**Economics  
Mr. Parker  
Fall 2015**

**Chapter 2 “Economic Systems” Study Guide**

**YOUR TASK TODAY, BEFORE THE TEST:   
1. Spend time reading, answering, or defining each objective and key term on this study guide.   
2. Rank your knowledge of each objective 1-5.**(1=”I have no idea/never seen this before”, 5=”I know this well/will get an A on this”) **3. Rank your knowledge of each key term 1-5.**(1=”I have no idea/never seen this before”, 5=”I know this well/will get an A on this”)

**OBJECTIVES (Ch. 2 section 1 “Answering the Three Economic Questions”)**  
- Identify the three key economic questions of what to produce, how to produce, and who consumes what is produced.  
- Analyze the societal values that determine how a country answers the three economic questions.  
- Explain the characteristics of traditional, command, and market economies and describe the societal values that influence them.

**OBJECTIVES (Ch. 2 section 2 “The Free Market”)**  
- Explain why markets exist.  
- Analyze a circular flow model of a free market economy.  
- Understand the self-regulating nature of the marketplace.  
- Identify the advantages of a free market economy.

**OBJECTIVES (Ch. 2 section 3 “Centrally Planned Economies”)**  
- Describe how a centrally planned economy is organized.  
- Analyze the centrally planned economy of the former Soviet Union.  
- Identify the problems of a centrally planned economy.

**OBJECTIVES (Ch. 2 section 4 “Modern Economies”)**  
- Explain the rise of mixed economic systems.  
- Interpret a circular flow model of a mixed economy.  
- Compare the mixed economies of various nations along a continuum between centrally planned and free market systems.  
- Understand the role of free enterprise in the economy of the United States.

**Key Terms:**

1. Economic system  
2. Safety net  
3. Standard of living  
4. Traditional economy  
5. Centrally planned / Command economy  
6. Socialism   
7. Communism  
8. Market economy  
9. Mixed economy  
10. Market and households  
11. Firms  
12. Self-interest  
13. Specialization  
14. Incentive  
15. Competition  
16. Invisible hand  
17. Consumer sovereignty  
18. Authoritarian  
19. Collective  
20. Heavy industry  
21. Laissez faire  
22. Private property  
23. Free enterprise  
24. Continuum  
25. Privatize

**\* Re-read: The main ideas in the “Section Focus” for each section (pages 23, 28, 34, and 40).**

**\* Re-read the Chapter Summaries on p. 46 for each section.**

**\* Be able to complete each of the objectives in each section. (*HINT: these are most of your test questions!*)**