

GUIDED READING Activity 20-2

For use with textbook pages 552–556

ECONOMIC INCENTIVES AND RESOURCES

OUTLINING

Directions: Locate the following headings in your textbook. Then use the information under the headings to help you write each answer. Use another sheet of paper if necessary.

I. The Price System

- A. What was the result of the 1973 oil embargo? _____
- B. What caused the worldwide oil glut in 1981? _____
- C. How does the price system encourage the conservation of water?

- D. What will be the end result of the effect of the price system on agricultural output?

- E. How did Congress try to stimulate gas production? _____
- F. How was gas production consistent with the Law of Supply?

II. Pollution and Economic Incentives

A. The Incentive to Pollute

- 1. Why does pollution occur? _____
- 2. How was polluting based on sound economic reasoning? _____
- 3. How can pollution be controlled? _____

B. Controlling Pollution

- 1. What are legislated standards? _____
- 2. What is a problem with legislative standards? _____
- 3. How do pollution taxes motivate companies to stop polluting?

- 4. Even if a company does not stop polluting, how does this non-compliance improve the quality of the environment? _____

C. Pollution Permits

- 1. What government agency issues pollution permits? _____
- 2. How do pollution permits contribute to the price system? _____

III. Using Resources Wisely—How do higher prices help conserve resources?
