OBJECTIVE
We will compare economic systems, free markets, and economic-political systems.

ESSENTIAL QUESTIONS
- Describe the similarities and difference between major economic systems.
- Explain the societal impacts of each system.
Economic Systems

Four Basic Types

- An organized way in which a state or nation allocates its resources and apportions goods and services in the national community
- Remember – economics involves making decisions about resources!
The Purpose of Economic Systems

- **Scarcity** is the fundamental challenge that confronts all individuals and nations.
- Not every nation addresses the challenge the same way.
- Economists generally recognize four basic economic systems.

Societal Impacts

- How resources are allocated
- How much government regulates ownership, taxation, and allocation of goods & services
- How marketing decisions are made

Explain the societal impacts of each system.
Types of Economic Systems

1) Traditional Economy
2) Command Economy
3) Market Economy
4) Mixed Economy

Describe the similarities & differences between major economic systems.

Traditional Economy

- Shaped by tradition
- Tend to follow long-established patterns
- Standards of living are static

Describe the similarities & differences between major economic systems.
Traditional Economy

- You know what you’re supposed to do, who you trade with, and what to expect from others.
- Community interests take precedence over the individual.
- Some private property is respected.

Command Economy

- Also known as a planned economy
- Government controls economy & decides how to use and distribute resources
- Government regulates prices and wages

Describe the similarities & differences between major economic systems.
**Command Economy**

- People (in the form of the state) own the means of production
- State decides what will be produced according to a plan based upon the calculated needs of the people
- State plays a role in determining who gets how much of what

**Market Economy**

- Consumers & businesses decide what to produce and purchase
- Decisions are made by “voting with dollars”
- Production based solely on demand in the marketplace

Describe the similarities & differences between major economic systems.
Market Economy

- Based entirely on the interaction of buyers & sellers in the marketplace
- Individuals choose how to invest personal resources – what training to pursue, jobs to take, goods & services to produce
- Individuals decide what to consume based on wants & needs

Describe the similarities & differences between major economic systems.

Mixed Economy

- Combines elements of market & command economy
- Economic decisions made in the market
- Government plays a role in allocating & distributing resources (taxes)

Describe the similarities & differences between major economic systems.
**Mixed Economy**

- Many economic decisions are made by individuals in the market.
- In general, market forces prevail.
- Government plays a role in the allocation and distribution of resources.

**Types of Economic Systems**

1) Traditional Economy
2) Command Economy
3) Market Economy
4) Mixed Economy
**Economic-Political Systems**

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<th><strong>OBJECTIVE</strong></th>
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| We will compare economic systems, free markets, and economic-political systems. | - Describe the three major economic-political systems.  
- Identify examples of countries that operate under each system. |
Capitalism

- Most means of production are privately owned & operated
- Production, distribution, and pricing decisions are market-driven
- Goal: profit

Describe the three major economic-political systems.

Capitalism

- Characterized by free competition and supply & demand
- Role of the government is to support the marketplace by:
  - regulating some marketplace activity
  - providing some social programs to support the people

Describe the three major economic-political systems.
Societal Impacts

- How resources are allocated
- How much government regulates ownership, taxation, and allocation of goods & services
- How marketing decisions are made

Explain the societal impacts of each system.

Socialism

- Most means of production are state owned & operated
- Goal: social equality that narrows the gap between rich & poor

Describe the three major economic-political systems.
Socialism

- Major means of production (resources) are in the hands of the people, usually through the government.
- Wealth & income should be shared more equally, which typically results in extensive social programs supporting the people.

Societal Impacts

- How resources are allocated
- How much government regulates ownership, taxation, and allocation of goods & services
- How marketing decisions are made
Communism

- Community ownership of property
- Goal: economic equality

Describe the three major economic-political systems.

Communism

- Characterized by (almost) complete government ownership
- Private ownership encourages greed and competition.
- Role of government is to exercise control in the name of the people

Describe the three major economic-political systems.
Societal Impacts

- How resources are allocated
- How much government regulates ownership, taxation, and allocation of goods & services
- How marketing decisions are made

Explain the societal impacts of each system.

Closing Task

1) List the four major economic systems recognized by economists.

2) List the three economic-political systems, and identify the primary goal of each.

3) Explain the distinction between economic systems and economic-political systems.