

Guided Reading Activity

Economic Systems and Decision Making

Lesson 1 *Economic Systems*

Review Questions

Directions: Read each main idea and answer the questions below. Refer to your textbook as you write the answers.

A. Economies Based on Tradition

Main Idea: A traditional economic system answers the questions of WHAT, HOW, and FOR WHOM to produce based on ritual, habit, or custom.

1. How did nineteenth-century Inuit people ensure their scarce resources would support them through harsh Canadian winters?

2. What are some advantages to a traditional economic system? What are some disadvantages?

B. Economies Based on Command

Main Idea: In a command economic system, a central authority—for example, a tribal leader, central committee, president, or dictator—determines WHAT, HOW, and FOR WHOM to produce.

1. Explain the difference between socialism and a pure command economy.

2. What is an example of a command economy today? What are some socialist economies?

3. How do command or socialist economies benefit their citizens?

Guided Reading Activity *cont.*

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4. Name seven disadvantages of a command economy. Give at least one illustration of each of these disadvantages.

A. _____

B. _____

C. _____

D. _____

E. _____

F. _____

G. _____

C. Economies Based on Markets

Main Idea: In a market economy, the people themselves determine WHAT, HOW, and FOR WHOM to produce.

1. What do people in a market economy do to guide production?

2. Explain the difference between capitalism and a market economy.

Guided Reading Activity *cont.*

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3. Name seven advantages of a market economy. Give at least one illustration of each of these advantages.

- A. _____

- B. _____

- C. _____

- D. _____

- E. _____

- F. _____

- G. _____

4. Name the significant disadvantages of a market economy.

Guided Reading Activity *cont.*

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Summary and Reflection

Directions: Summarize the main ideas of this lesson by answering the questions below.

Compare and contrast two of the three economic systems discussed in this lesson. Consider how each system answers the questions of WHAT, HOW, and FOR WHOM to produce? In your opinion, which system works best, and why?
