

Guided Reading Activity

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Foundations of Government

Lesson 3 *The Role of Government in Economic Systems*

Review Questions

Directions: Locate each heading below in your text. Then use the information under the correct heading and subheading to help you write each answer.

I. Fundamentals of Economics

A. What six factors are found in every type of economy?

B. List the three key questions that must be answered by all economic systems.

C. Identify the three categories for classifying economic systems by how they work.

II. Capitalism

A. How does the term *laissez-faire* describe the role of government in capitalism?

B. Identify the five characteristics of pure capitalism.

III. Mixed Economies

A. What is a mixed economy?

Guided Reading Activity *cont.*

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- B. What makes the economy of the United States a mixed economy rather than a pure capitalist economy?

IV. Socialism

- A. What is the goal of socialism?

- B. How is democratic socialism different from pure socialism?

V. Communism, a Command Economy

- A. Why is the economy under a communist system called a command economy?

- B. Summarize Karl Marx's basic theory about communism.

Summary and Reflection

Directions: Summarize the main ideas of this lesson by answering the prompt below.

Compare the role of the government in a mixed economy to the role of government in a socialist economy.
