

Economic Systems

How a country gets what it needs . . .



ECONOMIC SYSTEM

the way in which people
decide to organize the
production, distribution, and
consumption of goods and
services

The **three** basic questions that every economic system must **answer** are:

1. **Production**: What will be made?
ex. cars, airplanes, oil, corn, computers



The **three** basic questions every economic system must answer are:

2. **Distribution**: How will it be made?
What resources will be used?

ex. machines, assembly lines, individual skilled workers; oil, trees, iron



The **three** basic questions that every economic system must answer are:

3. Consumption: For whom will it be made?

ex. everyday shoppers, the government, consumers in foreign countries



Every society answers the three basic questions in different ways. So they have different economic systems or economies

1. Command Economy

2. Market Economy

3. Traditional Economy

COMMAND ECONOMY

the government makes
decisions about **what**, **how**,
and **for whom** to produce

MARKET ECONOMY

Everyday people (producers
& consumers) make the
decisions about **what**, **how**,
and **for whom** to produce

**What about the other types of
economic systems?**

Mixed Economy

Traditional Economy

MIXED ECONOMY

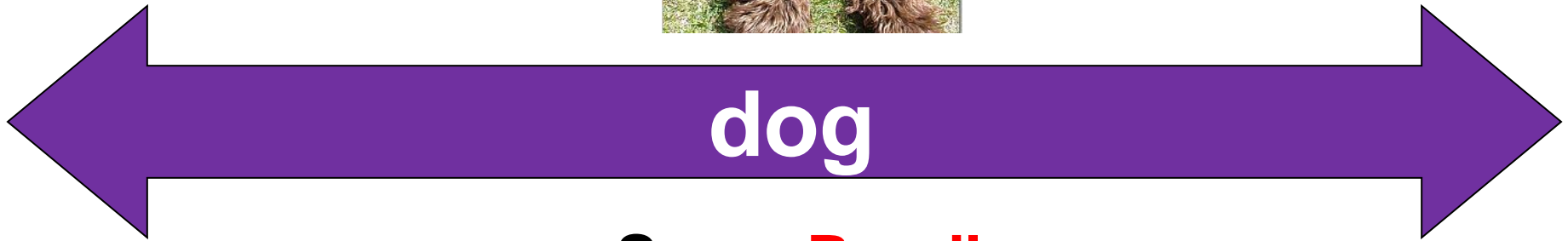
An economic system that has features of **command** and **market** economies

MOST economies in the world are **MIXED** economies

A mixed economy is kind of like?



Labradoodle



PURE
Poodle

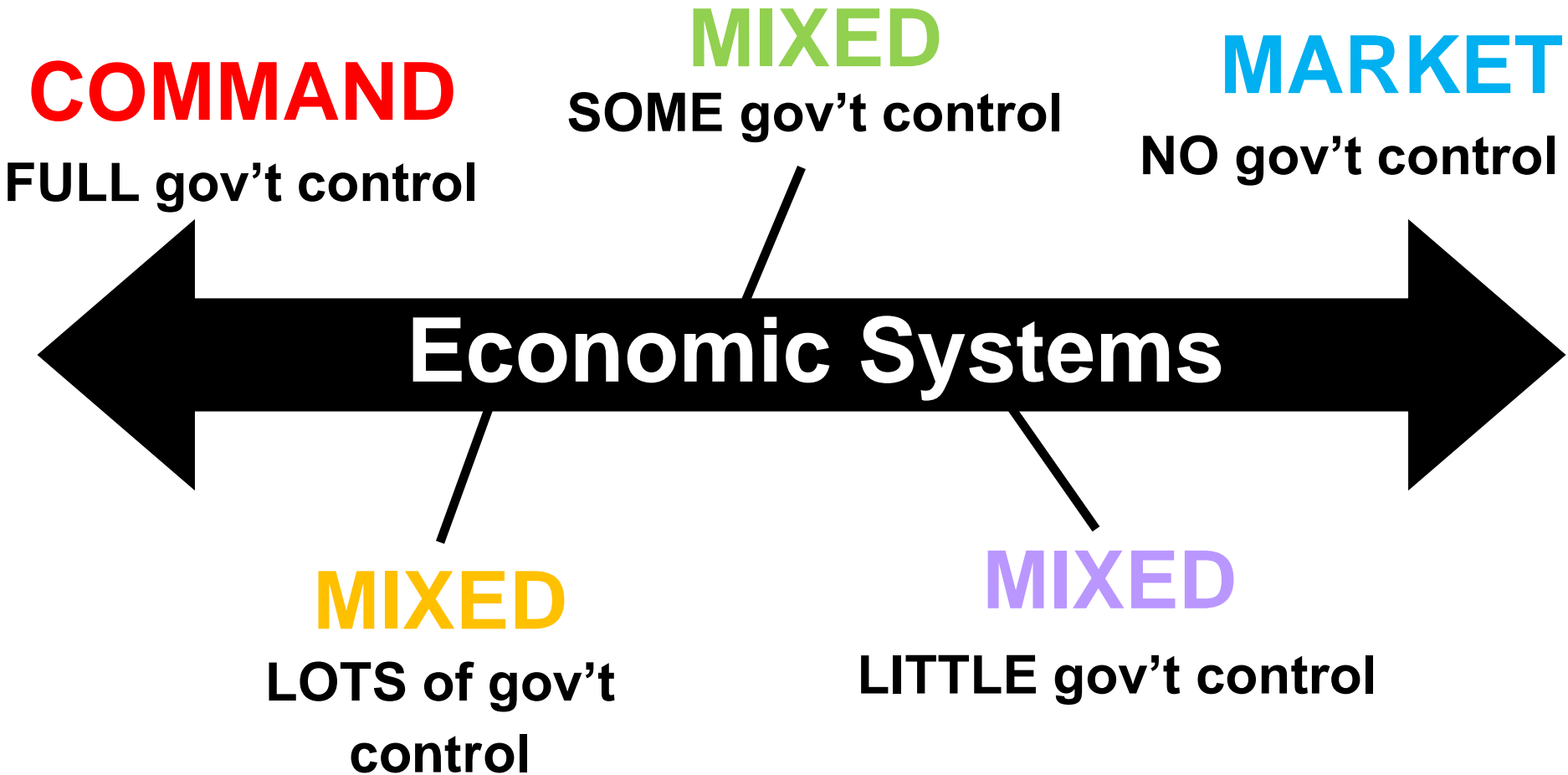
Some Poodle,
some Labrador

PURE
Labrador

Let's review . . .

How a country organizes it's resources:

Who decides production, distribution, and consumption of goods and services?



We forgot one!

There is another kind of economy that can be found in **all parts** of the world, but it's not very common.

This economy is left over from the **past**.

TRADITIONAL ECONOMY

**Social roles & culture
(traditions) determine **what**,
how, and **for whom** to
produce**

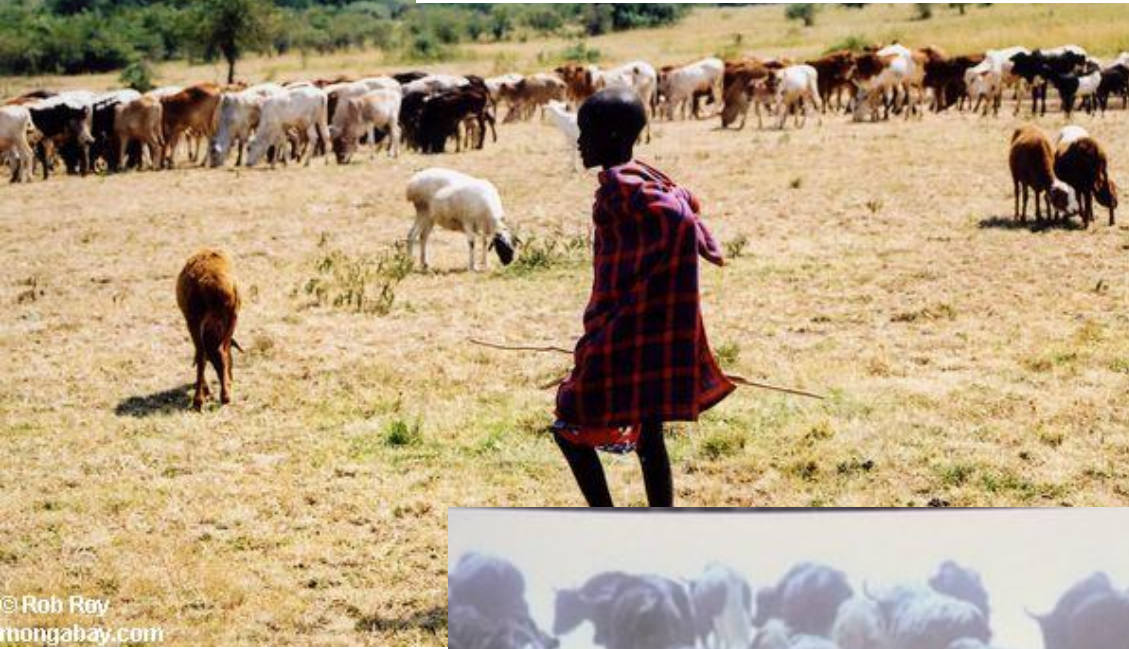
**People do the same things their
ancestors did before them**

Traditional Economy

EXAMPLES

- You're a girl. Your mom **spins thread & makes cloth**, so you do too
- Your parents **raise & herd cattle**, so you do too.
- A families **status** in the community may determine if they can own a tractor

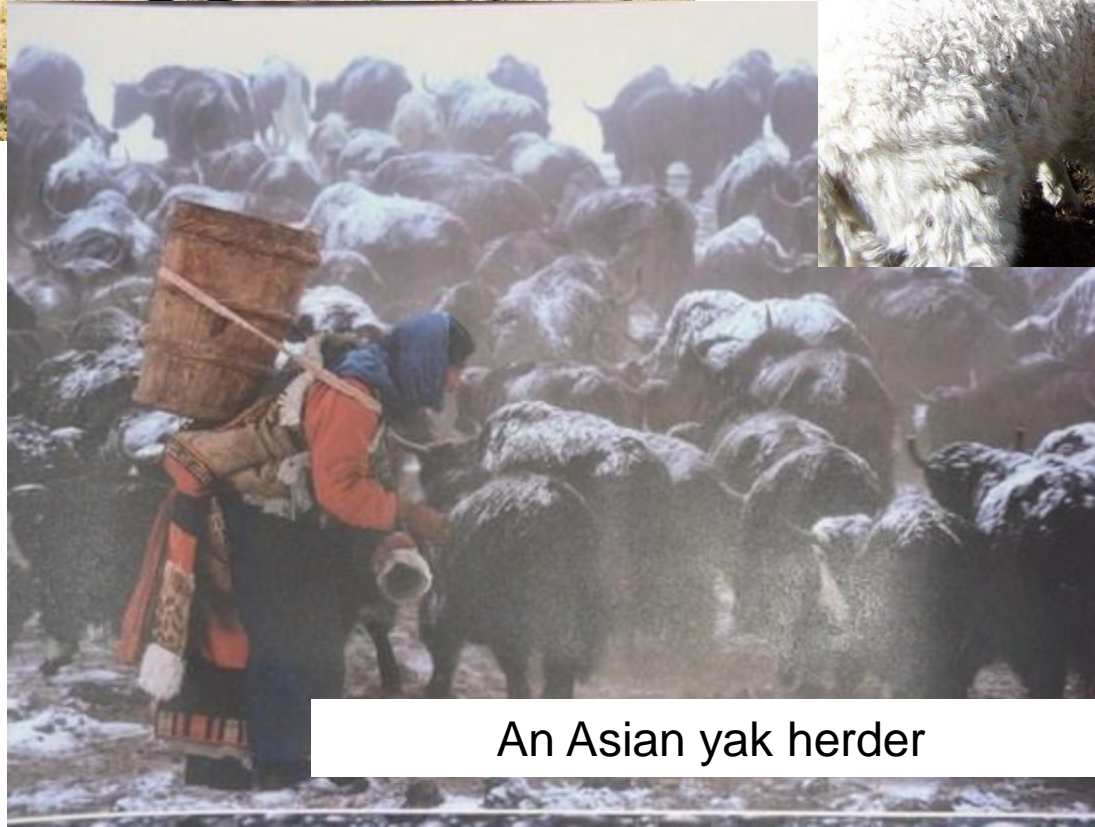
Masi boy herds cattle in Africa



© Rob Roy
mongabay.com



A Tibetan sheep herder

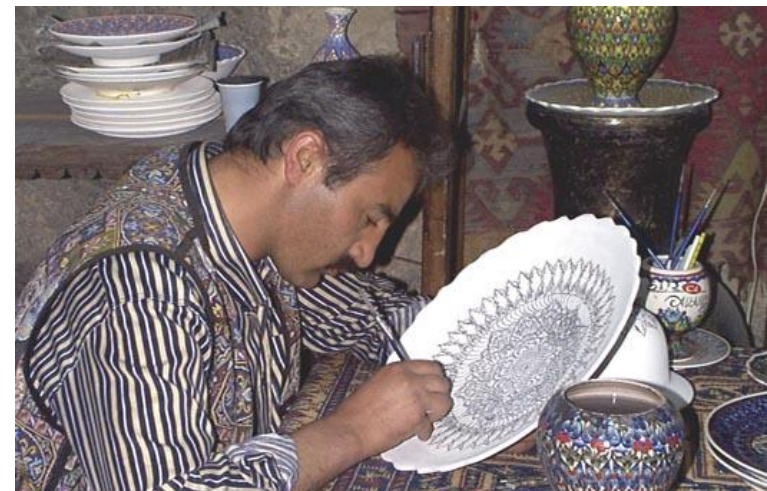


An Asian yak herder

Indian women weaving cloth



A water buffalo ploughs a rice field in Asia



A Turkish man decorating pottery

Can you think of examples of traditional economies in the U.S.?

- ◉ Vegetable **garden** in your backyard
- ◉ Doing **chores** around your house to get privileges from your parents (ex. going to the movies, getting a new cell phone)
- ◉ ? ? ? ?

