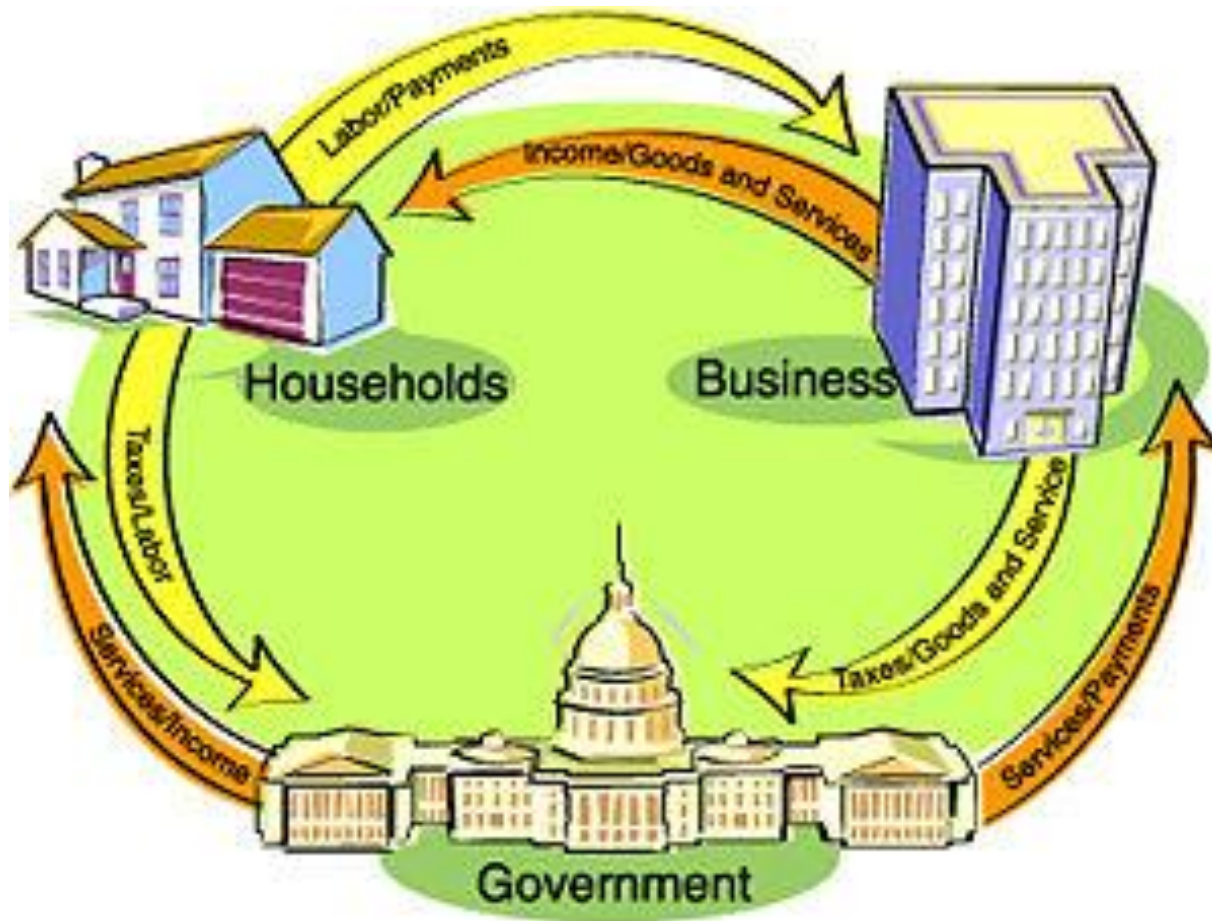


Chapter 2 Recap

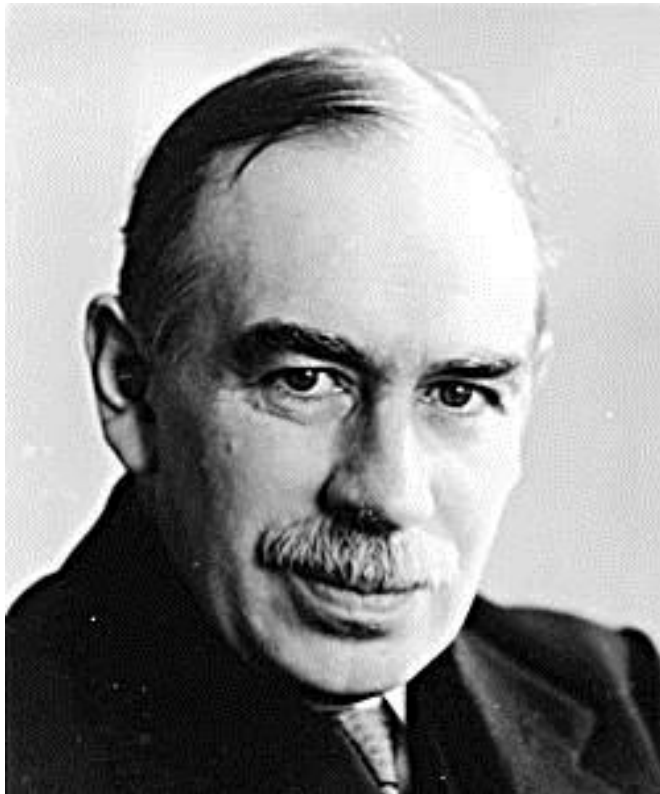
Circular Flow



Who are the big economic thinkers?

John Maynard Keynes

1883-1946



More Government Control

Friedrich Hayek

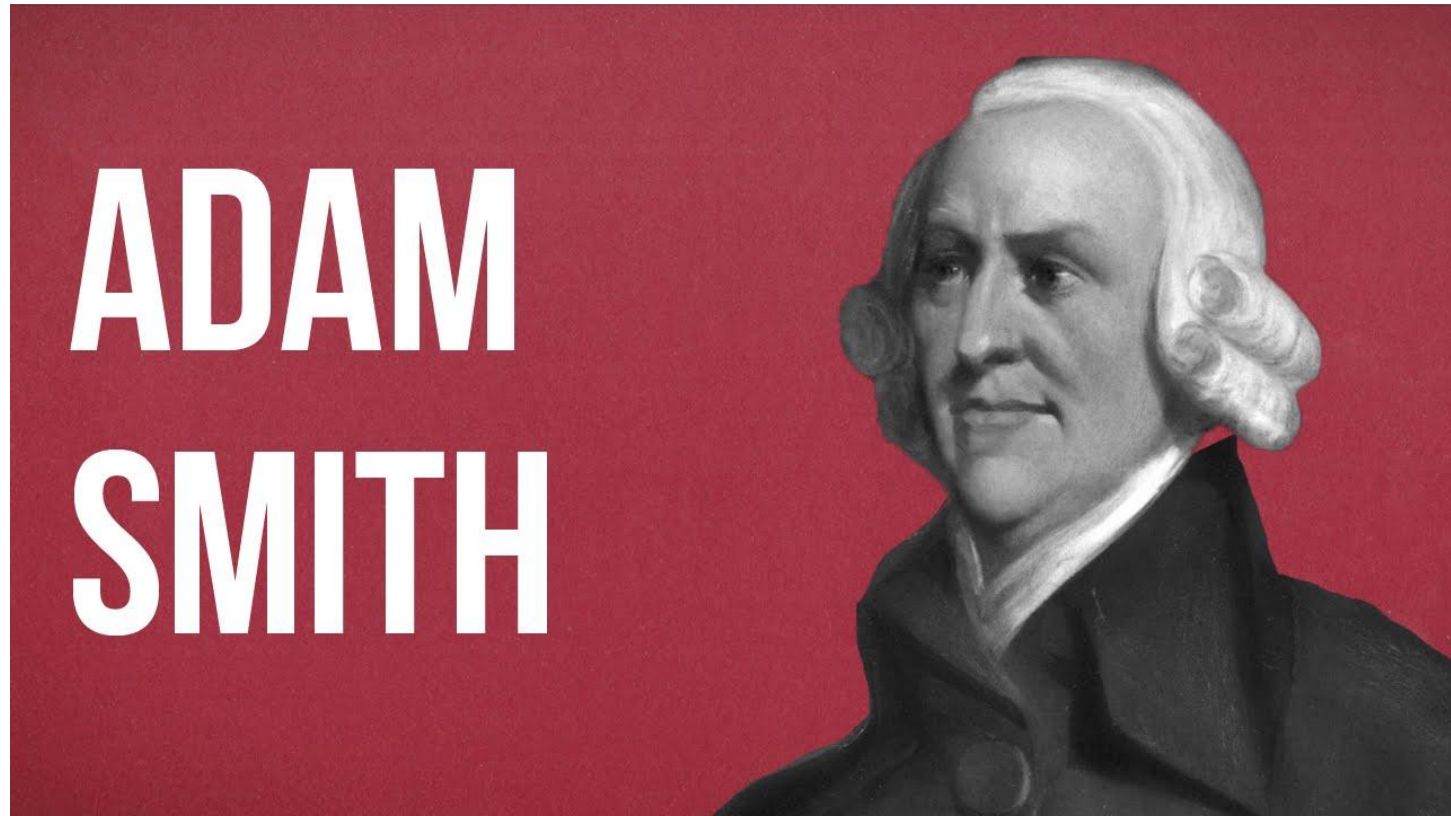
1899-1992



Government stay out!

Adam Smith

and the Invisible Hand



60 SECONDS
ADVENTURES
IN ECONOMICS

What are the characteristics of a centrally planned economy?

- The central government owns all land and capital
- The central government makes all economic decisions
- Each person is assigned a job

What is the struggle among various producers for the consumer's business called.

- Competition



What are key economic questions?

- What goods and services should be produced?
- How should these goods and services be produced?
- Who consumes these goods and services?

What is the most important advantage of a free market?

- It encourages growth



What incentive motivates a manufacturer to sell a product?

- Making profits on sales



What is the product market?

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

In what kind of an economy does the government make all the decisions?

- Centrally planned

What is the purpose of competition?

- To act as a regulating force in the marketplace

What is the function of an economic system?

- To produce and distribute goods and services

Collectives in the Soviet Union were inefficient producers of agricultural products. Why?

- Farm workers had guaranteed incomes, so they had few incentives to produce more or better crops.

What are the weaknesses of a centrally planned economy?

- Consumer's needs are generally not met
- Workers lack incentives to be innovative
- Individual freedoms are sacrificed for societal goals.