

Answer Key

Chapter 2

Section 1

Reteaching Activity

Comparing the Different Economic Systems

Traditional Economy:

Description—Families, clans, or tribes make economic decisions based on customs and beliefs that have been handed down for generations. Survival is the main goal. Young people help with chores while learning their adult roles. The good of the group is always put above individual desires. Advantages—This type of economy clearly answers the three economic questions. There is little disagreement over economic goals because the decisions are made by custom. Disadvantages—These economies resist change, so they are generally less productive than they might be. Tradition and custom prevent people from taking on roles they are more suited, which means the economy is less productive than it could be. The lower productivity and inefficiency of these economies means that people are less able to acquire wealth than they might be in other societies.

Command Economy:

Description—The government decides

what will be produced, how it will be produced, and how it will be distributed among groups in society. Government officials consider the resources and needs of the entire country. The government usually owns the means of production. Advantages—Answers might include: the government's ability distribute resources equally among all different elements of society; the government working in the best interest of everyone in the country. Disadvantages—Answers might include: inefficiency based on erroneous government decisions; inefficiency based on unfair government decisions; inefficiency based on lack of motivation of people to work; lack of individual freedom.

Market Economy:

Description—The interactions between consumers and producers drive the economy. Producers decide which goods or services they will offer, choosing how to use limited resources in ways they think will make them the most profits. Consumers are free to spend their money as they wish and to sell their labor to whomever they want. Consumers and producers both act

in their own self-interest. Advantages—Answers might include: individual freedom to act in one's own self-interest; the most efficient use of resources because individuals not only act in their own self-interest, they also end up acting in the self-interest of others. Disadvantages: Answers might include: some individuals acting destructively toward themselves and toward others; uneven distribution of resources among different groups in society; some people's needs not being met, if they don't coincide with the way the majority of people meet those needs.