

## Chapter 2 Notes

### Section 1-Types of Economic Systems

Economic System

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A nation must also address the three basic economic questions;

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_

A nation's response to these questions are determined by its \_\_\_\_\_.

#### 4 Types of Economic Systems (List and Define)

1. \_\_\_\_\_  
Advantages- \_\_\_\_\_  
\_\_\_\_\_  
Disadvantages- \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
Advantages- \_\_\_\_\_  
\_\_\_\_\_  
Disadvantages- \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
Advantages- \_\_\_\_\_  
\_\_\_\_\_  
Disadvantages- \_\_\_\_\_  
\_\_\_\_\_
4. \_\_\_\_\_  
Advantages- \_\_\_\_\_  
\_\_\_\_\_  
Disadvantages- \_\_\_\_\_  
\_\_\_\_\_

All economies are mixed. Economies are classified based on how close they resemble each system.

Economic System	WHAT to produce	HOW to produce	FOR WHOM to produce	Examples
Traditional				
Command				
Market				

Incentive: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Mixed Economies:**

3 main categories of mixed economies:

1. Authoritarian Socialism (Communism)  
\_\_\_\_\_
2. Capitalism  
\_\_\_\_\_
3. Democratic Socialism  
\_\_\_\_\_

**Questions:**

1. Who answers the three basic questions in a market economy? Why are self interest and incentives important in this economic system?

2. Consider your economic actions and decisions during the past few months. How has your self interest benefited others?

3. What incentives do you experience at home, school, or work? Identify whether these incentives are positive or negative?

### Section 2-Features of the U.S. Economy

The United States has a \_\_\_\_\_ economy and leans towards the market model, driven by individuals.

Also known as a \_\_\_\_\_ system, under which businesses can be conducted freely with little \_\_\_\_\_ interference.

The U.S. Free Enterprise is based on 5 main features:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

Government does play a role in the U.S. economy.

Examples:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

Circular Flow Model: Shows the resources, products, and money payments being exchanged by various actors in a free enterprise system.



3. In your own words, describe how the internet can be considered both a product and a promoter of free enterprise as practiced in the U.S.

### Section 3-The U.S. Economy at Work

U.S. Economic Goals:

1.	
2.	
3.	
4.	
5.	
6.	

Questions:

1. Why do nations set goals?

2. Why do economic goals sometimes require trade-offs?