Choices and Trust

Compare economic systems and examine why ethical behavior matters.

6.7 "Economics. The student understands the various ways in which people organize economic systems. The student is expected to: compare ways in which various societies organize the production and distribution of goods and services..."

NAME ______________________________ DATE ______________

1 READ AND MARK

Read it twice

YOUR JOB Underline one sentence in each paragraph that tells who makes economic choices or owns resources. Circle two details in the last paragraph that show why honest behavior helps a free enterprise system work.

How Economies Make Choices

1 Every society must decide what to produce, how to produce it, and who receives it. A bakery needs flour, workers, ovens, and customers. The way a society organizes these choices is its economic system. In a free enterprise economy, individuals and businesses usually own property and make many production choices. Customers use their spending choices to signal what they want. Competition among businesses can lead to new products, lower prices, or better service. The United States has a mostly free enterprise system, although its government also makes some economic rules.

2 Socialist economies combine government direction with private ownership. The government may run major services or industries, such as health care, energy, or transportation, while people and businesses can own other property. For example, Sweden is commonly described as a mixed economy with extensive public services and private businesses. In communist economies, the government owns or controls most major resources and directs much of production and distribution. Contemporary examples include Cuba and North Korea, though each has some limited private activity. These systems differ in who makes decisions and who owns resources.

3 Ethics means using honest and fair behavior. In a free enterprise system, buyers need truthful information about price, safety, and quality. Workers deserve promised pay, and businesses should follow contracts instead of cheating competitors or customers. Government laws can punish fraud and protect property, but personal choices matter too. When people trust sellers, lenders, workers, and business owners, they are more willing to trade, invest, and start businesses. Trust helps markets work. Without ethical behavior, people may waste time and money checking every deal or avoid exchanges altogether.

2 ANSWER WITH EVIDENCE

Use the passage

1 How do individuals, businesses, and customers influence production choices in a free enterprise economy?

2 Compare socialist and communist economies. Who owns or controls major resources in each system?

3 What are two benefits that competition can bring in the mostly free enterprise system of the United States?

4 Why does ethical behavior help a free enterprise system function? Use two details from the passage.

3 YOUR TURN

Your own words

A town needs winter coats for its residents. Complete the table to show how each economic system could organize coat production and distribution. Include one ethical rule that would help people trust the system.

ECONOMIC SYSTEM	WHO MAKES OR OWNS THE MAIN COAT-PRODUCTION CHOICES, AND HOW COATS REACH PEOPLE	ONE ETHICAL RULE

Choices and Trust

PART 1 · READ AND MARK

Underline one sentence in each paragraph that tells who makes economic choices or owns resources. Circle two details in the last paragraph that show why honest behavior helps a free enterprise system work. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How do individuals, businesses, and customers influence production choices in a free enterprise economy?	**Individuals and businesses make many production choices, and customers signal what they want through their spending choices.**
2	Compare socialist and communist economies. Who owns or controls major resources in each system?	**In a socialist economy, the government directs some major services or industries while people and businesses can own other property. In a communist economy, the government owns or controls most major resources.**
3	What are two benefits that competition can bring in the mostly free enterprise system of the United States?	**Competition can lead to new products, lower prices, or better service. Accept any two.**
4	Why does ethical behavior help a free enterprise system function? Use two details from the passage.	**Honest information, promised pay, and following contracts help people trust one another. Trust makes people more willing to trade, invest, and start businesses, rather than spending time checking every deal or avoiding exchanges.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

ECONOMIC SYSTEM	WHO MAKES OR OWNS THE MAIN COAT-PRODUCTION CHOICES, AND HOW COATS REACH PEOPLE	ONE ETHICAL RULE
Free enterprise	Private businesses choose how many coats to make, and customers buy coats from stores.	Sellers give truthful information about price, safety, and quality.
Socialist	The government may run coat factories or distribution centers, while private businesses may also sell coats.	Workers receive the pay they were promised.
Communist	The government controls major coat production and directs how coats are distributed.	Officials distribute coats fairly and do not take coats meant for others.

Accept accurate comparisons that show different levels of private ownership and government control. For the ethical rule, accept a specific honest or fair action that builds trust, such as truthful advertising, keeping contracts, fair distribution, or promised pay.