

Capitalism and the Free Market

Directions Circle the letter of the answer that correctly completes each sentence.

1. Adam Smith is important because _____.
A he wrote a book about communism
B his ideas form the basis of modern economics
C he was interested in becoming rich and famous
D he thought governments should make decisions for businesses
2. Smith believed that _____ was like a contest to sell products and services.
A communism
B economics
C competition
D profit
3. Smith believed that competition, like a(n) _____, pushed people to do their best.
A resource
B ancestor
C free market
D invisible hand
4. According to Adam Smith, _____ should not get in the way of competition.
A governments
B businesses
C societies
D individuals
5. A(n) _____ is a place where people come together to buy and sell.
A market
B competition
C profit
D incentive
6. _____ is another term for capitalism.
A Closed market
B Incentive
C Socialism
D Market economy
7. In capitalism, producers use their resources to make what the _____ want most.
A governments
B consumers
C business owners
D city leaders
8. A(n) _____ is something that makes a person take action.
A invisible hand
B profit
C incentive
D capitalism
9. _____ is a common incentive in a capitalist economy.
A Popularity
B Profit
C Work
D Production
10. People often work harder in a _____ system.
A socialist
B communist
C command
D capitalist