Economic Systems Assessment Key

1. Write a **T** beside each statement that describes a **traditional economy**. Write a **C** beside each statement that describes a **command economy**. Write **M** beside each statement that describes a **market economy**.

\_\_**T**\_\_ 1. Economic decisions are based on customs from the past.

\_\_**M**\_\_2. Individuals are encouraged to develop new ideas and businesses.

\_\_**M**\_ 3. Large numbers of people are involved in decision-making.

\_\_**C**\_\_ 4. Economic decisions are made by central planners, like the

govenment.

\_\_**M**\_\_ 5. Buyers and sellers make economic decisions.

\_\_**M**\_ 6. Land, tools, and factories are privately owned.

\_\_**C**\_\_\_7. Individuals have little choice about the work they do.

\_\_**M**\_\_ 8. Individuals may choose what kind of work they do.

\_\_**M**\_\_ 9. Workers can bargain for higher wages.

\_\_**M**\_\_10. Consumers may buy or not buy products and services.

1. A. Describe each of the economic systems and give an example of each

B. Describe one advantage and one disadvantage of each economic system.

* 1. Traditional Economy

**An economic system, which is based on what has been done in the past. Ex. A family makes baskets in India because their ancestors made baskets. (Advantages and disadvantages will vary.)**

1. Command Economy

**An economic system is which a small group of people (usually government) decides what to produce, how to produce it, and who will consume it. The sugar industry in Cuba would be an example.**

1. Market Economy

**Economic systems in which individuals, rather than the government, makes the decisions bout production and distribution of goods and services. Example: Ms. White makes brooms to sell at flea markets.**

4. Mixed Economies

Economic system, which is a combination of the different economic systems. Example: Mr. Adams is a retired plumber who receives a monthly social security payment.

III. What are the three basic economic questions that must be answered by a society? The way the questions are answered determines the nation’s type of economic system. What to produce? How to produce it? Who will consume it?