

Economic Systems Infographic Activity: Answer Key

What is an economic system?

Every society must decide how to organize economic activity. This choice involves trade-offs. Economists have developed economic system models to help us understand the benefits and costs we face when choosing to organize our economy in a particular way. Although no country on earth adheres entirely to one economic system model, understanding the assumptions underlying a pure command system and a pure market system can inform our choices.

Economic Systems Questionnaire

- 1. These items refer to the second block of the infographic.
 - a. Identify the three basic economic questions every society must answer.

i	What to produce?	
ii	How to produce?	
ii.	For whom to produce?	

b. Describe the difference between how a pure command economy answers these questions and how a pure market economy answers these questions.

In a pure command economy, the government or a central planner makes all the decisions about production of goods and services. In a pure market economy, private individuals and businesses make these decisions. Businesses will not continue to produce a good or service if consumers do not buy the product. Businesses perform better if production processes become more efficient. Prices must reflect the cost of production and the ability of consumers to afford the good.

c. Give an example of one good or service produced in the United States using the command model. Justify your example using content from the poster.

Answers will vary.

d. Give an example of one good or service produced in the United States using the market model. Justify your example using content from the poster.

Answers will vary.

- 2. These items refer to the third block of the infographic.
 - a. Choose one advantage and one disadvantage listed on the infographic for each system (Pure Command Economy and Pure Market Economy) and write it in the left column of the chart below. In your own words, give a specific example of how the United States has experienced the advantages and disadvantages you chose.

	Examples
Command advantage Answers will vary.	Answers will vary.
Command disadvantage Answers will vary.	Answers will vary.
Market advantage Answers will vary.	Answers will vary.

Market disadvantage	Answers will vary.
Answers will vary.	

- b. Now choose any country from the list to research. Use the websites provided to look for evidence of the advantages and disadvantages shown on the infographic. Make an inference about the economic system most closely tied to the country and give evidence to support your claim.
 - Countries: China, North Korea, South Korea, Iran, Libya, Cuba, Congo, South Africa, Sudan, Egypt, Japan, Ecuador, Costa Rica, United Kingdom, Hong Kong, India, Tahiti, Brazil, Canada, U.S.A, Norway, France, Germany, Argentina
 - ii. Websites: CIA.gov, state.gov, heritage.org, UNDP.org, IMF.org, worldbank.org

Country	Website(s) used	Economic system (select one)	Evidence to support selection
		Leans Toward Command OR Leans Toward Market	

- 3. These items refer to the fourth block of the infographic.
 - a. For each of the terms in the table below, describe what they mean to you. Share your meanings with another student. Talk about the differences.

Economic equality	Answers will vary.
Economic security	Answers will vary.
Economic stability	Answers will vary.
Economic growth	Answers will vary.
Economic efficiency	Answers will vary.
Economic freedom	Answers will vary.

- 4. These items refer to the fourth block of the infographic.
 - a. Using a web browser, look up each of the following indicators and explain the significance of each.

Index	Significance
Gini index	Measures the distribution of wealth in a country between the wealthiest and the poorest inhabitants. An index number of zero is perfect wealth equality of all people in the country and a score of 100 is perfect inequality with one person holding all the wealth of the country.
Human Development Index	Uses a composite number to measure the level of life expectancy, education, and standard of living for people in a country. The index number ranges from zero to 100. The closer to zero a country is, the lower the country's human development. The closer to 100, the higher the country's human development.
Inflation rate	Measures the percentage change in the price level from one period to the next. The inflation rate is calculated using an index such as the consumer price index or the GDP Deflator. The higher the percentage change, the less purchasing power the currency of the country and the people who hold the currency have.

Real gross domestic product growth rate	Measures the percentage change in the real GDP from one period to the next. The real GDP growth rate is calculated using the real GDP from two different periods of time. The higher the percentage change, the more the economy of the country is growing.
Labor productivity growth rate	Measures the amount of goods and services produced by one hour of labor in a country. This statistic is affected by changes in physical and human capital as well as new technologies. Increases in labor productivity are usually equated to increases in standard of living for a country.
Index of Economic Freedom	Evaluates countries based on ten economic freedoms which fall into the following categories: rule of law, limited government, regulations, and open markets. Score range from 0 to 100. A score of zero means no economic freedom while a score of 100 would be perfect economic freedom. A percentage increase means the country is moving toward more freedom, a percentage decrease means less economic freedom.

b. Using your knowledge of indicator, discuss whether the top five market and top five command economies are performing well on the social economic goals they value most. Give evidence to support your opinion.

	How well are they performing on their goals?	Evidence to support your opinion.
Top five command economies	Answers will vary.	Answers will vary.
Top five market economies	Answers will vary.	Answers will vary.

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