

Guided Reading Activity

Market Structures

Lesson 3 *The Role of Government*

Review Questions

Directions: Read each main idea. Use your textbook to supply the details that support or explain each main idea.

A. Ensuring Competition

Main Idea: The government has some important actions it can take to guarantee competition in the economy. Among these are preventing monopolies from forming and eliminating or restricting existing monopolies. Certain regulations on business are also intended to enhance competition among businesses.

1. **Detail:** In the late _____, the number of monopolies and _____ increased, so laws were passed to break them up and restore competition.

2. **Detail:** Price _____ involves selling the same product to different _____ at different prices.

3. **Detail:** Government agencies can stop practices that reduce _____ by issuing _____ and _____ orders against offending companies.

4. **Detail:** A _____ monopoly may be allowed to function because its economies of _____ enable it to provide necessary services or products at a low cost to many consumers.

B. Competition, Consumer Protection, and Regulation

Main Idea: The government has indirect ways of enhancing competition. These include promoting greater business transparency, ensuring the safety of consumer products, and regulating business behavior that limits competition or endangers the public.

1. **Detail:** Public _____, the requirement that businesses reveal certain information to the public, helps ensure that markets function efficiently.

2. **Detail:** Since the Great Recession of 2008, government agencies have required banks to reveal in simple language the terms of home _____, so people know how much they have to pay and are less likely to suffer _____ as a result of nonpayment.

Guided Reading Activity *cont.*

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3. **Detail:** There are numerous federal _____ that are responsible for ensuring public safety.

4. **Detail:** The _____ and _____ Administration makes sure the food we eat will not make us sick, and the Federal _____ Administration regulates pilot training and airport and airplane safety.

5. **Detail:** Local governments regulate _____ use through _____ laws and regulations.

C. Modified Free Enterprise

Main Idea: Modified free enterprise is an economic system in which the free market is to some extent regulated by the government.

1. **Detail:** Occasional government _____ help keep markets competitive and efficient.

2. **Detail:** People will continue to _____ the proper role of government in the economy, but we ultimately have a modified free enterprise economy because people _____ it that way.

Summary and Reflection

Directions: Summarize the main ideas of the lesson by answering the questions below.

Suppose you were living and working in the mid-1800s, before any government regulations and laws were enacted to limit the power of monopolies and guarantee worker rights. How would your life be affected by having to buy products manufactured by a monopoly? How would your working life be affected by working for an all-powerful monopoly that granted few rights to its workers? Write a short essay or story about the ways in which life was probably different when monopolies controlled large sectors of the economy. Compare that time with the same factors as they are today. Use examples in your writing.
