

TYPES OF ECONOMIC SYSTEMS



MARKET ECONOMY

- Economic decisions are made in the marketplace according to the laws of supply and demand.

MARKET ECONOMY

- **PRICE:**
 - The amount of money given or asked for when goods and services are bought and sold.
- **DEMAND:**
 - The amount or quantity of goods and services that consumers are willing to buy at various prices.
- **SUPPLY:**
 - The amount of goods and services that producers will provide at various prices.

MARKET ECONOMY

- Also called capitalism.
- Resources are privately owned.
- Primary role of government is to support the marketplace by removing obstacles (i.e. trade barriers).

MARKET ECONOMY

PROS

- Offers incentives (competition and profit) to produce more.
- The constant demand for new goods and services encourage entrepreneurship.

CONS

- Owners and producers reap the most rewards.
- Unskilled workers and older adults are often unable to afford basic needs such as health care.

MARKET ECONOMY

PROS

CONS

- A small number of large companies can join forces to control the supply of products and manipulate prices.
- The profit motive can become an end in itself rather than a means to improve the good for all.

COMMAND ECONOMY

- A central authority makes the key economic decisions.
- Also called a planned or managed economy
- Two types of command economies:
 - Strong: (communism), the state makes all decisions.
 - Moderate: (socialism), there is some form of private enterprise.

COMMAND ECONOMY

PROS

- Guarantees everyone an equal standard of living.

CONS

- Since the state provides all goods and services, there is little choice of what to buy.
- There is no incentive for entrepreneurship when you can't run your own business.

MIXED ECONOMY

- Most nations have a mixed economy, a combination of a market and command economy.
- The state takes care of people's needs while the marketplace takes care of people's wants.

TYPES OF ECONOMIC SYSTEMS

ECONOMICS: studies how society chooses to use resources to produce and distribute goods and services for people's consumption.

PRIMARY GOAL: to provide people with a minimum standard of living, or quality of life.

MARKET ECONOMY		COMMAND ECONOMY		MIXED ECONOMY	
<p>* Economic decisions are made in the marketplace according to the laws of supply and demand. PRICE: the amount of money given or asked for when goods and services are bought and sold. DEMAND: the amount or quantity of goods and services that consumers are willing to buy at various prices. SUPPLY: the amount of goods and services that producers will provide at various prices. * also called capitalism * resources are privately owned. * primary role of government is to support the marketplace by removing obstacles (trade barriers)</p>		<p>* A central authority makes the key economic decisions. * also called a planned or managed economy. * two types of command economies 1. Strong: (communism), the state makes all decisions 2. Moderate: (socialism), there is some form of private enterprise</p>		<p>* Most nations have a mixed economy, a combination of a market and command economy. * The state takes care of people's needs while the marketplace takes care of people's wants.</p>	
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<ul style="list-style-type: none"> • Offers incentives (competition and profit) to produce more. • The constant demand for new goods and services encourage entrepreneurship. 	<ul style="list-style-type: none"> • Owners and producers reap the most rewards. • Unskilled workers and older adults are often unable to afford basic needs such as health care. • A small number of large companies can join forces to control the supply of products and manipulate prices • The profit motive can become an end in itself rather than a means to improve the good for all. 	<ul style="list-style-type: none"> • Guarantees everyone an equal standard of living. 	<ul style="list-style-type: none"> • Since the state provides all goods and services, there is little choice of what to buy. • There is no incentive for entrepreneurship when you can't run your own business. 		