

Following are possible answers to the Reading Notes.

Section 2

1. Possible answers:

What goods and services are to be produced?

Because no society can produce everything its people might want, each has to decide what goods and services are most wanted and needed.

How are goods and services to be produced?

Each society has to determine how the factors of production should be combined to best meet the needs of society.

For whom are goods and services to be

produced? Each society has to determine how to distribute goods and services. This can be based on the ability to pay, equal distribution, “first come, first served,” or need.

2. Answers will vary.

Section 3

Symbols will vary. Possible answers:

Traditional economy, key features: Custom and tradition dictate what to produce, how to produce, and for whom. *Economic goals:* stability, security

Ancient command economy, key features: Centralized governments headed by powerful rulers imposed their economic choices on society. *Economic goal:* stability

Market economy, key features: Economic activity is coordinated by the decisions of individual producers and consumers voluntarily exchanging goods and services. Workings of the market are not planned or directed. *Economic goals:* freedom, efficiency

Modern command economy, key features: State owns the factors of production. Economic planning is done by the government. Central planning committee attempts to perform functions of a market. *Economic goals:* equity, security

Section 4

1. Three roles of government in a mixed economy are to establish the institutions that enable markets to operate, to step in when the market operates in ways society finds unacceptable, and to provide certain goods and services that markets do not always provide or do not provide enough of. Explanations will vary.
2. Answers will vary.

Section 5

Examples will vary. Possible answers:

Economic freedom: Individuals in free markets have the ability to act in their own best interests.

Competition: Sellers vie for customers’ business, providing an incentive for businesses to create new and better products and ways of serving customers.

Equal opportunity: Every citizen has the same legal right to gain an education and compete in the marketplace.

Binding contracts: The agreement between a buyer and a seller in an economic transaction is binding, which means both sides must fulfill their ends of the deal. Because free enterprise depends on buyers and sellers honoring their agreements, it is necessary to have a legal system that upholds contracts.

Property rights: People who own land, buildings, or other goods have the right to use or dispose of them as they choose. The Constitution provides for the protection of intellectual property via patent and copyright laws.

Profit motive: People produce goods and services not out of the kindness of their hearts but to improve their economic situation. Thus, profits act as incentives to work or start a business in the hope of making money.

Limited government: A government does not try to control or compete with firms. It intervenes in the economy only in limited ways.