

Government and Economics Vocabulary

Autocracy

Government in which one person possesses unlimited power (Examples: Pharaoh, Emperor, King, Queen, Czar, Dictator)

Democracy

Government in which power is held by the people and exercised by them directly or indirectly

Traditional Economy

- All economic decisions are based on customs, traditions, & beliefs of the past.
- People will make what they always made and do the same things their parents did.
- The exchange of goods is done through bartering.
 - Bartering = trading without using money (For example, trading a cow for 10 chickens)

Command Economy

- **All** economic decisions are made by the Government.
- The government owns most of the property, sets the prices of goods, determines the wages of workers, plans what will be made...everything.

Market Economy

- Economic decisions are made based on decisions by buyers & sellers
- The government has no control over the economy; private citizens answer all economic questions.
- In a truly free market economy, the government would not be involved at all. Scary...
 - There would be no laws to make sure goods/services were safe. *Food! Medicine!
 - There would be no laws to protect workers from unfair bosses.

Mixed Economy

- Since there are no countries that are purely command or purely market, what does that make them?
- Most democratic countries have some characteristics of both systems, so we keep it simple and call them: **MIXED**.

