

Economic Systems

Several fundamental types of **economic systems** exist to answer the three questions of what, how, and for whom to produce: traditional, command, market, and mixed.

- **Traditional Economies:** In a **traditional economy**, economic decisions are based on custom and historical precedent. For example, in tribal cultures or in cultures characterized by a caste system, people in particular social strata or holding certain positions often perform the same type of work as their parents and grandparents, regardless of ability or potential.
- **Command (Centralized) Economies:** In a **command economy**, governmental planning groups make the basic economic decisions. They determine such things as which goods and services to produce, their prices, and wage rates. Cuba and North Korea are examples of command economies.
- **Market (Decentralized) Economies:** In a decentralized **market economy**, economic decisions are guided by the changes in prices that occur as individual buyers and sellers interact in the market place. As such, this type of economy is often referred to as a **price system**. Other names for the market system are **free enterprise, capitalism, and laissez-faire**. The economies of the United States, Singapore, and Japan are identified as market economies since prices play a significant role in guiding economic activity.
- **Mixed Economies:** There are no pure command or market economies. To some degree, all modern economies exhibit characteristics of both systems and are, therefore, often referred to as **mixed economies**. For example, in the United States the government makes many important economic decisions, even though the price system is still predominant. Even in strict command economies, private individuals frequently engage in market activities, particularly in small towns and villages.

*The key point to remember is that every individual and every society must contend with the problem of scarcity. Every society, regardless of its political structure, must develop an **economic system** to determine how to use its limited productive resources to answer the three basic economic questions of what, how, and for whom to produce.*

Name _____
Block _____

Economic Systems
Video Questions
Mr. Moran

The purpose of this video is to have the student explore the different economic systems and how they work. A video is designed to help auditory and visual learners understand the learning target that the video addressed. Watch the video write 10 MITS while watching the video. An MIT or Most Important Thing is a summary point or note that the student believes is crucial to their understanding of the topic. Be sure to number your MITs. Then write a paragraph statement {5-7 sentence minimum} about what you learned from the video. Be ready to tell the class what you learned and how this relates to the learning target that it addresses. (Look at your unit study guide if that helps you)