

## **Economics Chapter 2 and 3 Study Guide**

**Vocab**—be able to define and distinguish between these terms:

Economic system  
Market Economies  
Centrally planned (command) economies  
Mixed economies  
Traditional economies  
Market  
    Specialization  
Households  
Firms  
Factor market  
Product market  
Invisible hand  
    Competition-regulating force  
    Self-interest-motivating force  
Gross Domestic Product  
Business cycle  
Public good  
Market failure  
Externality  
    Positive and negative externalities

### **Tasks that you should know how to perform:**

How does each type of economic system answer the 3 key economic questions

Explain how the circular flow diagram explains the interaction between houses and firms

Compare and contrast different types of economies

Identify positive and negative externalities

Analyze information to identify a market failure