



# What is a Market Economy, and How Does It Compare to a Planned Economy? - Quiz

To view the article that this quiz is based on, please go to:

<https://constitutionus.com/economy/what-is-a-market-economy/>

## **Q1. What directs the production and prices of goods and services in a market economy?**

- A. Government regulations
- B. Laws of supply and demand
- C. Corporate monopolies
- D. International trade agreements

## **Q2. What could be a consequence of government-imposed rent price limits?**

- A. Increased rental apartment supply
- B. Shortage of rental apartments
- C. Higher wages for landlords
- D. Decreased demand for rentals

## **Q3. How are prices determined in a market economy without artificial forces?**

- A. By government decree
- B. By corporate executives
- C. By supply and demand
- D. By international markets

**Q4. What is a common argument against free market economies?**

- A. They lead to too much innovation
- B. Businesses exploit workers
- C. They cause too much government intervention
- D. They eliminate all poverty

**Q5. What happens if sellers set prices too high in a market economy?**

- A. Demand increases
- B. Demand falls
- C. Government intervenes
- D. Supply decreases

**Q6. What is a key feature of wages in a free market economy?**

- A. Set by the government
- B. Determined by employers and workers
- C. Fixed across all industries
- D. Guaranteed to be high

**Q7. Why did the Soviet Union's economy struggle compared to the US?**

- A. Lack of competition
- B. Too much innovation
- C. High consumer choice
- D. Excessive government funding

**Q8. What is a common criticism of free market economies?**

- A. They eliminate all wealth inequality
- B. They create too much government control
- C. They allow excessive wealth gaps
- D. They discourage private property

**Q9. What motivates people to produce goods in a free market economy?**

- A. Government mandates
- B. Desire to become rich
- C. Fear of poverty
- D. International pressure

**Q10. What is a key difference between free market and planned economies regarding property?**

- A. Free markets have no private property
- B. Planned economies limit private property
- C. Free markets ban state-owned property
- D. Planned economies encourage private ownership

## **Answer Key**

1. Q1: B
2. Q2: B
3. Q3: C
4. Q4: B
5. Q5: B
6. Q6: B
7. Q7: A
8. Q8: C
9. Q9: B
10. Q10: B