Economic Systems
Economic Systems

Countries must decide how to distribute its resources to meet the needs of its people.

Countries do this through an economic system.
An Economic System is the way a society organizes the production, distribution, and consumption of goods and services.
In small groups, sort the pictures provided as examples of production, distribution, or consumption.
Economic Systems

There are 3 basic types of economic systems that have to answer three basic questions:

(1) What to produce?
(2) How to produce?
(3) For Whom to produce?
Economic Systems

- WHAT TO PRODUCE? (What kinds of goods and services should be produced?)
- HOW TO PRODUCE? (What productive resources are used to produce goods and services?)
- FOR WHOM TO PRODUCE? (Who gets to have the goods and services?)
- The way a society answers these questions determines its economic system.
Types of Economic Systems:

1. Traditional Economy
2. Command Economy
3. Market Economy
Follow teacher instructions to create your Economic Systems Foldable to use for note-taking.
Traditional Economy

- An economic system in which economic decisions are based on customs and beliefs
- People will make what they always made & will do the same work their parents did
- Exchange of goods is done through Bartering: trading without using money
Traditional Economy

- **Who decides what to produce?**
  - People follow their customs and make only what is needed to take care of oneself.

- **Who decides how to produce goods & services?**
  - People grow & make things the same way that their ancestors did.

- **For Whom are the goods & services produced for?**
  - Self and trading purposes (people in the village who need them).
Traditional Economy

- **Examples:**
  - Villages in Africa and South America; the Inuit tribes in Canada; the caste system in parts of rural India

- **Strengths:** Predictable job and lifestyle

- **Weaknesses:** Lack resources and limited production
Distributed Summarizing

Draw an illustration in your foldable that represents a Traditional Economy.
Command Economy

- Government makes all economic decisions & owns most of the property
- Sometimes called communism
- Examples: Cuba, former Soviet Union, North Korea
- This system has not been very successful & more and more countries are abandoning it
Command Economy

- **Who decides what to produce?**
  - Government makes all economic decisions

- **Who decides how to produce goods and services?**
  - Government decides how to make goods/services

- **For Whom are the goods and services produced for?**
  - Whoever the government decides to give them to
Command Economy

- Strengths: people do not have to worry about employment, housing, education, and healthcare

- Weaknesses: consumers own nothing, no choices/freedom, limited innovation by individuals
Distributed Summarizing

Draw an illustration in your foldable that represents a Command Economy.
Market Economy

- In a market economy, buyers and sellers answer the three economic questions.
- All resources are privately owned.
- **Who decides what to produce?**
  - Whatever the market demands that will produce a profit.
- **Who decides how to produce goods and services?**
  - Private producers (businesses).
- **For Whom are the goods and services produced for?**
  - Consumers who demand the product and are willing to pay.
Market Economy

- **Strengths:** People can start their own businesses, more choice

- **Weaknesses:** The desire for money may lead to poor quality of goods and services, business owners have to risk losing money
Distributed Summarizing

Draw an illustration in your foldable that represents a Market Economy.
Distributed Summarizing:

Economic System Quotes
Mixed Economy

- Market + Command = Mixed
- There are no pure command or market economies. To some degree, all modern economies show characteristics of both systems and are often referred to as mixed economies.
  - Most economies are closer to one type of economic system than another
- For example, businesses own resources and determine what and how to produce, but the Government regulates certain industries
Mixed Economy

- Most democratic countries fall in this category (there are no truly pure Market or Command economies).
- Examples: U.S., Brazil, Mexico, Canada, UK, etc.
Continuum of Economies

Pure Command

Mixed

Pure Market
In small groups, complete the Economic Systems Continuum Activity.
Summarizing Strategy

On a sheet of paper, write down in which Economic System you would prefer to live and why.