

Chapter Two Study Guide

Vocabulary: Define the following terms

2.1

Economic system:

Factor payments:

Safety net:

Traditional economy:

Market economy:

2.2

Market:

Specialization:

Factor market:

Profit:

Product market:

Incentive:

Competition:

Consumer sovereignty:

2.3

Socialism:

Communism:

Authoritarian: Collective:

Heavy industry:

2.4

Laissez faire:

Free enterprise:

Continuum:

Transition:

Privatize:

Harmon/Economics: Unit 1

1. What are the three economic questions every society must answer?
2. What economic concept makes the need for choices and priorities necessary?
3. What are the four main kinds of economies?
4. What are the five basic goals that guide society's choices?
5. An economic system that relies on habit, custom, or ritual to decide question of production and consumption of goods and services is a _____.
6. An encyclopedia entry illustrating how a hunter-gatherer group collects and shares food resources is describing that society's _____.
7. When voluntary exchanges in the markets determine decision on production and consumption, the society's economic system is a _____.
8. When people earn income for supplying land, labor, capital or entrepreneurship, they receive _____.
9. An economic system in which the central government makes all decisions on production and consumption of goods and service is a _____.
10. People who receive disaster relief from the government after a flood are benefiting from an economic system that provides a _____.
11. What roles and functions do the following perform in market economy:
 - Individuals & Business:
 - Households:
 - Firms:
 - Self-interest:
 - Competition:
12. What roles and functions do the following perform in a centrally planned economic system:
 - Individuals & Business:
 - Households:
 - Firms:
 - Self-interest:
 - Competition:
13. What needs and wants are answered more fairly with government involvement?
14. How does the government intervene in North Korea's economy?
15. How is government intervention less extreme in China's economy?
16. Where is the world's freest market located?
17. How does free enterprise differ from laissez faire?
18. Why is China said to have a transition economy?
19. What does it mean to privatize an industry?
20. Why do the world's national economies fall inside a continuum?