**Market Economy Characteristics** Name:

Block:

**Part I:** *Turn and talk with a partner and brainstorm some ideas about why people trade? What is the purpose to trading? Be prepared to talk about this.*



**Part II:** *Imagine a music lover goes into a music store and picks out a CD from his favorite band. He pays the owner of the store $18 for the CD. Who gained and who lost in this transaction? Explain use ESL reasoning.*

**Part III:** *Answer the following Questions as a debrief for your trading activity.*

1. Why do people trade?
2. Was it possible to trade without having a cost? Why?
3. What conditions are necessary for trades to be wealth-creating?
4. Does the creation of wealth or trading make everyone happy? Why?
5. If we were to observe twenty people buying things at a Farmers Market, what could we say about their gains and losses?

**Part IV: ESL Terms**

*You will be referring back to this chart in the next few sections. The purpose of this debrief is to help apply what you have learned in class so far to market characteristics. This is also a close example to the final project for this class.*

**Directions:** *Use this page and the backside to write your answers. Tell me about* ***4*** *of the trades that you completed in this activity (if you did not trade, talk with a partner to follow their trades). List the trade that you did and then discuss how the following ESL terms applied to your trade. You MUST use* ***three*** *ESL terms per trade. Your explanations should be about a paragraph long.*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Incentives | Command Economy | Market Economy | Economic Efficiency | Economic Security | Economic Equity |
| Economic Freedom | Economic Growth | Economic Sustainability | Diminishing marginal utility | Marginal Decision Making (MC v. MB) | Opportunity Cost |
| Trade-offs | GDP | Business Cycle | Inflation | Unemployment | Scarcity |
| Invisible hand | Profit motive | Voluntary exchange | self-interest | Standard of living | Price vs Cost |

Trade #1:

* I traded \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Trade #2:

* I traded \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Trade #3:

* I traded \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Trade #4:

* I traded \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_