

CE.E.1.2

Analyze a market economy in terms of economic characteristics, the roles they play in decision-making and the importance of each role (e.g., private property, free enterprise, circular flow, competition and profit motive, and allocation of resources via the price system).

Students will understand:

1. Profit often acts as an incentive in a pure market economy.
2. Markets are used as a means to organize economic activity.
3. Government has limited yet important functions in a market economy.

Students will know:

1. The definition of a pure market economy, as well as synonyms: free enterprise, price system, laissez-faire, capitalism.
2. Examples of misleading economic myths about the free market. For example: The myth that the free market in the U.S. exists separate from government.
3. The basic parts of the Circular Flow Model.
4. In a pure market economy, profit acts as a motivator, competition acts as a regulator, and prices act as a coordinator.
5. Private property is an essential part of a pure market economy, since market exchange cannot occur without clearly established ownership.
6. The role of competition in regulating quality and price.
7. The role of competition in a market economy.
8. The role of prices as coordinators of a pure market economy.
9. The role of government within the pure market economy.

Key Terminology:

- Economic characteristics - The economic conditions in a particular city, state, country, etc.