

**Instructions:**

1. Read the article and then answer the questions.
2. Save the completed worksheet as a pdf or jpeg file and submit it to your Flex course

**Economic Markets**

An economy is a system by which countries and governments distribute resources and trade goods and services to meet people's needs and wants. It determines how goods and services are made and exchanged.

A good economy is generally one where there are lots of good paying jobs, businesses are making money, and the overall economy of the country is growing. A bad economy is one where people are losing their jobs, businesses are shutting down, and the overall economy isn't growing.

Two important terms in an economy are goods and services. Goods are physical objects that are bought and sold. They include things like cars, food, and clothes. Services are actions that one person pays another to do for them. Services include things like medical care, teaching, fire-fighting, and baby-sitting.

**Free Market**

A free market is a type of economic system where business is privately owned and run by the people, rather than by the government. It is also referred to as capitalism. In this type of economic system, businesses can decide what products to make and how much to sell them for, without government interference. People can decide what products to buy and how much they want to pay.

Supply and demand is a basic idea of a free market system. With supply and demand, the market finds the best price and amount (supply) of a product. This is different from a command economy where the government might set the price and volume of a product.

An advantage of a free market is that companies compete for business, which makes them more efficient. Another thing is that people and companies are rewarded for innovation, which leads to greater innovation. Capitalism leads to economic growth and a higher standard of living.

A disadvantage is that capitalism can lead to an unfair distribution of wealth with a few people holding a significant amount of the money. Also, monopolies might be created, where one company can control pricing and supply without government intervention.

**Mixed Economy**

Today, many countries have a free market economy, but the government takes an active role in stabilizing the economy and providing regulations to protect the public. This type of economy is called a mixed economy, and it is a combination of a market and a command economy. For example, the United States is considered a capitalist economy. However, the government has many laws to monitor businesses and the economy.

Some industries are owned and controlled by the government, while other industries are allowed to be determined by the market. Mixed economies vary in how much control and regulations the government has.

Today no country is purely based on capitalism or a free market. Most countries have a mixed form of a free market with some government regulation.

### Traditional Economy

In a traditional economy, the economy is largely determined by how things have been done in the past with little change. People in traditional economies tend to do the same jobs as their parents.

Some areas of the world are based on traditional societies and still produce products and services by how things have been done in the past. This may be a result of their beliefs, customs, and traditions. This is called a traditional economy. Traditional economies are usually found in rural areas of second- or third-world countries. A traditional economy is typically based on bartering, trading, and farming.

An advantage of a traditional economy is that the culture and customs of the people are preserved. A disadvantage of this system is that people don't have some goods and services that many people enjoy today, such as healthcare and medicine, technology, and modern housing and transportation.

### Command Economy

A command or planned economy is one in which the government closely controls the economy. The government determines what goods are manufactured, the price for which they will be sold, and who will get the profits. The government owns many of the major industries. It doesn't rely on the laws of supply and demand that operate in a market economy. A command economy also ignores the customs that guide a traditional economy.

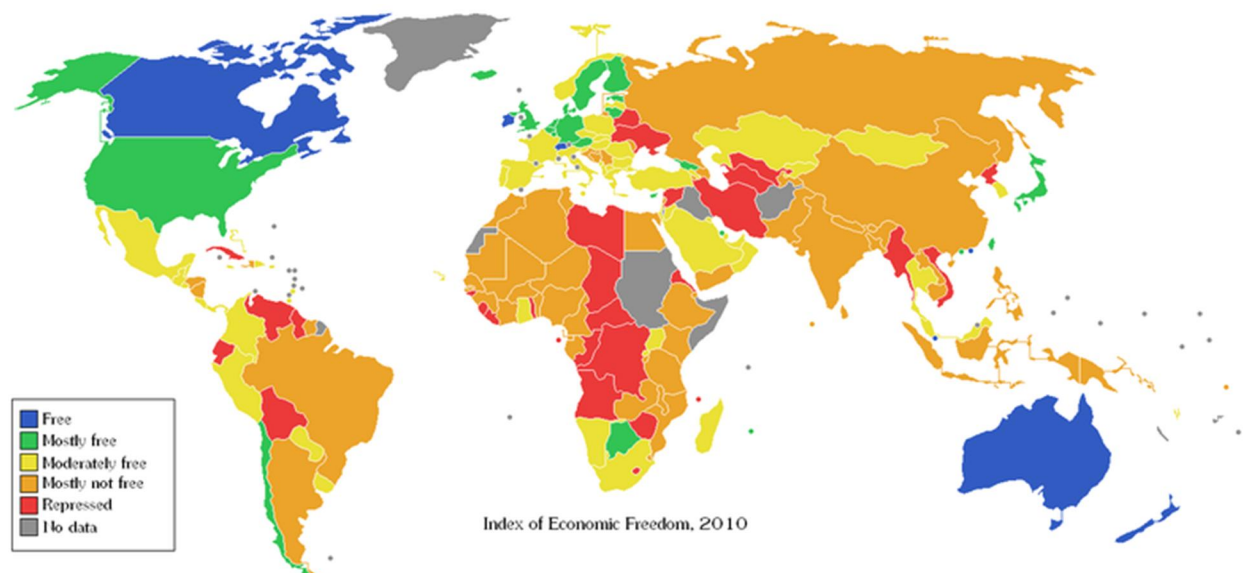
An advantage of a command economy is that it can quickly mobilize economic resources on a large scale. Command economies can wholly transform societies to conform to the government's vision.

A disadvantage is that a command economy will often produce too much of one thing and not enough of another. Also, innovation is discouraged in a command economy.

1. A system for meeting people's needs and wants with goods and services is \_\_\_\_\_.  
a. a market                      b. a service                      c. an economy
2. An economy that is controlled by the government is called a \_\_\_\_\_ economy.  
a. free market                      b. command                      c. traditional                      d. mixed
3. Actions that people pay others to do for them are called \_\_\_\_\_.  
a. services                      b. goods                      c. market
4. An economy based on supply and demand is a \_\_\_\_\_ economy.  
a. free market                      b. command                      c. traditional                      d. mixed
5. Tangible objects that are bought and sold are called \_\_\_\_\_.  
a. services                      b. goods                      c. market

6. An economy based on bartering, trading, and farming is a \_\_\_\_\_ economy.  
a. free market      b. command      c. traditional      d. mixed
7. Too much of one item and not enough of another is often found in a \_\_\_\_\_ economy.  
a. free market      b. command      c. traditional      d. mixed
8. In this type of economy, business owners produce and/or sell what they think other people will buy.  
a. free market      b. command      c. traditional      d. mixed
9. In this type of economy, people produce their own goods, and trade for other things they need.  
a. free market      b. command      c. traditional      d. mixed

Economic Freedom Index 2010



10. Most of the land areas in the world are \_\_\_\_\_ in regards to economic freedom.  
a. free      b. mostly free      c. mostly not free      d. repressed
11. The United States is \_\_\_\_\_ in regards to economic freedom.  
a. free      b. mostly free      c. moderately free      d. mostly not free
12. Referring to #11, this is because the United States has a \_\_\_\_\_ economy  
a. command      b. free market      c. mixed      d. traditional