

**Topic 2: Free Enterprise and Other Economic Systems****name:**

Economic Thinking and Systems

Unit 1

**Key Idea:** How do different economic systems (traditional, market, command, mixed) answer the questions: (1) What to produce?; (2) How to produce?; and (3) For whom to produce?

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**Economic Chapter 2, Section 1 (Pages 26 – 30)**1) What are the three key economic questions? Write them below.

a) \_\_\_\_\_ b) \_\_\_\_\_ c) \_\_\_\_\_

2) Look at Figure 2.1 at the bottom of page 27. What factor of production would probably need to change in order for farmers using hand tools to produce as many bushels of wheat as farmers using machinery? Explain your answer!

3) Economic Goals of Society (Page 28) Write down facts/info describing the following; below.

a) Efficiency

b) Freedom

c) Security

d) Equity

**Traditional Economies (Pages 29 – 30)**4) What are the characteristics of a Traditional Economy?**Economic Chapter 2, Section 2 (Pages 31 – 36)**

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1) Why do markets exist and what roles does “**specialization**,” play in the market place?Circular Flow Chart (Top of Page 33) Answer the following questions.2) In a Product Market: What Factor(s) do households provide/exchange with firms?3) In a Factor Market: What Factor(s) do **households** provide/exchange with firms?**How Markets Self-Regulate (Pages 34 – 36)**4) How does “**Self-interest**, **Incentives** and **competition**,” affect the free market?

5) Explain what **Adam Smith** meant by the “**Invisible Hand**,” of the market place.

Advantages of the **Free Market** system (Page 36) Explain how a free market system meets these goals.

a) Economic Efficiency

b) Economic Freedom

c) Economic Growth

d) Additional Goals

**Economic Chapter 2, Section 3 (Pages 39 – 43)**

1) What are the steps in the decision making process for a “**centrally planned**” or “command economy”?

a)

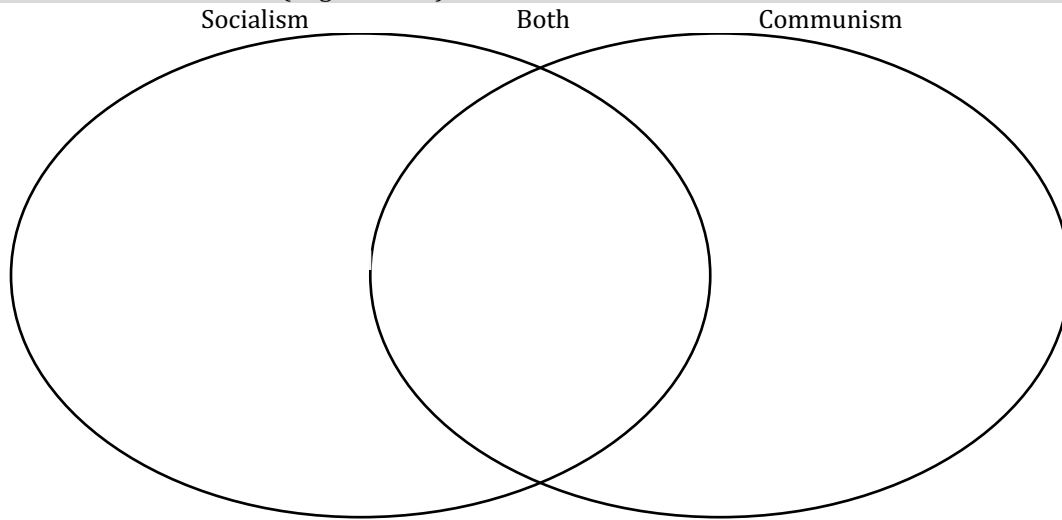
b)

c)

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How Socialism and Communism Differ (Page 40 – 41)



2) What beliefs did **Karl Marx** hold about capitalism? Is he right, or wrong? Explain.

Two Communist Economies (Pages 41 – 42)

3) Provide examples of how/ why the Soviet Union was Communist.

4) Provide examples of how/why China was able to experience economic growth, in the 1970's despite being a Communist country.

Disadvantages of Central Planning (Page 43) Explain how a Command Economy misses these goals.

a) Economic Efficiency

b) Economic Freedom

c) Economic Growth

d) Economic Equity

e) Additional Goals

**Economic Chapter 2, Section 4 (Pages 44 – 49)**

1) Why does the government play a role in the economy; for what purpose?

2) How does **Laissez faire** differ from a centrally planned government?

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Mixed Economies Today (Page 47)

3) Why is China's economy considered more mixed than North Korea's?

Continuum of Mixed Economies (Chart, bottom of Page 48)

4) What is the most economically free country in the world?

5) What is the most centrally planned country in the world?

6) Which countries are wealthier; "**Centrally Planned**," or "**Free Market**," countries?

The Economy of the United States (Page 48)

7) Describe in one sentence; **three ways**, the economic system of the United States.

8) What are the **4 Economic Systems**?

**Summary your learning by answering the Key Idea:** How do different economic systems (traditional, market, command, mixed) answer the questions: (1) What to produce?; (2) How to produce?; and (3) For whom to produce?

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