

**economic system**

method used by society to produce goods and services

**economic plan**

a gov't program specifying economic activities

**income distribution**

the way all the income in a country is divided

**problems of command economies**

workers lack incentive, performance falls short of ideals, sacrifice individual freedoms in order to pursue society's goals

**interest**

those who lend  
money receive  
these  
payments

**economic  
freedom**

all people face  
limitations on  
economic  
freedom

**economic  
efficiency**

products reach  
customers.  
knowing the best  
way to produce a  
product cuts waste

**economic  
security and  
predictability**

economic systems try to  
reassure people that  
goods and services will  
be available when they  
need them

**safety  
net**

gov't programs that  
protect people  
experiencing bad  
economic  
conditions

**economic  
equity**

economic  
fairness in terms  
of resource  
distribution

**economic  
growth and  
innovation**

standard of  
living- level of  
economic  
success

**market  
economy**

all descions are  
made by the  
people, NOT  
the gov't

aka as the  
free market  
or capitalism

market  
economy

market

buyers and sellers  
exchange things  
because nobody is  
self-sufficient

factor market  
of market  
economy

exchange that  
involves firms  
purchasing fop  
from households

US type of  
economy

mixed  
economy

US name  
of  
economy

free  
enterprise

privatization

to sell gov't  
owned firms  
to individuals

Characteristics  
of a planned  
economy

Characteristics: resources  
are publicly owned. gov't  
makes decisions on how  
to use resources individual  
consumers have little  
influence on economic  
decision making

characteristics  
of a mixed  
economy

some resources are publicly  
owned and some are privately  
owned individuals and gov't  
both make decisions about  
what to produce individual  
consumers and gov't influence  
economic decision making

# characteristics of market economy

Resources are privately owned. Individuals make decisions on how to use resources. Individual consumers drive economic decision making by choosing what to buy.

