**The Market Economy Questions**

**Directions:** Use *The Market Economy* reading to answer the questions below.

**The Economy**

1. What is an **economy**?

**Consumers, Producers, and the Market**

1. What is a **consumer**? What is a **producer**?
2. What are **producers** and **consumers** allowed to do in a **market economy**, and which North American country has a market (**capitalist/free enterprise**) economy?

**Are You Motivated Yet?**

1. What **motivates producers/entrepreneurs** and why?
2. What results in two or more producers offering the **same** goods or services? How would you describe the concept?
3. What does the term ***innovation*** mean and how does it result from **competition** between producers?

**It’s All About Supply and Demand**

1. Read the paragraph subtitled *It’s All About Supply and Demand*. In the space below, recreate the Supply and Demand illustration.

**Supply and Demand Out of Balance**

1. What happens when there is **high demand** but **low supply**? **Too much supply** and **low demand**?

**Scarcity and Opportunity Cost**

1. What is **opportunity cost** and why does the need to choose one thing over another exist?