

# ECONOMIC SYSTEMS

**1**

**TRADITIONAL ECONOMY**

"In addition to a Market Economy and a Command Economy there is another type of economy. It is called a **TRADITIONAL ECONOMY**. It's the oldest of the economic systems. Custom dictates how the production of goods and services are owned and controlled. The decisions, **WHAT, HOW, FOR WHOM** and **HOW MUCH**, are made according to what was done in the past."

Scarcity is the basic problem faced by all societies. Let's ask some people to see how they feel this problem should be solved.

The Answers

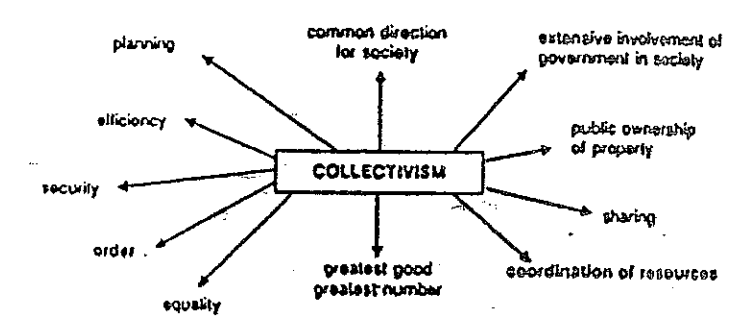
**3**

**COMMAND ECONOMY**

"I disagree with that Market Economy guy! I believe there should be common ownership of the resources. I think the production of goods and services should be owned and controlled by the group. Only the group can decide on the four basic questions, **WHAT, HOW, FOR WHOM** and **HOW MUCH**. A Command Economy is the best system!"

GOOD TIMES WERE MEANT TO BE SHARED!

Examine this view of collectivism which is presented by the following concept map.

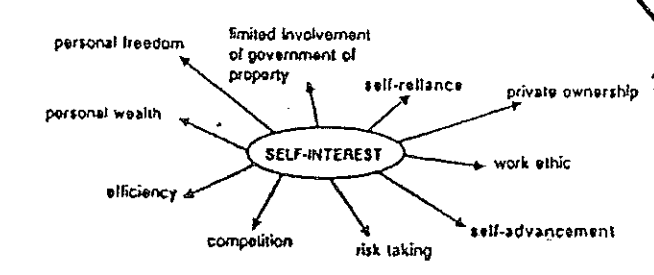


**2**

**MARKET ECONOMY**

"I think individuals should own the resources. Let me explain further. I think production of goods and services should be owned and controlled by individuals, I'm talking about a Market Economy of course. It's the best system because the four basic economic questions, **WHAT, HOW, FOR WHOM** and **HOW MUCH**, are all determined by individuals."

Examine this view of individualism which is presented in the following concept map.



I'm Taking My Ball Home!

LET ME BRIGHTEN UP YOUR LIFE

**4**

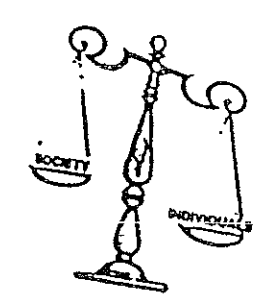
**MIXED ECONOMY**

"None of the economic systems—Market, Command or Traditional—work efficiently in the modern world. No country has an economic system that is a pure Market Economy or a pure Command Economy! All economic systems are a mixture. This is because governments influence the economy. This may vary from some influence in a Market Economy to almost complete regulation in a Command Economy. I think a Mixed Economy is best!"

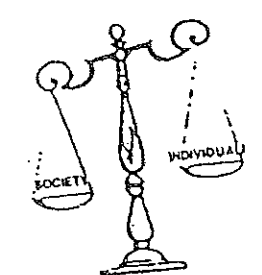
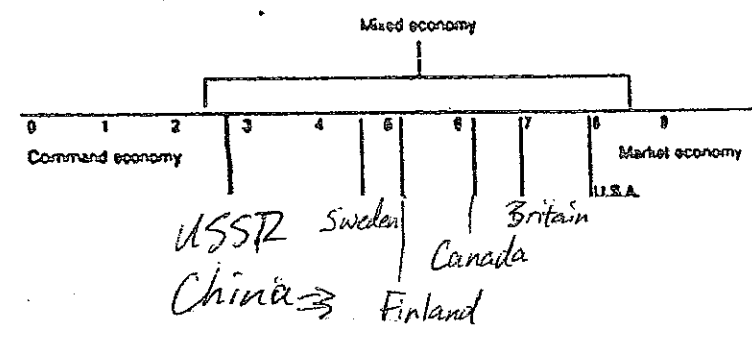
**VALUE POSITION**  
THERE SHOULD BE COMMON OWNERSHIP OF RESOURCES.

**VALUE POSITION HELD BY: COMMAND ECONOMY**

Also called:  
CENTRALLY PLANNED ECONOMY  
PLANNED ECONOMY  
SOCIALISM  
COLLECTIVE ECONOMY  
COLLECTIVE OWNERSHIP.



## TYPES OF ECONOMIC SYSTEMS



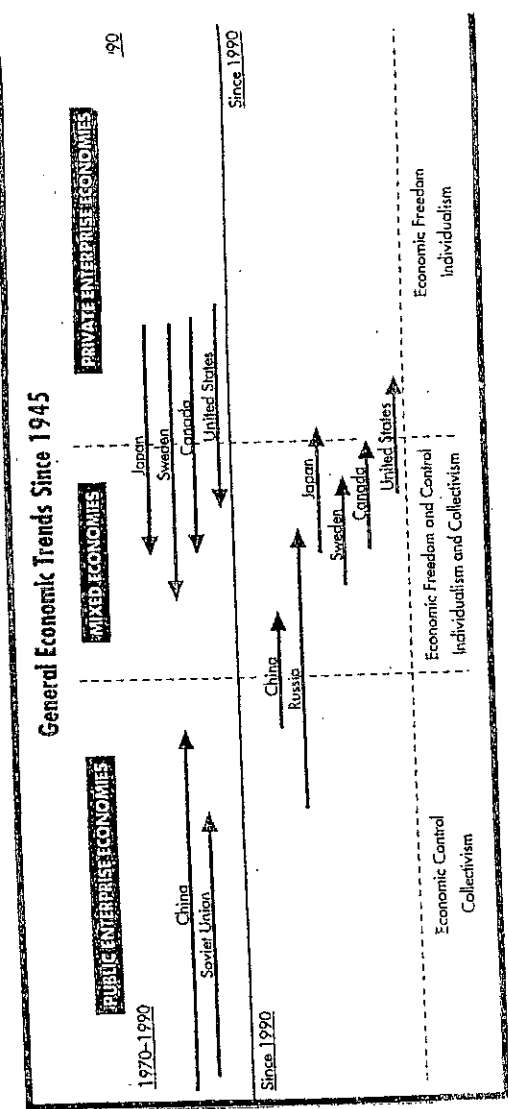
**VALUE POSITION**  
RESOURCES SHOULD BELONG TO INDIVIDUALS.

**VALUE POSITION HELD BY: MARKET ECONOMY**

Also called:  
CAPITALISM  
FREE ENTERPRISE  
PRIVATE OWNERSHIP

QUESTION	TRADITIONAL ECONOMY	MARKET ECONOMY	COMMAND ECONOMY	Mixed Economy
What should be produced?	whatever has been in the past	whatever the consumers want the most (consumer sovereignty)	what the state decides 1. what the state needs 2. what consumers need 3. what consumers want	for the most part, consumer preference determines what products get made; however, some items are prohibited (e.g. narcotics) and others are demanded by the state (e.g. public education)
How should goods and services be produced?	by using whichever methods have been used in the past	the businessman decides, using the methods that ensure the most profit and best quality product	the state sends each enterprise (publically owned) specific quotas and directives for production	for the most part, businessmen are free to use the methods of their choice; however there are government regulations in areas like: hygiene, safety, labour standards, pollution, etc.
who should get the finished goods and services that are produced?	whoever received them in the past	whoever can afford them (the price will be set by the interplay of the forces of supply and demand)	whoever the state decides should have them (the emphasis tends to be on sharing products on an equal basis)	most products are available to whoever can afford them; however some are restricted to certain ages (e.g. smokes, vehicles), some are offered at a government-set price (e.g. health and school fees) and still others are forbidden to all at any price (e.g. narcotics)

GENERAL ECONOMIC TRENDS SINCE 1945 (page 102)



THE 6 commandments of the Market system

1. All factors /means of production are Private ly owned
2. People are motivated by self interest (and do their best work when competing to benefit personally)
3. Scarce resources are allocated by the forces of supply and demand to make what consumers want the most
4. Businessmen compete freely to maximize their profits
5. The government stays out of business (its role is confined to keeping society safe and dealing with other nations)
6. All parties in society--consumers, workers, owners and the general interest---benefit from this system

the 6 Commandments of the command system

1. All factors/means of production are publically owned (by the citizens in theory, and managed by the government in reality)
2. People are motivated by cooperation and sharing: (and do their best work when working collectively)
3. Scarce resources are allocated by the state to ensure the collective interest is served
4. Business managers fulfill orders from the state planning authorities
5. The government is involved in the economy to the max--through both owning enterprises and regulating them (controlling them with laws)
6. All parties---consumers, workers and the general interest---benefit from this system

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