Name _____ Date _____

Economic Systems: Traditional, Command, Market and Mixed

Directions: Decide who makes the main economic decisions in each invented country: custom, a central government, buyers and sellers in markets, or a combination. Every country named in these questions is invented.

1. Match each description to the economic system that works this way.
Write the letter of the matching answer on each line.

1. _____ Custom and long-standing practice decide what to produce and who does each job
2. _____ A central government plans production and sets prices and wages
3. _____ Buyers and sellers, guided by prices, decide what gets produced
4. _____ Markets make most decisions, while the government also regulates and provides some services

Choices for question 1

A. Market economy
B. Mixed economy
C. Traditional economy
D. Command economy

2. In the invented country of Halvane, families fish and grow barley the way their grandparents did. Children learn the trade of their parents, and each catch is shared according to old customs. Which economic system does Halvane have?

A. Mixed economy
B. Traditional economy
C. Market economy
D. Command economy

3. In the invented country of Brask, the government owns the factories and farms. A national planning office decides how many tractors and how much bread to produce each year and sets the price of each. Which answer names Brask's system and gives the right reason?

A. A mixed economy, because Brask makes both farm goods and factory goods
B. A command economy, because a central authority makes the main production and price decisions
C. A traditional economy, because Brask has made tractors and bread for many years
D. A market economy, because Brask produces goods that people buy, such as bread

4. In the invented country of Corvel, private businesses make and sell most goods at market prices. Corvel's government also runs the public schools, builds the highways and sets safety rules for factories. Which statement best describes Corvel's economy?

A. It is a market economy, because private businesses make most of the goods.
B. It is a traditional economy, because schools and highways have long been public.
C. It is a command economy, because the government runs the schools and builds the highways.
D. It is a mixed economy, because both markets and the government shape economic decisions.

5. In the invented country of Ostemar, private businesses decide what to make, and buyers and sellers set prices with no government role in pricing or production. A fad makes electric scooters popular, and the demand for scooters increases. What is the most likely result?

A. Scooter makers keep the same output, because custom sets how many are made.

B. A government office orders factories to make more scooters at a fixed price.

C. The price of scooters rises, and businesses respond by producing more of them.

D. The price of scooters falls, because more people now want to buy them.

6. The invented country of Velis sells its government-owned factories to private owners, stops setting prices and closes its central planning office. How is the economy of Velis changing?

A. It is moving toward the market end, as private owners and prices take over decisions.

B. It is becoming a traditional economy, as old customs replace the central plan.

C. It is not changing, because selling factories does not affect who makes decisions.

D. It is moving toward the command end, as the government gains control of production.

7. Because resources are scarce, every economic system must answer the same basic questions. Which THREE are they? Select 3.

☐ A. Which language should the government use for its laws?

☐ B. How should those goods and services be produced?

☐ C. Who should be allowed to vote in national elections?

☐ D. Who will receive the goods and services that are produced?

☐ E. What goods and services should be produced?

8. Which statement best describes how the economies of real countries are organized today?

A. Most are traditional economies in which custom decides what to produce.

B. Most are pure command economies in which the government makes every decision.

C. Most are pure market economies in which the government plays no economic role.

D. Most combine market decisions with government action, so they are mixed economies.