

Economic Systems

Types of Economies and Politics

Economic Systems

- ⊗ What a country produces and in what quantities?
- ⊗ How should scarce resources like land, labour and capital be allocated?
- ⊗ How should goods and services be distributed throughout the country?
- ⊗ What should be the price of goods and services?

A Market Economy

⊗ *“The statesman who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.” – Adam Smith*

In your groups read and then be prepared to explain this quote.

Characteristics

- ⊗ **Private Property** – private ownership of property
- ⊗ **Profit** – self interest, economic gain,
- ⊗ **Competition** – companies compete on quality, services, price, reputation and other areas. The result is to is in theory greater selection of goods and services and only ones demanded by the market (people)

Example: [USA](#)
Watch the video and read the handout. How is the USA / New York Portrayed? How does this illustrate the characteristics of a Market Economy?



How do supply and demand illustrate a Market Economy?



Centrally Planned/Command Economy

- ⊗ **Private Property:** restricted, mostly owned by the government. People may own small houses or plots of land.
- ⊗ **Profit:** All profit in some way belongs to the government. The government is in control of revenue.
- ⊗ **Competition:** limited, The government determines price, quality, style, amount of goods and services made/sold.

[Cuba?](#)



[Singapore?](#)



Mixed Economy

- ⊗ **Private Property:** owned by individuals, corporations and government. The government owns schools, parks, real estate and other essential services
- ⊗ **Profit:** encouraged, but taxed to support government projects
- ⊗ **Competition:** strong competition exists but the government may also compete

[Denmark](#)



[England](#)



Advantages and Disadvantages

Economic System	Advantages	Disadvantages
Market Economy	<ul style="list-style-type: none"> - Freedom of speech, religion, assembly - Efficient use of resources - New Products - Economic Growth - Good quality products - Low Prices 	<ul style="list-style-type: none"> - Gap between rich and poor expands - Lack of consumer education - Unhealthy products
Centrally Planned Economy	<ul style="list-style-type: none"> - All citizens are assured a minimum standard of living - Health, education, and other social programs are provided free to all citizens - No unemployment - Long - term stability 	<ul style="list-style-type: none"> - Restriction of individual freedoms - Little motivation to work hard - Large military presence - Lack of innovation - Corruption
Mixed Economy	<ul style="list-style-type: none"> - Individual incentives - Basic social services - Consumer protection 	<ul style="list-style-type: none"> - Higher taxation - Individuals have little input into how taxes are spent - Government intervention may stifle growth - Less motivation to work hard

⊗ Read the textbooks advantages and disadvantages. Do you sense a bias from the text towards one area or another? Do you agree with the textbook's evaluation?

Linking

⊗ In your groups link the types of government you defined before to the types of economy you feel they have.

- Write the economy type beside the government type. Have an example for each that has not been mentioned in this PowerPoint.