Rules, Taxes, Money

How government shapes choices in a market economy

CE.13 "The student will apply history and social science skills to analyze the role of government in the United States economy by examining the effect of competition in the marketplace..."

NAME ______________________________ DATE ______________

1 READ AND MARK

Read it twice

YOUR JOB Underline each action government takes or pays for. Circle the words that explain why the action is needed, such as a shared need, a harm, or a market problem.

Government in Everyday Markets

1 At a Saturday farmers market, several sellers offer apples. Because shoppers can compare prices and quality, sellers have a reason to improve their products or lower prices. This competition can help buyers, but it does not always protect everyone. Governments set safety rules for food and truthful labels so consumers can make informed choices. They also enforce property rights, such as a farmer's right to use a brand name, and laws that prevent businesses from unfairly blocking rivals. Rules can also limit pollution that harms nearby land, water, or people.

2 Some needs are shared by a whole community. A city may pay for streetlights and firefighters because everyone can benefit and it would be hard to charge each person separately. State governments often support highways and public colleges. Federal government spending includes national defense and programs such as Social Security. Governments collect taxes to help pay for these services. Each level makes a budget, which is a plan for raising money and spending it. A budget requires choices because money is limited.

3 Money makes trade easier because people can use government-issued currency to buy and sell instead of finding someone who wants exactly what they have. The Federal Reserve System is the nation's central bank. It helps keep money and credit available in the economy. It can influence interest rates and works to support a stable financial system. The Fed does not write the federal budget or collect most taxes, but its decisions can affect borrowing, saving, and business investment.

2 ANSWER WITH EVIDENCE

Use the passage

1. How can competition among the apple sellers affect both sellers and shoppers?

2. Name two ways government protects consumers, property rights, competition, or the environment in the passage.

3. Choose one service from the passage. Which level of government is linked to it, and why must that government make budget choices?

4. What is the Federal Reserve System, and name one way it can affect the economy?

3 YOUR TURN

Your own words

Imagine your town must choose between repairing a bridge and adding lights to a park. Write exactly four sentences that choose one project, explain why it is a public good, name a tax that could help pay for it, and propose one rule that would protect people or fair competition.

PART 1 · READ AND MARK

Underline each action government takes or pays for. Circle the words that explain why the action is needed, such as a shared need, a harm, or a market problem. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How can competition among the apple sellers affect both sellers and shoppers?	**Sellers may improve quality or lower prices. Shoppers can compare prices and quality and may benefit from better choices.**
2	Name two ways government protects consumers, property rights, competition, or the environment in the passage.	**Answers may include food safety rules, truthful labels, enforcing a farmer's brand-name rights, preventing businesses from unfairly blocking rivals, or limiting pollution.**
3	Choose one service from the passage. Which level of government is linked to it, and why must that government make budget choices?	**Examples: A city pays for streetlights or firefighters, states support highways or public colleges, and the federal government funds national defense or Social Security. Governments must make budget choices because money is limited.**
4	What is the Federal Reserve System, and name one way it can affect the economy?	**The Federal Reserve System is the nation's central bank. It helps keep money and credit available, influences interest rates, or supports a stable financial system, affecting borrowing, saving, and investment.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

I would repair the bridge because many residents, buses, and delivery trucks need it. The bridge is a public good because many people can use it, and charging every user would be difficult. The town could use property tax revenue in its budget to help pay for repairs. It should require an independent safety inspection before the contractor receives final payment.

Accept equivalent answers that are supported by the passage for Part 2. For Your Turn, accept either project if the response has exactly four sentences and includes a reasonable public-good explanation, tax source, and protective rule.