



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 2: Guided Reading and Review

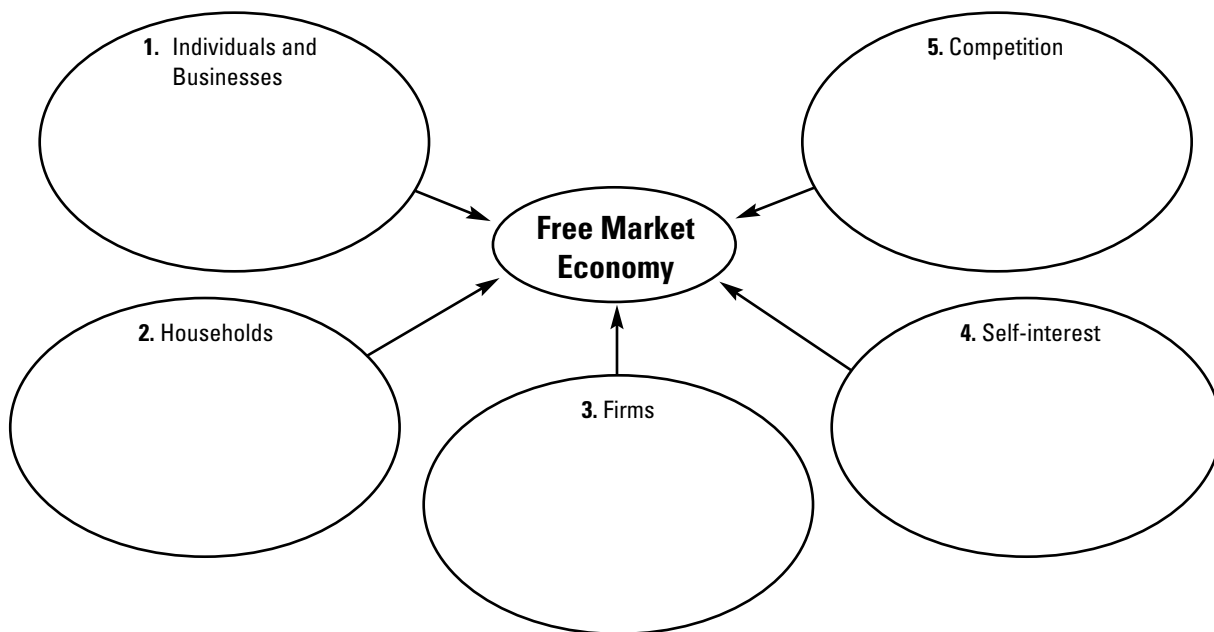
The Free Market



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 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*? _____
