

GUIDED READING Activity 2-1

For use with textbook pages 31–38

ECONOMIC SYSTEMS

FILLING IN THE BLANKS

Directions: Use the information in your textbook to fill in the blanks using the words in the box. Some words may be used more than once.

resources
goods and services
mixed economy

economic system
traditional economy
circular flow of economic activity market

price system
command economy
market

Introduction

An economic system is a way of determining how to use **1** _____ to satisfy people's wants and needs.

Three Basic Questions

A nation must determine what **2** _____ to produce and how to produce them. The **3** _____ a nation has determines for whom goods and services will be produced. In the United States, most goods and services are distributed through a **4** _____.

Types of Economic Systems

The amount of involvement a society's leaders have in allocating scarce **5** _____ helps determine its economic system. In limited parts of the world, a **6** _____, based on customs and beliefs, exists. Government leaders control the factors of production and make all economic decisions in a **7** _____. In contrast, individuals in a **8** _____ economy, control economic decisions. Under this system, the economy is based on information obtained from the **9** _____, where the voluntary exchange of **10** _____ takes place. Economists use a **11** _____ model to illustrate how the market system works. The last type of economic system combines the basic elements of the command and market economy. In a **12** _____ there is private ownership of property and individuals decisions are combined with government intervention.