1. State planners in Country A met to decide what the country should focus on producing. After much deliberation, they decided it would be in the country’s best interest to use their limited resources to produce automobiles instead of other consumer goods, such as electronics or textiles. The state planners passed their decision down to factories, and allocated to them raw materials, workers, and other resources needed to produce automobiles. Factories were then told how much they should produce with these resources and who the final products should be shipped to.

Answer: Command economy

How do you know??: State planners decide what to produce, how to produce it, who it should be produced for.

2. In Country B, business owners decide what to produce, how much to produce, and who to produce for. The CEO of Tarheelia Audio, one of the leading audio equipment producers in the country, recently decided to increase production levels of the company’s newest MP3 player model, and at the same time decrease production levels of their most popular CD player. The reason for the emphasis on MP3 players is that demand for CD players has decreased dramatically as MP3 technology has taken over the market. Simply put, there is more profit to be made in the MP3 market.

Answer: Market economy (could also be mixed, if it is assumed that government rulates industry)

How do you know?: Individuals make economic decisions; decisions made based on demand; profit motivation

3.In Country C, people rarely engage in market transactions. For the most part, they do not need to. Families grow their own vegetables and raise their own animals or hunt to get meat. Certain times get tough for people in Country C, like when the winters are particularly cold or animals change their migration patterns. For this reason, it is important that families stock up in “good times” and develop relationships with neighbors with whom they can share or trade.

Answer: Traditional economy

How do you know?: Economic activities centered around family; resources are determined by environment

4. In Country D, business owners make most economic decisions. As long as they abide by fair trade policies, they can decide what to produce, how to produce, and for whom to produce without government intervention. These decisions are made by business owners based on what happens in the market. For example, a computer manufacturer recently developed a new video gaming system, but decided to wait until closer to the holidays to release the system to the public because it believed anticipation among consumers would allow the company to charge a higher price for the system

Answer: Mixenomy

How do you know?: Business owners make economic decisions, but government can intervene