

Authoritarian	Requiring strict obedience to an authority, such as a dictator.
Collective	Large farm leased from the state to groups of peasant farmers.
Communism	A political system characterized by a centrally planned economy with all economic and political power resting in the hands of the central government.
Continuum	A range with no clear divisions.
Economic system	The method used by a society to produce and distribute goods or services.
Factor payments	The income people receive for supplying factors of production such as land, labor, or capital.
Free enterprise	An economic system characterized by private or corporate ownership of capital goods.
Incentive	An expectation that encourages people to behave in a certain way.
Laissez faire	The doctrine that states that government generally should not intervene in the marketplace.
Privatize	To sell state-run firms to individuals.

Product market

The market in which households purchase the goods and services that firms produce.

Safety net

Government programs that protect people experiencing unfavorable economic conditions.

Self-interest

One's own personal gain.

Socialism

A social and political philosophy based on the belief that democratic means should be used to evenly distribute wealth throughout a society.

Standard of living

Level of economic prosperity.

Traditional economy

Economic system that relies on habit, custom, or ritual to decide questions of production and consumption of goods and services.

Transition

Period of change in which an economy moves away from a centrally planned economy toward a market-based system

Each society determines who will consume what is produced based on

- a. the amount of factor payments.
- b. its needs and wants.
- c. economic equity.
- d. its unique combination of social values and goals.

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Why do people need to buy and sell goods or services?

- a. People need to buy and sell goods to make a profit.
- b. People buy and sell to maintain a competitive society.
- c. No one is self-sufficient.
- d. People need to provide the market with goods and services.

c. No one is self-sufficient.

Which of the following is an advantage of a centrally planned economy?

- a. the system's bureaucracies are small and flexible
- b. innovation is well rewarded
- c. consumers' needs are well met
- d. the system can work quickly to accomplish specific goals

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The United States economy is a mixed economy

- a. based on the principles of a centrally planned economy, with limited government intervention.
- b. based on the principles of the free market, but allows some government intervention.
- c. based on the principles of the free market, and allows no government intervention.
- d. based on the principle of a traditional economy, but allows some government intervention.

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