety rules protect workers and buyers but can raise costs for small firms, making entry harder. For Your Turn, accept other plausible decisions if each system answers all three economic questions and the proposed policy includes a benefit and a cost affecting competition.