

Chapter 2 Sections 1 and 2

Economic Systems



What is an Economic System?

- ◆ It's a way to decide the 3 economic questions...remember these?

1. What should be produced
2. How should it be produced
3. For whom will it be produced



3 Main Types of Economies

◆ Traditional



◆ Command



◆ Market



Traditional Economies



- ◆ Tribal
- ◆ Strong gender roles
- ◆ Survival is goal
- ◆ Men hunt and herd
- ◆ Women tend crops, raise children
- ◆ No changes, innovation
- ◆ Good of the group is most important



Command Economies

- ◆ Government decides all three questions
- ◆ Also called centrally planned economies



Types of Command Economies

- ◆ Communism: govt controls all
- ◆ Socialism: govt controls basic resources, basic industries, the rest is privately owned
- ◆ (China, Cuba, North Korea, Vietnam)



Advantages and Disadvantages of Command Economies

◆ ADV

- Seek to provide for everyone
- Profit is not the incentive

◆ DIS

- Little motive to improve
- No private property means no incentive to use resources wisely
- Shortages often occur
- Individual rights not important
- Very limited choices

