

Market Economy (Capitalism)

Name _____

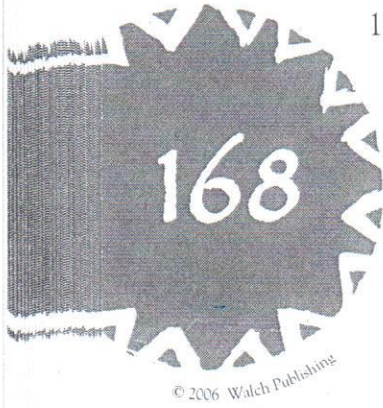
The U.S. economic system is described as a mixed economy. However, it is based on the essential principles of capitalism, or a market economy.

The terms in the box refer to the capitalist system. Use them to answer the questions below. Write the appropriate term on the line.

competition	profit incentive
entrepreneurs	supply and demand

1. Who controls the means of production? _____
2. What is the motivation for production? _____
3. How is it determined what and how much should be produced?

4. What keeps product quality and prices reasonable?



Supply and Demand

Adam Smith wrote about economics in the 1700s. He believed that the forces behind supply and demand were like an invisible hand that kept an economy balanced.

Write a paragraph in which you explain the relationship between the quantity of goods a supplier is willing to make for a given profit, and the quantity of goods a consumer is willing to buy at a given price.

