

Important Concepts . . .

Preview Review



Social Studies Grade 9 TEACHER KEY
W3 - Lesson 1: Market and Mixed
Economies

Important Concepts of Grade 9 Social Studies

W1 - Lesson 1 Citizenship, Government, and Identity
W1 - Lesson 2 Making Laws in Canada and the Role of the
..... Media
W1 - Lesson 3 Youth Criminal Justice
W1 - Lesson 4 The Charter of Rights and Freedoms
W1 - Lesson 5 The Charter and the Workplace
W1 - Quiz

W2 - Lesson 1 Collective Rights
W2 - Lesson 2 Collective Rights of the French and Métis
W2 - Lesson 3 Immigration Issues
W2 - Lesson 4 Immigration
W2 - Lesson 5 Review
W2 - Quiz

W3 - Lesson 1 Market and Mixed Economies
W3 - Lesson 2 The Roles of Government, Labour, and
..... Consumers in the Economy
W3 - Lesson 3 . Quality of Life, Consumerism, and the Economy
W3 - Lesson 4 Social Programs and Political Parties
W3 - Lesson 5 The Environment
W3 - Quiz

Materials Required

Textbook Required
Issues For Canadians

Social Studies Grade 9

Version 6

Preview/Review W3 - Lesson 1

1-894894-82-0

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Preview/Review Concepts for Grade Nine Social Studies

Teacher Key



Week 3 - Lesson 1:

Market and Mixed Economies

OBJECTIVES

By the end of this lesson, you should

- understand the principles of a market economy
- understand why Canada is viewed as having a mixed economy
- know how the Canadian and the United States economic systems differ in answering the basic economic question of scarcity

GLOSSARY

competition – when producers or suppliers of a particular good or service work to attract consumers

consumers – individuals who use goods or services

Crown corporation – a company that is established and operated by Canada's government

demand – the ability and desire of consumers to purchase goods and services

economics – the production, distribution, management, and consumption of goods and services

equilibrium – a balanced situation in which forces equal one another

privately owned – in economics, the section of the economy owned by individuals and companies

market economy – an economy in which supply and demand determines what is produced, how much is produced, and the prices of items without outside influences

mixed economy – an economy in which both individuals and government make economic decisions regarding the production, distribution, and consumption of goods and services

monopoly – a market with only one supplier or seller

planned (or command) economy – an economy in which the government makes all the decisions on the production, distribution, and consumption of goods and services

producers – individuals or organizations that create goods or services

public good – the best interests of the community

GLOSSARY continued...

publicly owned – in economics, the section of the economy owned and controlled by the government using money from taxes

scarcity – in economics, when there is a limited supply of something but an unlimited demand

shift left – occurs when the government becomes more involved in the economy

shift right – occurs when the government becomes less involved in the economy

supply – the goods or services a business provides



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Week 3 – Lesson 1: Market and Mixed Economies

Reading 1: Market and Mixed Economies

All economic systems must deal with the problem of scarcity and must answer the three basic economic questions:

- What goods will be produced?
- How will goods be produced?
- For whom will goods be produced?

How a society decides to answer these economic questions determines the type of economic system that society will have.

A **market economy** is an economic system in which individuals and privately owned businesses make the economic decisions about the production, distribution, and consumption of goods and services. Prices in a market economy are established by the **supply** and **demand** of the market. For example, if there is a large demand for a product and a small supply of the product, the price will rise. Or if there is a large supply of a product and little demand for the product, the price will fall.

Sometimes other factors may affect the price of an item. Things such as a mechanical breakdown at a manufacturing plant or a labour shortage affect the supply of a product; this results in a fluctuation of the price. If the product is in high demand, the price may rise significantly because of the reduced supply.

If a **monopoly** (one supplier of a product or service) develops in an industry, the company with the monopoly can control the price regardless of the supply or demand for the item because of the lack of **competition**. Monopolies are generally negative for consumers because prices rise and consumer choice is absent. When a monopoly occurs, the government will often step in to establish regulations to break up the monopoly.

When the government becomes involved in the economy, the economy becomes a **mixed economy**. A mixed economy is an economic system in which both the private sector (individuals and privately owned businesses) and the government share in the responsibility of the production and distribution of goods and services.

To assist you in understanding market and mixed economies, read page 194 and read pages 199 to 204 in your textbook, *Issues For Canadians*. Then complete Activity 1.

Activity 1: Market and Mixed Economies

To complete Activity 1, fill in the blank for each of the following sentences by writing the correct word or words on the lines provided. If you are working in a classroom, you may discuss this activity. If you are working individually, complete the activity and check your work with your learning facilitator or teacher.

1. The **economics** of a country affects the incomes people make, the jobs they have, and the taxes they pay to the government
2. An economic **system** is the way a society organizes the production, distribution, and **consumption** of goods and **services**.
3. The **demand** for the game *Super Cyborg City* in the comic was very high.
4. In economics, the idea that resources are limited is called **scarcity**.
5. The basic **questions** of economics are about how to solve scarcity.
6. The three basic **factors** **of** **production** (3 words) interact to limit the **supply** of what people need and want.
7. **Land** consists of all the **materials** found in the **natural** environment needed to produce goods and services.
8. **Labour** consists of the physical and **mental** effort needed to **produce** goods and services.
9. **Capital** consists of the **money** that people own or borrow, used to purchase equipment, tools, and other resources to produce goods and services.
10. The position of an economic system on a continuum depends on the underlying **values** of a society and its government. The actual position of Canada's economic system on the continuum may shift depending on the **political** **party** (2 words) in power.

11. In a **planned** economy, the resources are **publicly** owned, the **government** makes the decisions on how to use **resources**, and the individual **consumer** has little **influence** on economic decision-making.
12. A **mixed** economy combines **private** ownership and government **control**. Individual **consumers** and government influence economic decision-making.
13. In a **market** economy, resources are **privately** owned, **individuals** make **decisions** on how to use resources, and individual consumers drive economic decision-making by **choosing** what to buy.



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Reading 2: The Canadian Economy

Canada's economy is referred to as a mixed economy. The economic system encourages free enterprise and private industry; however, the government also plays a role in making economic decisions. A number of Canadian companies such as *Research in Motion*, *Bombardier*, and *Tim Horton's* have become international companies.

The difficulties that come from being a geographically large country with a small population makes it challenging for private companies to survive in providing some basic necessities such as transportation and communications. The desire of the government to ensure that all Canadians have access to adequate goods and services led the Canadian government to develop a number of **Crown corporations** to fill the gaps. The Canadian government established companies such as *Air Canada* and the *Canadian National Railroad (CNR)* to meet the transportation needs of the country. The *Canadian Broadcast Corporation (CBC)* was developed to ensure Canadians had a way to communicate with each region of the country. To compete with foreign-owned companies, the government established *Petro-Canada*.

The amount of government involvement in the economy changes over time. In times when the government believes that its involvement should increase its role in the economy, this is a **shift left**. When the government reduces its involvement in the economy, it is called a **shift right**.

To learn more about Canada's economy, the economic shifts of the government, and the role of Crown corporations, read pages 206 and 207 in your textbook, *Issues For Canadians*. Then complete Activity 2.



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Activity 2: The Canadian Economy

Answer the following questions in complete sentences. If you are working in a classroom, you may discuss this activity. If you are working individually, complete the activity and check your work with your learning facilitator or teacher.

1. What features of the Canadian economy indicate that Canada has a mixed economy?

Canada has a mixed economy because the government plays a role in the economy while allowing individuals to own private property.

2. When Lester B. Pearson became prime minister, the government became more involved in the economy. This was an example of a shift to what direction? Provide **two** examples of government action that supported the shift.

Pearson's government made a shift left. The government passed legislation that increased its role in the economy including publicly funded health care and pensions for senior citizens.

3. To what direction did the government shift when Brian Mulroney became prime minister? Provide **two** examples to support your answer.

The government under Brian Mulroney shifted right.

Students are to provide any two of the following examples for the second part of the question.

- ***reduced government spending***
- ***privatized government owned corporations***
- ***signed the North American Free Trade Agreement with the US and Mexico, which increased the influence of the market in shaping Canada's economy***

4. What is a Crown corporation? What are the reasons Canada’s government creates Crown corporations?

A Crown corporation is a company owned by the Canadian government to provide products and services to Canadians.

The reasons a Crown corporation is created by the government include

- To provide essential services to Canadians.***
- To promote economic development.***
- To support Canadian culture and identity.***



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Reading 3: The U.S. Economy

Today, Canada's most significant trading partner is its southern neighbour, the United States. The economies of Canada and the United States are very similar.

The American economy is a market economy. Market economies are based on the following beliefs and values.

- **Individualism** - Individuals can make the best decisions about how their needs and wants will be met.
- **Freedom** - People should have the freedom to make their own economic decisions.
- **Competition** - Individuals and businesses who offer the best goods and services at the best prices will survive in the marketplace.
- **Self-interest** - People will make economic decisions that are the best for themselves.
- **Private ownership of the factors of production** - Land, labour, and capital should be in the hands of individuals and privately-owned corporations.
- **Survival of the fittest** - Those who do not succeed are eliminated from the marketplace.
- **Profit motive** - Economic decisions are made with the goal of making profits.
- **No government intervention** is best in the marketplace.

Americans value individual creativity and independence. They believe what is good for each person individually is what is best for the whole society.

The founding principle of the United States is based on the idea of individualism. This is reflected in the American market economic system, which puts a strong emphasis on the individual and free enterprise.

To understand the differences between the Canadian and American views towards government involvement in the economy and the founding principles of the United States economy, read pages 205 and 208 in your textbook, *Issues For Canadians*. Then complete Activity 3.



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Activity 3: The U.S. Economy

Read each of the statements carefully. If the statement is true, write **T** on the line provided. However, if the statement is false, write **F** on the line provided. Then **rewrite the sentence correctly to make the statement true**. If you are working in a classroom, you may discuss this activity. If you are working individually, complete the activity and check your work with your learning facilitator or teacher.

 F 1. The public good is about what is best for individuals.
The public good is about what is best for society.

 T 2. Some people believe that what is good for each person individually will be what is best for society.

 T 3. Some people believe that individuals must consider each other and set aside their individual interests to achieve what is best for society.

 F 4. The founding principle of the United States reflects the idea of collectivism.
The founding principle of the United States reflects the idea of individualism.

 T 5. The position of the United States on the economic continuum shifts left and right, depending on the political party that forms the government.

F 6. During the 1930s, the United States shifted right in a policy called the Great Depression Bill.

During the 1930s, the United States shifted left in a policy called the New Deal.

 T 7. Franklin Roosevelt, a president of the United States, introduced pensions for senior citizens as part of his government’s policy to overcome the Great Depression.

 T 8. In 1980, when Ronald Reagan became the United States president, he wanted to lessen government involvement in the economy.

 F 9. President Reagan increased government regulation of corporations.
President Reagan reduced government regulation of corporations.



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Reading 4: How Market Economies Work

In both mixed and market economies, individual choices of **consumers** are an important aspect of the economy. Consumer choices affect the **supply** and **demand** of items.

As consumers increase their demand for an item, **competition** generally develops among producers to attract consumers and meet their demands.

To improve your understanding on how market economies use competition to supply consumers' demand for goods, read pages 209 to 213 in your textbook, *Issues For Canadians*. Then complete Activity 4.



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Activity 4: How Market Economies Work

To finish the activity you must complete two sections. The first section is a series of three charts. The second section is a series of questions based on the information provided in your textbook. If you are working in a classroom, you may discuss this activity. If you are working individually, complete the activity and check your work with your learning facilitator or teacher.

Section 1: The Relationships Between Supply, Demand, and Price

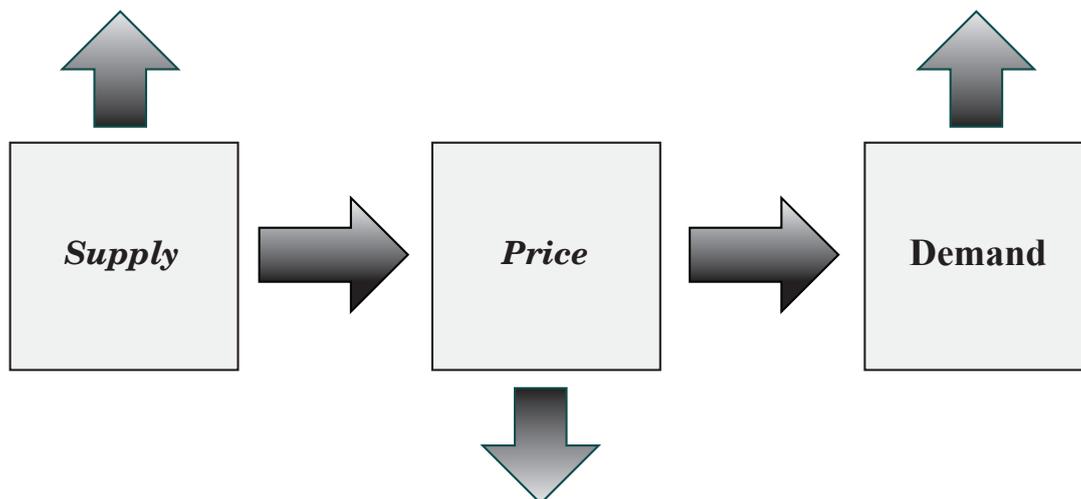
Complete the missing parts of the following charts. The first chart showing **equilibrium** is completed for you as an example.

Equilibrium is reached when the supply of a product can meet the demand of consumers at a particular price.

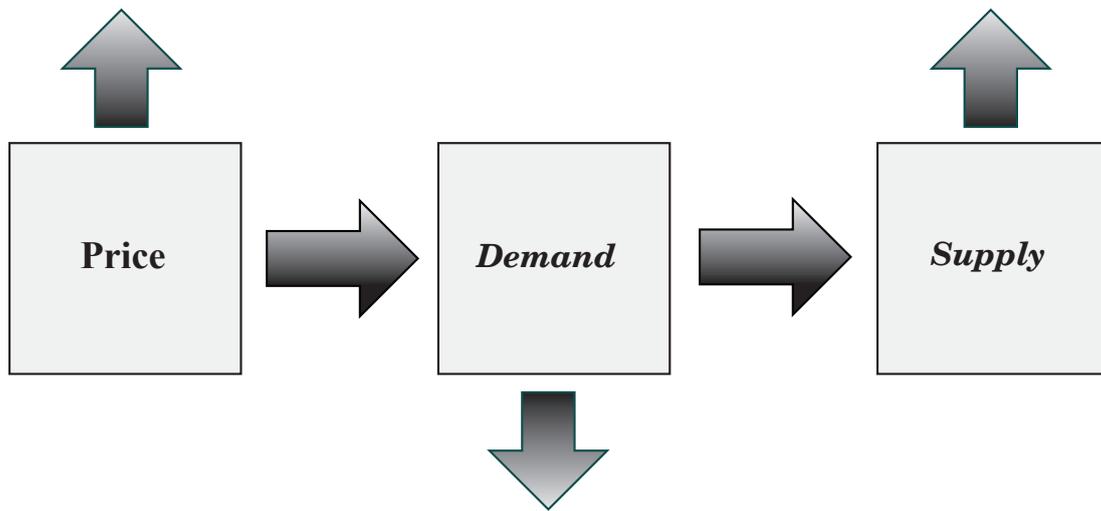


1. Complete the following three charts. Identify what each chart illustrates and fill in the missing parts of the charts.

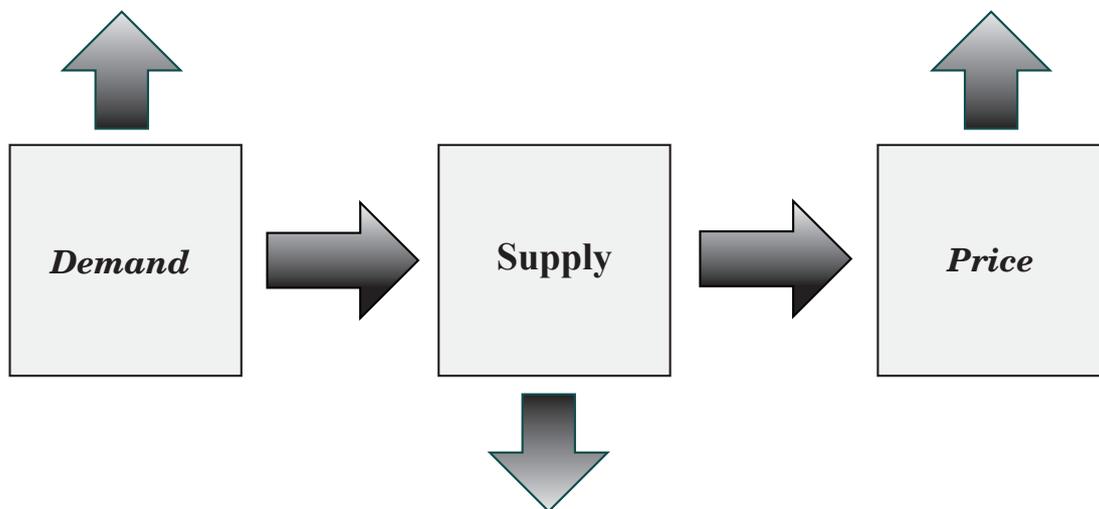
A. This chart shows what happens if the supply goes up.



B. This chart shows what happens if the price goes up.



C. This chart shows what happens when demand goes up.



Section 2: Competition and the Government

Complete each given statement by writing the correct word on the provided line.

1. Many **factors** can affect **competition** in an economic system, including the values of **consumers** and decisions by government to become involved in economic decisions.
2. In an economic system, the opposite of competition is **monopoly**.
3. A monopoly happens when one producer **controls** all supply of a **product** or service.
4. Governments sometimes create monopolies to provide essential **services** that require expensive infrastructure.
5. Governments can also intervene to **prevent** monopolies and restore competition among **producers**.



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Week 3 – Lesson 1: Market and Mixed Economies Review Assignment

Complete pages 14 to 16 as your review assignment for this lesson. If you are working in a classroom, you may be reviewing this together. If you are working individually, complete the assignment and check your work with your learning facilitator or teacher. Use your notes and work from this lesson to help you. This assignment is worth 25 marks.

Section A: Fill-in-the-Blanks

Choose the **best** word to complete each statement from the list of words provided. Write the correct words on the lines. The words will be used only once. Not all the words will be used. This section is worth 10 marks.

| | | | | |
|-------------|-------------|----------|-----------|---------------|
| competition | consumption | Crown | decreases | demand |
| economics | good | illegal | increases | individualism |
| money | need | owned | prices | profit |
| products | production | publicly | resources | scarcity |
| shipping | want | | | |

1. A **Crown** corporation is a company owned by Canada's government to provide goods and services to Canadians.
2. The market economy of the United States is based on values and principles of **individualism**, self-interest, **profit** motive, and competition.
3. In economics, **resources** include the **money**, labour, and materials to supply what people **want** and **need**.
4. A company that is owned and controlled by the government and paid for by taxes is a **publicly** **owned** (two words) corporation.
5. A left shift is one in which the government **increases** its involvement in the economy.
6. **Competition** is about producers striving to get consumers to buy their products.

Section B: Matching

Match the definition on the left with the correct term on the right. Write the letter on the appropriate line to indicate your choice. An answer will only be used once. This section is worth 10 marks.

| | | |
|--------------|---|--------------------|
| <u> I </u> | individuals who use goods or services | A. monopoly |
| <u> F </u> | the best interests of society | B. demand |
| <u> H </u> | an economy in which the government makes all the decisions | C. equilibrium |
| <u> G </u> | the production, distribution, and consumption of goods and services | D. supply |
| <u> B </u> | the ability and desire of consumers to purchase goods and services | E. producers |
| <u> J </u> | when there is limited resources and unlimited wants | F. public good |
| <u> E </u> | create goods or services | G. economics |
| <u> A </u> | a market with only one supplier | H. planned economy |
| <u> D </u> | the goods or services a business provides | I. consumers |
| <u> C </u> | a situation in which forces equal one another | J. scarcity |

Section C: Short Answers

Answer the following questions in complete sentences. The value of each question is indicated at the end of the question. This section is worth 5 marks.

1. Define the **three** types of economic systems studied in this lesson. (3 marks)
 - *A planned economy is one in which the resources are publicly owned. The government makes the decisions on how to use resources and the individual consumer has little influence on economic decision-making.*
 - *In a mixed economy, some of the resources are publicly owned and some are privately owned. Individuals and government make decisions about what to produce and the individual consumers and the government influence economic decision-making.*
 - *In a market economy, resources are privately owned and individuals make decisions about how to use resources. It is the individual consumers that drive economic decision-making by choosing what to buy.*

2. Choose **one** of the three following economic conditions and explain what happens. (2 marks)
 - What happens to the supply and price of goods when the demand goes up?
 - What happens to the demand and price if the supply goes up?
 - When the price goes up what happens to the demand and supply?
 - *When the demand goes up, the supply drops and the price goes up.*
 - *When the supply goes up, the price drops and the demand increases.*
 - *When the price goes up, the demand drops and the supply increases.*

