

- ▶ **SSEF4 The student will compare and contrast different economic systems and explain how they answer the three basic economic questions of what to produce, how to produce, and for whom to produce.**
- ▶ a. Compare command, market, and mixed economic systems with regard to private ownership, profit motive, consumer sovereignty, competition, and government regulation.
- ▶ b. Evaluate how well each type of system answers the three economic questions and meets the broad social and economic goals of freedom, security, equity, growth, efficiency, and stability.
- ▶ **SSEF5 The student will describe the roles of government in a market economy.**
- ▶ a. Explain why government provides public goods and services, redistributes income, protects property rights, and resolves market failures.
- ▶ b. Give examples of government regulation and deregulation and their effects on consumers and producers.

Economic Systems

-The method used by a society to produce and distribute goods and services.

Quick Review:

- ▶ Take out a sheet of paper and answer the following questions:
 - What are Goods?
 - What are Services?
 - What are Resources?
 - What is Scarcity?

All Economic Systems Must Consider the Following Questions:

1. What to produce?
 2. How to produce?
 3. For whom to produce?
- ▶ Each economic system answers these questions in a **DIFFERENT WAY**.

Types of Economic Systems

There are 3 basic types of economic systems.

1. Traditional
2. Command
3. Market

1. Traditional Economy

- ▶ Economic questions are answered by **habits and customs** (the way it has always been done)
- ▶ **Children work the same jobs parents worked**, often farming or hunter/gatherer
- ▶ **Fear Change!**
- ▶ Ex. Eskimos, the Amish, Pigmies, Bush People



2. Command Economy

- ▶ The government answers the basic economic questions
- ▶ Advantages: able to act quickly in emergencies, provide for all people equally
- ▶ Disadvantages: Inefficient, no incentive to work hard or be creative
- ▶ Ex. Communist Countries (China, Vietnam, North Korea, former Soviet Union, Cuba)



3. Free Market Economy

- ▶ Economic questions are answered by individual buyers and sellers.
- ▶ Supply and demand influence economy
- ▶ People act out of self interest; motive for profit (money) drives the economy
- ▶ Also known as **FREE ENTERPRISE** or **CAPITALISM**
- ▶ Ex. The United States, Western Europe, Japan



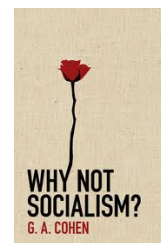
In Reality...

- ▶ Mixed Economy: No economy is pure market, pure command or pure traditional, elements of each appear in all economies, some have more elements of one economy than another.



American Mixed Economy

- ▶ While the United States is mostly a free market economy, it does have elements of a command economy.



Features of American Free Market Economy

1. Economic Freedom: individuals have the right to choose
2. Competition: more than one producer of good/services insures choice
3. Private Property: individuals have the right to own their own property, including business



4. Self-Interest: individuals make decisions based on what is best for them
5. Voluntary Exchange: individuals may freely buy and sell goods
6. Profit Motive: individuals are driven by a desire to profit (make money)

