

Name \_\_\_\_\_

Date \_\_\_\_\_

# Economic Systems - Answer Key

*Read each question and circle the correct answer.*

1. Every economic system answers three questions: What is produced? How is it produced?

- ☒ A. For whom is it produced?
- B. Why is it being produced?
- C. Should it be produced at all?
- D. How easily can it be produced?

2. An economic system is a society's system of production, distribution and consumption of

- A. natural resources.
- ☒ C. goods and services.
- B. stocks and bonds.
- D. factors of production.

3. Who owns factors of production in a command economy?

- A. private citizens
- ☒ B. the government
- C. religious institutions
- D. all of the above

4. True or False: Production is typically based on a quota in a command economy.

- ☒ A. True
- B. False

5. Which of the following is **not** a characteristic of a market economy?

- A. Profit is the motivation for most businesses.
- B. Businesses decide what and how much is made.
- C. Supply and demand dictate price and production.
- ☒ D. Competition between businesses is discouraged.

6. If supply is low and demand is high,

- ☒ A. prices rise.
- B. prices drop.
- C. prices remain flat.
- D. competition disappears.

7. In theory, which type of economic system should not experience market fluctuations?

- A. mixed economy
- B. market economy
- ☒ C. command economy
- D. all of the above

8. Which of the following best describes the Soviet Union in the 20th century?

- A. Capitalism led to corruption and totalitarian rule.
- ☒ B. Communism led to corruption and totalitarian rule.
- C. Capitalism led to equal distribution of wealth and total fairness.
- D. Communism led to equal distribution of wealth and total fairness.

9. Which of the following leads to better, less expensive products in a capitalist economy?

- A. quotas
- B. inequality
- ☒ C. competition
- D. market fluctuations

10. Which of the following countries has a mixed economy?

- A. China
- B. United States
- ☒ C. both A and B
- D. neither A nor B