



Economic Systems

Traditional, Command, & Market

	Traditional	Command	Market
1. What goods/services will be produced?			
2. How will goods/services be produced?			
3. Who will consume the goods/services?			

Economics Vocabulary Terms

- 1. Scarcity:** The limited supply of something
- 2. Bartering:** Trading without using money
- 3. Command Economy:** economy in which business activities and allocation of resources are determined by government order rather than market forces
- 4. Market Economy:** an economy in which the greater part of production, distribution and exchange is controlled by individuals and privately owned corporation rather than by the government

Economics Vocabulary Terms

5. Traditional Economy: Social roles and culture determine how goods and services are produced.

6. Mixed Economy: an economy which has characteristics of both command and market systems

7. Free Enterprise: competition between companies (shifts prices of goods/services)

What is Economics?

Economics is not just money. It's businesses and how they work. It's lemonade stands and how many dollars they take in. It's toy collecting and baseball card collections. It's taxes and allowances. It's stocks and bonds. Economics is part of almost everything you could ever think about.



Scarcity is the Root of Economics

- There is not a single country in the world that has an abundance of all the resources that people need/want.
 - Scarcity= the limited supply of something
- Because of this, countries must make a plan of how to use these limited resources.
- This “plan” is called an...

Economic System!

Three Little Questions

• When developing the economic plan, each country must answer three basic economic questions:

1. What goods/services will be produced?
2. How will goods/services be produced?
3. Who will consume the goods/services?

The way a country answers these questions determines the kind of economic system it will have:

Traditional

Command

Market

Traditional Economic System



Small villages in Africa, Asia, and Latin America

Traditional Economic System



Traditional Economy

- All economic decisions are based on customs, traditions, & beliefs of the past.
- People will make what they always made & do the same things their parents did.
- The exchange of goods is done through bartering
 - Bartering trading without using money
- Some Examples: villages in Africa & South America, the Inuit in Canada, Aborigines in Australia

Traditional Economy

Let's see how a traditional economy fits in with the economic questions...

1. What goods/services will be produced?

- People follow tradition & make what their ancestors made.

2. How will goods/services be produced?

- People produce goods the same way that their ancestors did.

3. Who will consume the goods/services?

- People in the village who need them.

Work in Groups

Describe what each of the following would look like in a traditional economy:

- Waking up in the morning
- You and your friends hangout in the afternoon
- Going to get food for dinner

Command Economy

What to
Produce

How to
Produce

For Whom
to Produce



Completely determined and controlled by a central authority

Old Soviet Union, Cuba, and North Korea

CONTROL



**PLANNED
ECONOMY**

COMMUNISM

SOCIALISM



				Class Struggle
	Residence Castro Distribute \$1000	Square of heavenly peace Distribute \$1100	Red Square Distribute \$1200	

Command Economy

- **All** economic decisions are made by the Government.
- The government owns most of the property, sets the prices of goods, determines the wages of workers, plans what will be made...everything.
- This system has not been very successful. More and more countries are abandoning it.

Command Economy

- This system is very harsh to live under; because of this, there are no PURE command countries in the world today.
- Some countries are close: Cuba, North Korea, etc. And, the one we all know from history was the Soviet Union.
- All of these countries have the same type of government: Communism.

Command Economy

Let's see how a command economy fits in with the 3 economic questions...

1. What goods/services will be produced?

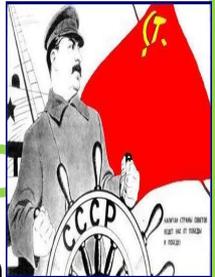
- Government decides what will be produced.

2. How will goods/services be produced?

- Government decides how to make them.

3. Who will consume the goods/services?

- Whoever the government decides to give them to.

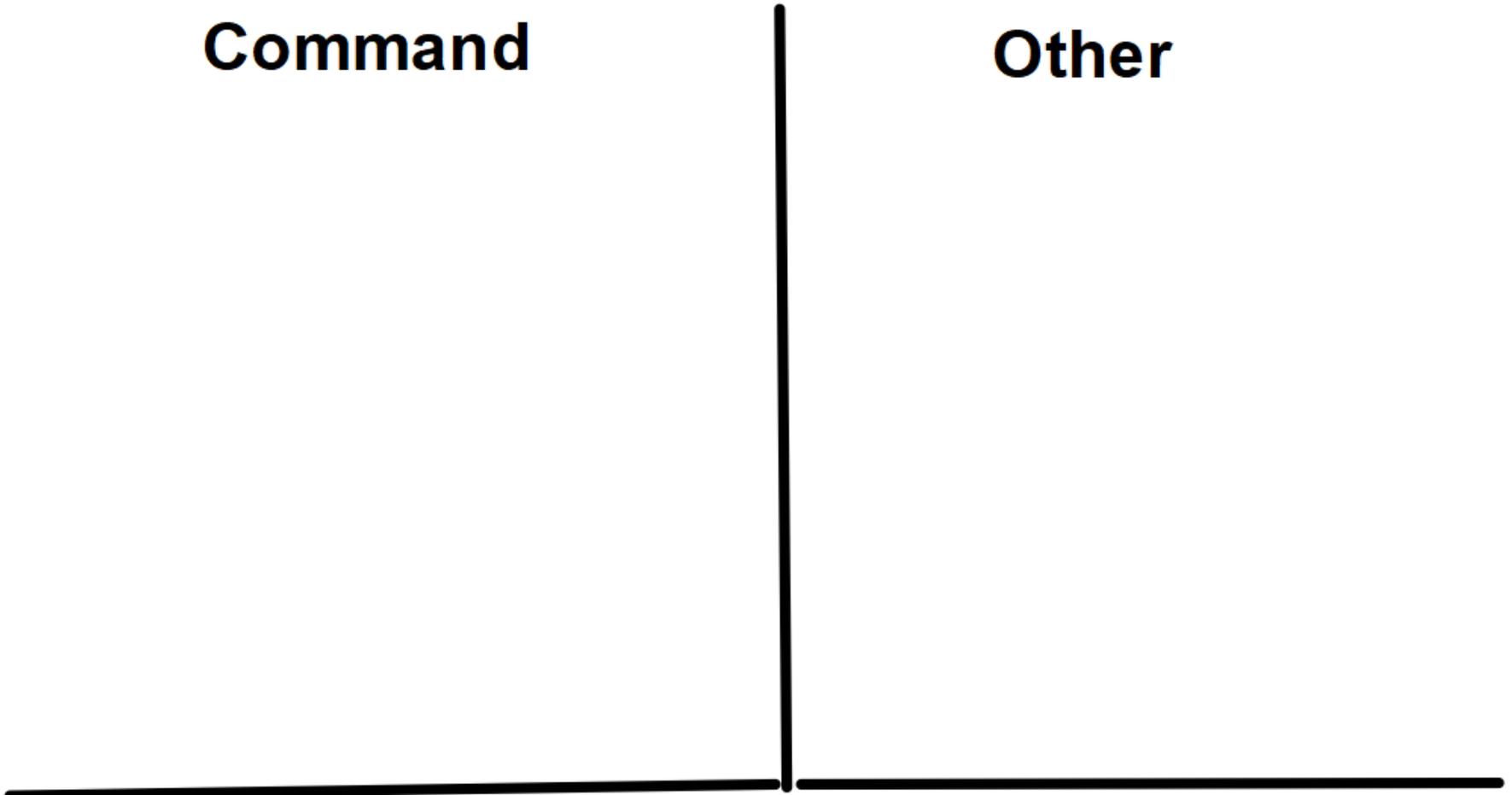


Place each phrase in the correct column using the promethean

Place the following phrases in the correct column

Command

Other



Market Economy

- Economic decisions are made based on the changes in prices that occur as buyers & sellers interact in the market place.
- Free enterprise helps make these decisions.
 - Free Enterprise competition between companies (shifts prices of goods/services)
- The government has no control over the economy. Private citizens answer all economic questions.

Market Economy

- In a truly free market economy, the government would not be involved at all. Scary...
 - There would be no laws to make sure goods/services were safe. *Food! Medicine!
 - There would be no laws to protect workers from unfair bosses.
- Because of this, there are no PURE market economies, but some countries are closer than others.
 - Some Examples: US, UK, Australia, etc.

Market Economy

Let's see how a market economy fits in with the 3 economic questions...

1. What goods/services will be produced?

- Businesses (owned by private citizens) based on decisions on supply & demand and free enterprise (AKA \$!)

2. How will goods/services be produced?

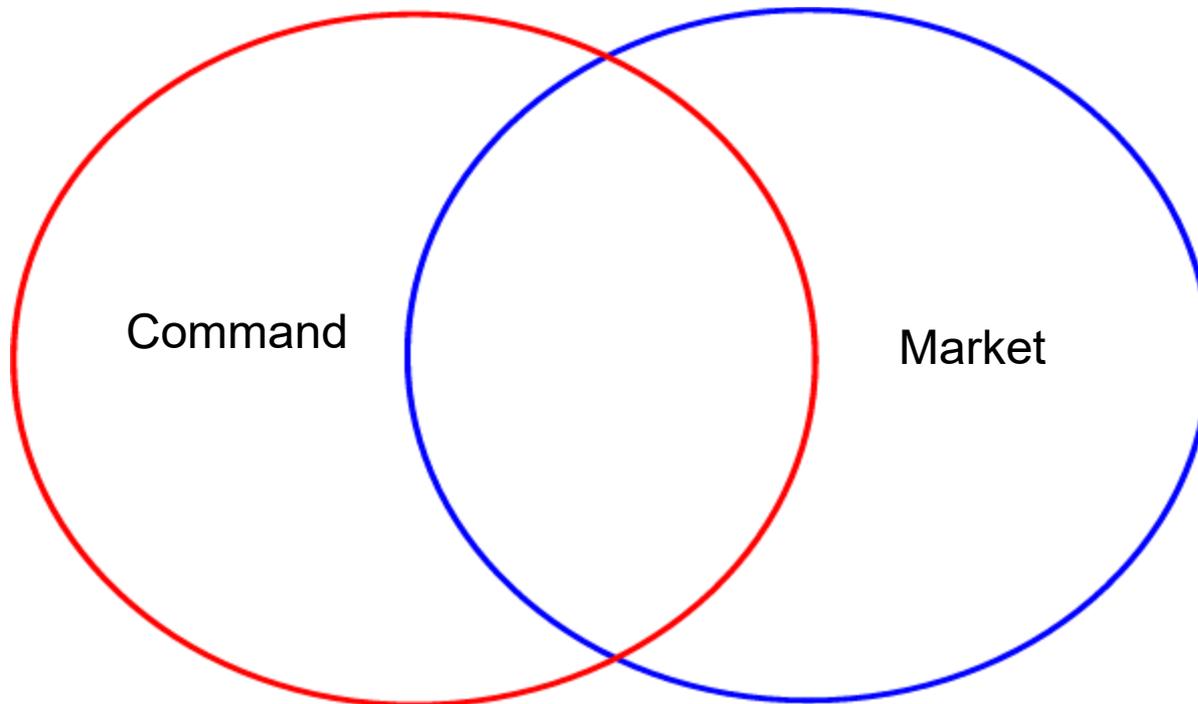
- Businesses (owned by private citizens)

3. Who will consume the goods/services?

- Consumers

Stop, Collaborate and Listen

What are the similarities and differences of Market and Command Economies?



Hmmmm . . .

- Since there are no countries that are purely command or purely market, what does that make them? Command or Market?
- Ha! Most democratic countries have some characteristics of both systems, so we keep it simple and call them: **Mixed!**
- Of course, most countries' economies are closer to one type of system than another...

Continuum of Economies

Pure
Market

Pure
Command



Most
Individual
freedom

No
Individual
freedom

Most economies fall in between a pure market and a pure command economy on the continuum making mix economy the most used economy in the world.

The Economic Continuum

command

Market



↑
Cuba

↑
Russia

↑
Germany

↑ ↑
UK US

↑
Australia

Let's Review

1. What are the three basic questions that every economic system must answer?
2. What are the three economic systems?
3. The former Soviet Union was an example of what kind of economic system?
4. Which economic system allows for the most individual freedom?
5. In which economic system does the government have the most control?
6. In which economic system do individuals do things based on customs & beliefs?
7. What is the economic system of most communist countries?
8. How do traditional economies exchange goods?
9. Which country is closest to a true Market economy?
10. Most democratic countries have which type of economic system?

Answers

1. What are the three basic questions that every economic system must answer? **What's produced, how's it produced, & who consumes it**
2. What are the three economic systems? **Traditional, Command, Market**
3. The former Soviet Union was an example of what kind of economic system? **Command**
4. Which economic system allows for the most individual freedom? **Market**
5. In which economic system does the government have the most control? **Command**
6. In which economic system do individuals do things based on customs & beliefs? **Traditional**
7. What is the economic system of most communist countries? **Command**
8. How do traditional economies exchange goods? **Bartering**
9. Which country is closest to a true Market economy? **Australia**
10. Most democratic countries have which type of economic system? **Mixed**

Show ME!

**The government
makes ALL economic
decisions.**

Answer

Command

Show ME!

**If your parents were
peanut farmers, then you
would be a peanut
farmer also**

Answer

Traditional

Show ME!

**Most democratic
countries are this.**

Answer

Mixed

Show ME!

**Cuba is close to having
this type of system.**

Answer

Command

Show ME!

Business (ran by private citizens) determine what goods/services are produced and how they will be made

Answer

Market

Show ME!

Bartering is used.

Answer

Traditional

Show ME!

**Communist countries
are closely related to
this.**

Answer

Command

Show ME!

Businesses make economic decisions, but the government regulates them to make sure they're safe/fair.

Answer

Mixed

Show ME!

**Australia is close to
this.**

Answer

Market