

Social Studies

Economics

Name: _____

I. U.S and Other Economies

A. Economics

- _____
- today most economies have certain elements in common
 - provide _____ and _____
 - have _____ and _____
 - driven by _____ and _____
 - people _____ or exchange goods
 - no longer _____

B. History of Economics

- people lived in _____
- turned into _____
- led to villages, then _____, and finally nations
- all worried about _____ - not having enough
- _____ eventually controlled economies

C. Traditional Economies

- followed _____
- did so because people always had
- people were _____ - _____ - made what they needed in order to live
- popular in Europe between 500 and _____ A.D.
 - _____ owned the land
 - _____ farmed the land in return for protection
 - everyone was _____ and given _____
- some still exist in struggling parts of the world

D. Market Economies

- people started to _____ - get good at one job
- then they had to _____ for goods and _____ they needed
- has sellers and _____
- is based on supply and _____
- people are NOT _____
- this type of economy is controlled by the _____!
- anyone can start their own _____ and run it how they like

E. Command Economies

- everything is owned and controlled by the _____ (rulers)!
 - what will be _____
 - who will _____ in which industries
 - who will be _____ what amounts
 - who gets the _____ produced
 - _____ the products will be produced
- _____ is an example today

Three Main Types of Economies

Throughout human history, people have lived in groups. At first, these groups were simply family units. These units grew into communities of several families. These grew into villages, then cities, then nations. Throughout the centuries the people in each of these groups have faced the same economic problems we face today. They had to decide how to deal with the problem of scarcity.

We can imagine what economic life was like for early humans. For them, life was a constant struggle for survival. We are not certain how they decided who would kill the animals, who would skin them and make clothes, and who would get the animal meat to eat. But we can guess that it probably took a few thousand years to develop rules and traditions about these basic questions.

As societies grew, governments began to take shape. Large areas of land and the

people living on that land were ruled by people who were strong enough to conquer them. **Traditional economies** developed. In these economies the basic questions of production were settled by tradition—rules which had developed over the years, and which most people accepted as good and correct.

Traditional economies existed in Europe during the Middle Ages (A.D. 500–1500). Monarchs followed the tradition of giving serfs the right to farm the monarch's land. In return for this right, the serfs would give a part of the year's harvest to the monarchs. In addition, the serfs promised loyalty to the monarchs in time of war. This practice lasted for many centuries. During its existence the traditional economy benefited both the monarch and the serfs. Each was fed and given safety. In some parts of the world where there are few cities and industries, traditional economies still exist.

As cities began to appear, traditional economies died. In the cities, people started to specialize in the production of one kind of good. Specialization meant that trading had to take place. If you were a bootmaker, for instance, you spent all your time making boots. In order to get food, clothes, weapons, and other needs filled, you had to trade your boots for them. A simple system of exchange developed, called barter. **Barter** was the trading of one good for another. Sometimes, barter included exchanging services, such as repairing worn-out boots in exchange for help during the harvest.

Barter was the beginning of what we today call the *market economy*. The market economy answers the basic economic questions of production in a different way from the traditional economy. In a traditional economy, people make what they need in

order to live. People are self-sustaining. They are able to live on what they produce themselves and are not dependent on others for economic survival.

In the market economy people are more dependent upon each other. In market economies today, individuals no longer make everything they need for survival. Instead, they work at specialized jobs to make money. They then use that money to buy goods and services produced by many other people in *their* specialized jobs. Sellers and buyers exchange money for goods and services based upon supply and demand. If you are a bootmaker in a market economy, you must find people to buy your boots, or you will not be able to make a living. People are not self-sufficient in a market economy, and so they must rely on others to produce what they need, and they rely on others to buy what they make.

So far, we have seen that basic economic questions are answered either by *tradition* or by the *market*. There is still another kind of economy, called the **command economy**. This kind of economy answers the basic economic questions differently than the market and traditional economies. In the market economy, decisions about what and how to produce and whom to produce for are made by the people. Whatever people don't want to buy won't be produced because the producer would lose money. In traditional economies, decisions about production are made on the basis of accepted rules of the past.

In a command economy, production decisions are made by the rulers. The rulers decide what will be produced with the limited resources of the society. They decide who will work in what industries and who will be paid what amounts. The rulers

decide who should get the goods produced in the economy. They also decide how the goods and services are to be produced. As you can imagine, a lot of power is in the hands of the rulers in a command economy. The Soviet Union is an example of a command economy.

READING REVIEW

1. What are the three main types of economies?
2. Define barter. In which of the three types of economies was barter most widely used? What took the place of bartering?

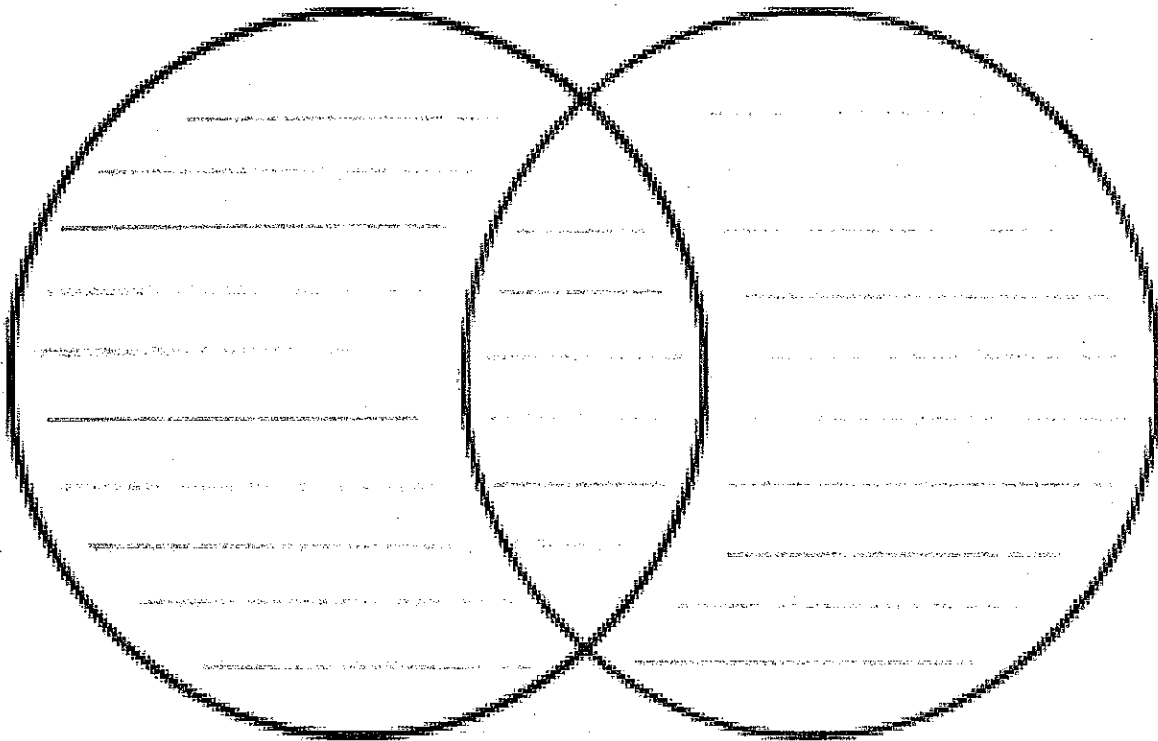
Critical Thinking

3. **Making Comparisons** (see page 16)
Who decides what should be produced in each of the three types of economies?

Use the following Venn diagram to compare and contrast market and command economies.

Characteristics of a market economy:

Characteristics of a command economy:



Characteristics of both

Identify the type of economy:

Charlie is planning to start his own dog walking business. If his country allows him to do this, they have a(n):

Alex owns his own store and offers goods that consumers want to buy at an affordable price. This type of economy is a(n):

Sara runs a company, but the government owns it and tells her what the company must produce and how they should produce it. This type of economy is a(n):

A government official visits the store Jose works in. The official is checking prices to make sure they meet the government requirements. The government in this scenario is a(n):

Create a scenario of a market economy:

Create a scenario of a command economy:

ECONOMICS

Name _____

WORD BANK:

bank	money	work	spend
entrepreneur	skills	income	resources
service	demand	supply	borrow
production	savings account	budget	consumer

Use the best word from the word bank to complete the sentences.

1. The amount of a product that consumers are willing and able to buy at any price is called the _____ for the product.
2. _____ is any generally accepted medium of exchange to buy goods or services.
3. Things we use to satisfy our wants are called _____.
4. You can use financial services such as cashing checks, making loan, or paying interest on savings at a _____.
5. A person who buys and/or used goods or services is called a _____.
6. If you make a spending and savings plan based on your income and expenses, it's called a _____.
7. I can make deposits and withdrawals from my _____ at the bank.
8. _____ is the effort put forth by someone who produces something or provides a service that someone else wants. Sometimes it's for pay, and sometimes it's for the satisfaction of a job well done. ☺

9. Sometimes it is necessary to _____ an item or money from another with the intention of returning it.

10. An _____ is a person takes the risk to organize resources to produce goods or services.

11. The use of resources to create good and/or services is called _____.

12. People often get training to do certain jobs. This means they have the _____ to be able to do specific things.

13. _____ is the quantity a producer is willing and able to sell at all possible prices in a certain period of time.

14. Work that someone does for another, sometimes for pay is called a _____.

15. If a person gains money or something of value from another, usually for working, it is called _____.

16. Usually we are anxious to _____ our earnings or money to buy goods and services.

There are many types of businesses. Read the description and then write an example of each type of business on the blank below the description.

17. A **wholesale** business is where goods are sold in large quantities usually for cheaper price. Name an example of a wholesale business.

18. A **manufacturing** company creates products to be sold. Name an example of a manufacturing company.

19. A **construction** company builds things like buildings, roads, and houses. Name an example of a construction company.

20. A **retail** business sells products to the public in stores. Name an example of a retail business.

21. A **transportation** company is in the business of moving people or goods. Name an example of a transportation company.

22. An **extraction** company removes resources or raw materials from the ground. Name an example of an extraction business.

23. What is the definition of "Industrial Revolution"?

During this time in history, what were three of the factors that led to the Industrial Revolution.

24. _____

25. _____

26. _____

27. The Industrial Revolution began in Great Britain in what decade?

28. The _____ (cloth) business was one of the first to move production to factories.

Name three reasons it seemed so important for the cloth business to become automated.

29. _____

30. _____

31. _____

Name one invention that changed the world in the following areas.

32. transportation _____

33. mass production/production/factories _____

34. entertainment/leisure _____

Name two new jobs created by the automated work done in factories.

35. _____

36. _____

Name four problems caused by the Industrial Revolution for people in cities and for workers in the factories.

37. _____

38. _____

39. _____

40. _____

ESSAY: 20 points

How would you like to contribute to the business? What do you expect to learn or gain from this experience? Write a well-detailed essay answering these two questions.