

Name _____

Date _____



Economic Systems

Every economic system answers three questions. Cool? What is produced? How is it produced, and for who?
In other words...

An economic system is how a society
Makes and sells goods and services for everybody.
Communism is a command economy,
Where the government decides, not you or me.
They own all factors of production,
Dictating what and how much is made for consumption.
Businesses exist to produce goods and services
Based on a quota, not for profit. Have you heard of this?
There's no competition between businesses,
And the government sets the price for any purchases.
In a market economy, like capitalism,
It's not like communism where the people have to listen.
Individuals and businesses decide what is made,
How it's made. Then they can sell it to get paid.
Businesses are motivated by profit,
And goods can go to anyone with money in their pocket
At the stock market or a fruit market.
A market is where goods are bought and sold, like Target.
The market's based on supply and demand.
The price and rate of production depends on them.
If supply is low, and demand is high, prices rise.
For the opposite, prices drop, production subsides.
A mixed economy takes concepts from both
Market and command, and that's where socialism lands.

What is produced? How and who for?

Different economic systems answer this at their core.

Does the government control or individuals control?

Most systems fall somewhere in between, so you know.

(x2)

Each economic system has cons and pros.

Let me break them all down so everyone knows.

In theory, a command economy promotes fairness

Through even distribution of wealth. Plus, there is

Supposed to be stability, no market fluctuations,

But it hasn't panned out in real-life situations.

In the Soviet Union, 20th century,

Communism led to corruption. It wasn't pretty.

Only a few had power. This resulted in totalitarian rule

Where the rest had to cower.

With a market economy, like capitalism,

There's incentive for a business to outperform the competition.

This results in better, less expensive products

And more choice for consumers. Well, that's the logic.

But inequalities will always be in market economies.

Bad spending and less social services can lead to poverty.

But there are almost no examples in reality

Of a pure command or market economy.

Most lean toward a market but fall along a spectrum

And take concepts from both, and then connect them.

For example, the US is mainly capitalist

But has public programs, like Medicaid, to assist.

And China used to be completely communist

But adopted concepts from the capitalists.

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