

Section Answer Keys

Chapter 3 Political and Economic Analysis

Section 3.1 What Is an Economy?

Review Key Concepts

1. An economy is the organized way a nation provides for the needs and wants of its people. Three questions are: (1) What goods and services should be produced? (2) How should goods and services be produced? (3) For whom should goods and services be produced?
2. The difference between wants and needs of a country's people and available economic resources is scarcity. Economic resources are all the things used in producing goods and services. They include land, labor capital, and entrepreneurship. A nation must choose how to use those resources to produce and distribute the goods and services for its people. Countries have varying amounts of resources. Some have fertile land for farming, but limited capital. Others may have limited natural resources, but they compensate with a highly educated labor force.
3. Privatization is when a country sells its state-run businesses. Nationalization occurs when a government takes over a privately-held company. Privatization would be more prevalent in a country moving toward a capitalistic philosophy. Nationalization would be more prevalent in a country moving toward a communistic philosophy.

Practice Academics

English Language Arts

4. All economies are mixed. No economic system is purely traditional, market, or command. Some countries allow the marketplace to decide what will be produced by consumers' purchases. There are government regulations to protect people. Businesses must adhere to safety and environmental concerns. Some countries provide socialist benefits such as Medicare and Medicaid in the United States.

Mathematics

5. \$33,000 more spending money in a capitalistic country. (55 percent – 33 percent = 22 percent. $\$150,000 \times 0.22 = \$33,000$).