

# US HISTORY

FREE MARKET ECONOMICS – PAGES 50-52

Name: \_\_\_\_\_

In the boxes below, sketch a picture of what most Americans were doing for a living during the time frame indicated:

<p style="text-align: center;">Before the Civil War...</p>	<p style="text-align: center;">... After the Civil War</p>
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## Urbanization

The growth of \_\_\_\_\_.

Why were people moving to the cities?



## Industrialization

The growth of \_\_\_\_\_.

Why were more and more people working in factories?

**Who/what made this big boom in industry possible? \_\_\_\_\_ !**

“In a free market economy, \_\_\_\_\_ own and operate farms and businesses. They control the \_\_\_\_\_ and \_\_\_\_\_ too.

Workers are able to choose what \_\_\_\_\_ they want and where they want to \_\_\_\_\_.” – Page 50, Understanding Supply and Demand

### Supply and Demand and Prices

- When supply (the amount of stuff available) and demand (the number of people who want that stuff) are both high (or low), the economy is \_\_\_\_\_.
- When supply is low but demand is still high, prices \_\_\_\_\_.
- When supply is high but demand is low, prices \_\_\_\_\_.



***How does industrialization help bring down prices?***



### The Business Cycle

- During a period of **prosperity**, businesses have plenty of money and \_\_\_\_\_ workers.
- Producing too much stuff forces prices to go \_\_\_\_\_ and businesses lose money.
- Banks stop loaning money and this causes a \_\_\_\_\_.
- When businesses lose money, they can't pay everyone and \_\_\_\_\_ some workers.
- During a **recession**, businesses also produce \_\_\_\_\_ goods. People have \_\_\_\_\_ money.
- A recession that is very bad and lasts a long time is called a \_\_\_\_\_.
- Thankfully, this is usually followed by an \_\_\_\_\_, which leads to more prosperity. What do you think could cause an upturn?

### How Does A Business Work?

- Someone comes up with an idea for a product or service they think people will want. This person is called an **entrepreneur**. He or she risks savings to create a business to sell their product or service.
- Money received from selling that product or service is called **income**. Out of that income, the business owner must pay for **costs** that include materials used to make a product and wages for workers.
- Leftover money after paying for costs is called **profit**. Some is kept by the owner, but a smart businessman or woman will **reinvest** profit back into the business to buy new equipment, etc.