

Name: _____

Economic Systems, Circular Flow & GDP

- 1) List the **4** primary **economic systems**. Name a country each system is used in today.

- 2) The _____ regulates a **command** economic system while _____ regulates a **market** economic system.

- 3) A market economic system places its highest value on which two “economic goals”:
 - a. employment and stability
 - b. equality and tradition
 - c. growth and efficiency
 - d. stability and efficiency
 - e. none listed

- 4) How would the “**invisible hand**” correct a shortage of supply of a particular good
 - a) prices would fall, so producers would increase production & some new firms would enter market
 - b) prices would rise, so producers would increase production & some firms would exit market
 - c) prices would rise, so producers would increase production & some firms would enter market
 - d) prices would fall, so producers would decrease production & some firms would exit market
 - e) The government would mandate increased production

- 5) How would the “**invisible hand**” correct a surplus (too much) of supply of a particular good
 - a) More producers would enter the market
 - b) The most efficient producers would exit the market
 - c) Prices would fall & the least efficient producers would be forced to leave the market
 - d) Prices would rise & the most efficient producers would enter market
 - e) The government would mandate decreased production

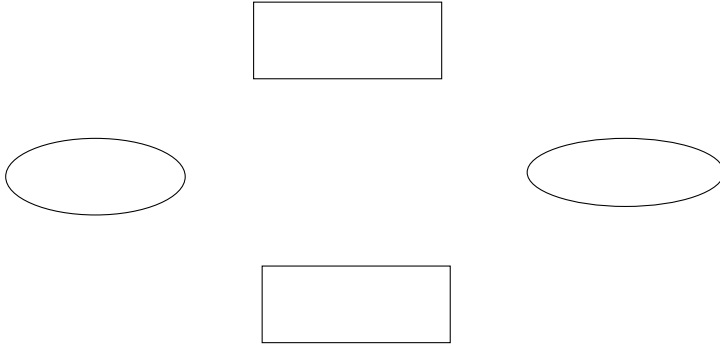
- 6) List some benefits and some costs of a **free market economy**:

Benefits

Costs

_____	_____
_____	_____
_____	_____
_____	_____

7) Draw the **Circular Flow** of a **market economic** system.



8) Write the equation for **Gross Domestic Product (GDP)**

9) In one or two sentences explain what GDP measures.

10) Do you agree or disagree with the following statement? Explain why.
GDP measures the level of well-being of the members of a society.

11) Explain the effect, if any, of the following changes on **GDP**

a.	The Federal Reserve raises interest rates Explain why:	raise GDP	<u>Circle One</u> lower GDP	No Effect
b.	The Government increases spending Explain why:	raise GDP	lower GDP	No Effect
c.	The U.S. exports more Explain why:	raise GDP	lower GDP	No Effect
d.	The U.S. imports more Explain why:	raise GDP	lower GDP	No Effect