

Why Economic Systems Matter | Worksheet



Matching

Match the definition in Column A with the term in Column B.

Column A

- _____ Minimal government control; businesses compete.
- _____ Availability vs. consumer desire affecting price.
- _____ Government controls all production and prices.
- _____ How a country organizes production and distribution.
- _____ Combines government control with free-market principles.

Column B

- a. Economic System
- b. Command Economy
- c. Free Market
- d. Mixed Market
- e. Supply and Demand

Multiple Choice

1. **In a command economy, which of the following is most likely true?**
 - a. Prices are influenced by consumer demand.
 - b. Private businesses determine what goods are produced.
 - c. The government regulates almost all aspects of production and sales.
 - d. Competition between companies leads to higher product quality.
2. **Which best describes the principle of supply and demand in a free market?**
 - a. The government sets fixed prices to control inflation.
 - b. Companies create products strictly in response to consumer demand.
 - c. Product availability and consumer desire help determine prices.
 - d. Prices remain constant regardless of consumer interest.
3. **In a mixed market economy, what role does the government primarily play?**
 - a. Setting all prices for consumer goods.
 - b. Providing minimal oversight and allowing complete business freedom.
 - c. Owning and managing all large businesses.
 - d. Regulating certain industries while allowing private ownership.
4. **A major difference between a command economy and a free market is that a free market allows for:**
 - a. More government control over personal spending.
 - b. A greater variety of goods and services.
 - c. Government-set limits on business ownership.
 - d. The elimination of consumer influence on pricing.

Application

Imagine you live in a country where the price of meat is very high compared to a neighboring country. Many people travel across the border to buy meat at a lower cost as a result. Answer each of the following based on this scenario:

- What factors might be making the cost of meat more expensive in your country compared to the neighboring one?
- Based on this scenario, what type of economic system might be at work in your country? Explain your reasoning.



Why Economic Systems Matter | Answer Key

Matching

Match the definition in Column A with the term in Column B.

Column A

- c. Minimal government control; businesses compete.
- e. Availability vs. consumer desire affecting price.
- b. Government controls all production and prices.
- a. How a country organizes production and distribution.
- d. Combines government control with free-market principles.

Column B

- a. Economic System
- b. Command Economy
- c. Free Market
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Multiple Choice

1. **In a command economy, which of the following is most likely true?**
 - a. Prices are influenced by consumer demand.
 - b. Private businesses determine what goods are produced.
 - c. **The government regulates all aspects of production and sales.**
 - d. Competition between companies leads to higher product quality.
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Example Student Response:

- What factors might be making the cost of meat more expensive in your country compared to the neighboring one?

“Meat might be more expensive because the government controls the market, adding taxes or strict rules that raise costs for producers. There might also be less competition, so producers don’t have to lower prices or improve efficiency. Import taxes or restrictions could also limit cheaper options from other countries.”

- Based on this scenario, what type of economic system might be at work in your country? Explain your reasoning.

“This sounds like a command economy or a mixed economy with a lot of government control. In a command economy, the government controls prices and production, which could make meat more expensive. If it’s a mixed economy, heavy regulations and taxes could still push prices up. The neighboring country probably has a freer market, where competition keeps prices lower.”

Guidance for Grading:

- Explanation of Price Differences:** Ensure the response identifies specific factors that could make meat more expensive in the student’s country. For instance, mentions of government-imposed taxes, strict regulations, limited competition, or import restrictions that raise costs. The explanation should connect some of these factors to how they impact producers and consumers, leading to higher prices.
- Identification of Economic System:** Check that the student correctly identifies the economic system in this example country, such as a command economy or a heavily regulated mixed economy. The response should explain how government control, through policies like price-setting or market restrictions, matches the characteristics of the identified system.
- Reasoning and Contrast with Neighboring Country:** Evaluate the reasoning behind the identified economic system. Look for a logical connection between government policies and their impact on prices. The response should ideally include a contrast with the freer market system in the neighboring country, explaining how less regulation and more competition can lead to lower prices.