



Section 1: Guided Reading and Review

Answering the Three Economic Questions

A. As You Read

As you read Section 1, supply the missing information about economic systems in the spaces provided.

1. Three economic questions answered:
 - (a) _____
 - (b) _____
 - (c) _____

2. Economic concept necessitating choices and priorities in any society:

3. Economic question answered by basic social values and goals:

4. Five basic economic goals guiding society's choice of systems:
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
 - (e) _____

5. Four main kinds of economies:

(a) _____	(c) _____
(b) _____	(d) _____

B. Reviewing Key Terms

Complete each sentence by writing the correct term in the blank.

6. An economic system that relies on habit, custom, or ritual to decide questions of production and consumption of goods and services is a _____.
7. An encyclopedia entry illustrating how a hunter-gatherer group collects and shares food resources is describing that society's _____.
8. When voluntary exchanges in the markets determine decisions on production and consumption, the society's economic system is a _____.
9. When people earn income for supplying land, labor, capital, or entrepreneurship, they receive _____.
10. An economic system in which the central government makes all decisions on production and consumption of goods and services is a _____.
11. People who receive disaster relief from the government after a flood are benefiting from an economic system that provides a _____.



Section 1: Quiz

Answering the Three Economic Questions

CHAPTER 2
A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. a system to protect people experiencing unfavorable economic conditions
- _____ 2. an economy in which economic decisions are based on exchange, or trade
- _____ 3. the income people receive for supplying factors of production
- _____ 4. an economy that relies on habit, custom, or ritual to answer economic questions
- _____ 5. the method used by a society to produce and distribute goods and services

Column II

- a. economic system
- b. factor payments
- c. safety net
- d. traditional economy
- e. market economy

B. Main Ideas

Write the letter of the correct ending in the blank provided.

- _____ 6. Each society determines who will consume what is produced based on
 - a. its unique combination of social values and goals.
 - b. the amount of factor payments.
 - c. its needs and wants.
 - d. economic equity.
- _____ 7. To improve its standard of living, a nation's economy must
 - a. remain stable.
 - b. grow through innovation.
 - c. reach economic equity.
 - d. allow the central government to make economic decisions.
- _____ 8. Traditional economies are usually
 - a. small, close communities that welcome change and new technology.
 - b. large, widespread communities that welcome change and new technology.
 - c. large, widespread communities that are able to deal effectively with environmental disaster.
 - d. small, close communities that avoid change and new technology.
- _____ 9. An economy in which only the government makes economic decisions is a
 - a. mixed economy.
 - b. traditional economy.
 - c. centrally planned economy.
 - d. market economy.
- _____ 10. Pure market economies always
 - a. allow the central government to make economic decisions.
 - b. make fair or efficient decisions or allow for growth.
 - c. base economic decisions on exchange, or trade.
 - d. divide work along gender lines.

Section 2: Guided Reading and Review

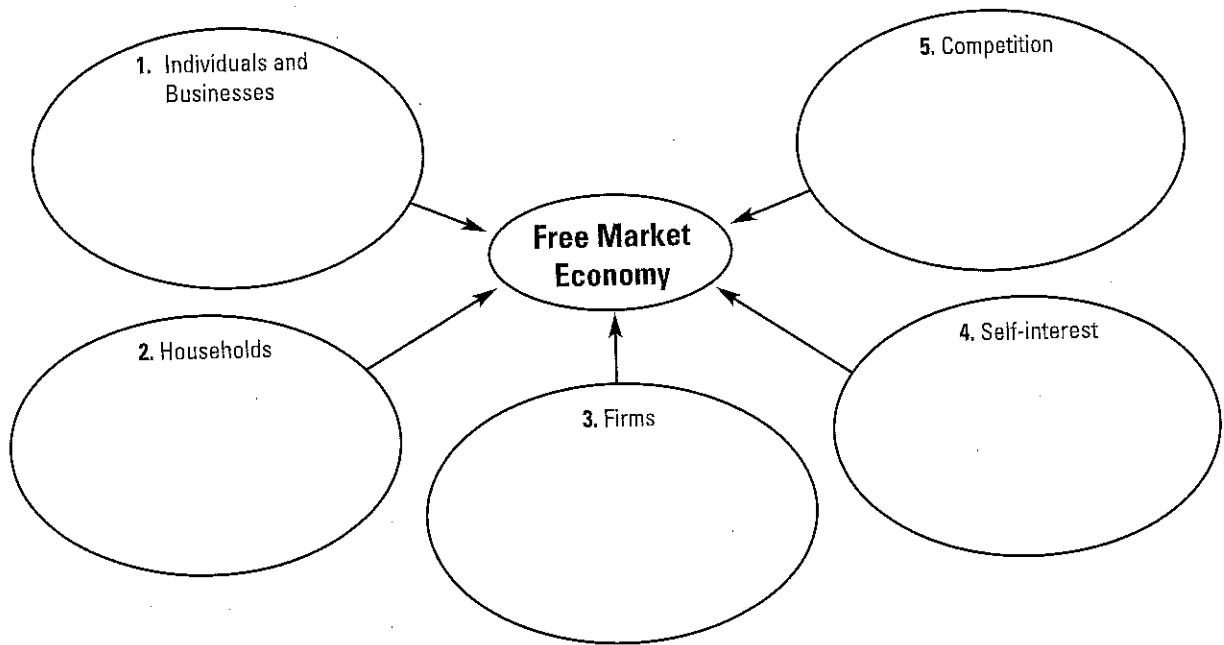
The Free Market



A. As You Read

As you read Section 2, list the role or roles played in a free market economy by each factor in the diagram below.

Roles and Functions in a Free Market Economy



B. Reviewing Key Terms

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided. You will not use all of the terms.

Column I

- ___ 6. market in which households purchase the goods and services that firms produce
- ___ 7. an expectation that encourages people to behave in a certain way
- ___ 8. power of consumers to decide what gets produced
- ___ 9. market in which firms purchase the factors of production from households
- ___ 10. financial gain made in a transaction
- ___ 11. concentration of productive efforts of individuals and firms on a limited number of activities
- ___ 12. an arrangement that allows for exchange among buyers and sellers

Column II

- a. profit
- b. competition
- c. product market
- d. market
- e. incentive
- f. self-interest
- g. specialization
- h. factor market
- i. consumer sovereignty



Section 3: Guided Reading and Review

Centrally Planned Economies

A. As You Read

As you read Section 3, supply the missing information in the chart below.

Central Economic Planning in the Former Soviet Union

1. Main goal: _____

2. Role of central government:
 - (a) _____
 - (b) _____
3. Effects on agriculture:
 - (a) *Positive* _____
 - (b) *Negative* _____
4. Effects on industry:
 - (a) *Positive* _____
 - (b) *Negative* _____
5. Effects on consumers:
 - (a) *Positive* _____
 - (b) *Negative* _____

B. Reviewing Key Terms

Define the following terms.

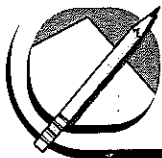
6. socialism _____

7. communism _____

8. authoritarian _____

9. collective _____

10. heavy industry _____



Section 3: Quiz

Centrally Planned Economies

CHAPTER 2

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. requiring strict obedience to an authority, such as a dictator
- _____ 2. a political system characterized by a centrally planned economy with all economic and political power resting in the hands of the central government
- _____ 3. a large Soviet farm leased by the state to groups of peasant farmers
- _____ 4. a social and political philosophy based on the belief that democratic means should be used to evenly distribute wealth throughout a society
- _____ 5. requires a large capital investment and produces items used by others

Column II

- a. communism
- b. authoritarian
- c. socialism
- d. heavy industry
- e. collective

B. Main Ideas

Write the letter of the correct answer in the blank provided.

- _____ 6. Why might a socialist society have a less rigid command economy than a communist society?
 - a. In a socialist society, various political systems may be combined with public control of the economy.
 - b. In a socialist society, all economic and political power rests in the hands of the central government.
 - c. In a socialist society, an authoritarian government controls the economy.
 - d. In a socialist society, the centers of economic power are under private control.
- _____ 7. Who decided what the farmers would produce on Soviet collectives?
 - a. the farmers
 - b. the military
 - c. the government
 - d. the consumers
- _____ 8. How did collectives in the Soviet Union avoid the competition that drives a free market economy?
 - a. There were no incentives for competition because the government determined prices, wages, and products.
 - b. The farmers were not able to sell their own products.
 - c. Heavy industry was not a direct competitor.
 - d. It was illegal to buy products from a competitor.
- _____ 9. Why might Soviet economic planners have favored heavy industry over the makers of consumer goods?
 - a. The products of heavy industry brought in more money.
 - b. There were more people trained to work in heavy industry.
 - c. Consumer goods are not good economic investments.
 - d. The products of heavy industry provide material for many other industries.
- _____ 10. Which of the following is NOT a disadvantage of a centrally planned economy?
 - a. It usually cannot meet consumers' needs and wants.
 - b. It tries to meet explicitly stated goals.
 - c. It does not reward innovation.
 - d. It sacrifices individual freedoms.

Section 4: Guided Reading and Review

Modern Economies



A. As You Read

As you read Section 4, fill in two supporting facts or details under each main idea by answering each question.

Main Idea: Government intervenes in market economies because some needs and wants of modern societies are hard to answer in the marketplace or may be answered more fairly for all members of society with government involvement.

1. What needs and wants are hard to answer? _____

2. What needs and wants are answered more fairly with government involvement?

Main Idea: Government intervention dominates in some mixed economies.

3. How does government intervene in North Korea's economy? _____

4. How is government intervention less extreme in China's economy? _____

Main Idea: The market system dominates in some mixed economies.

5. Where is the world's freest market located? _____

6. Why is it one of the freest? _____

B. Reviewing Key Terms

Answer each of the following questions.

7. How does *free enterprise* differ from *laissez faire*? _____

8. Why is China said to have a *transition* economy? _____

9. What does it mean to *privatize* an industry? _____

10. Why do the world's national economies fall inside a *continuum*? _____



Section 4: Quiz

Modern Economies

CHAPTER 2

A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I

- _____ 1. period of change in which an economy moves away from a centrally planned economy toward a market-based system
- _____ 2. an economic system that permits the conduct of business with minimal government intervention
- _____ 3. to sell to individuals state-run firms, which are then allowed to compete with one another in the marketplace
- _____ 4. the doctrine that government generally should not intervene in the marketplace
- _____ 5. a range with no clear divisions

Column II

- a. laissez faire
- b. free enterprise
- c. continuum
- d. transition
- e. privatize

B. Main Ideas

Write the letter of the correct ending in the blank provided.

- _____ 6. The United States economy is a mixed economy
 - a. based on the principles of the traditional economy, but allowing some government intervention.
 - b. based on the principles of the centrally planned economy, but limiting government intervention.
 - c. based on the principles of the free market, allowing no government intervention.
 - d. based on the principles of the free market, but allowing some government intervention.
- _____ 7. Government intervention in a modern economy is useful because
 - a. the needs and wants of modern society are always met by the marketplace.
 - b. the marketplace has many incentives to create public works such as parks and libraries.
 - c. governments are more able to meet some needs and wants of modern society in a way that ensures that all members of society can participate.
 - d. the marketplace provides all of its own laws.
- _____ 8. In most mixed economies, the government does NOT
 - a. purchase land, labor, and capital from households in the factor market.
 - b. own all the property and confiscate all economic output.
 - c. purchase goods and services in the product market.
 - d. redistribute wealth through taxes and other means.
- _____ 9. Sweden's social benefit programs
 - a. provide many health care and other advantages but involve a very high tax burden for the people.
 - b. provide many health care and other advantages at no cost to the people.
 - c. provide many health care and other advantages but cost the people three quarters of their base salary.
 - d. provide many advantages to businesses, making them highly profitable.
- _____ 10. The United States government intervenes to
 - a. provide competition for private firms.
 - b. impose barriers on foreign trade.
 - c. keep order, provide vital services, and promote the general welfare.
 - d. restrict the banking industry.