Econ Notes Ch 2

Scarcity causes us to ask 3 important questions

1) What goods and services should be produced?

2) How should they be produced?

3) Who consumes them?

There are many ways to produce things so why use one instead of another?

-efficiency etc.

Who consumes the goods then?

-we do

-based on income distribution

-different goods offered to different socio-economic groups

There are 4 primary types of economic systems.

1) Traditional

-Very Primitive

-These areas tend to be rural, second- or third-world, and closely tied to the land, usually through farming.

-Gender specific

-Remain stagnant

-The main disadvantage is that traditional economies do not enjoy the things other economies take for granted: Western medicine, centralized utilities, technology, etc.

2) Command

-Government decides what is best for the people

-Government controls land, labor and capital

-Government decides who will work, where they will work and what will be made

-And of course the Gov decides who will get the goods and services

3) Market

-A market economy is very similar to a free market. The government does not control vital resources, valuable goods or any other major segment of the economy. In this way, organizations run by the people determine how the economy runs, how supply is generated, what demands are necessary, etc.

-advantage to capitalism is you can have an explosive economy

-3 q's are answered by each individual

4) Mixed

-Most common types of mixed economies, the market is more or less free of government ownership except for a few key areas.

-Government programs such as ed, transportation, USPS, etc.

-These industries also exist in the private sector in America, this is not always the case for a mixed economy.

-(Downfalls) America has seen a rise in government power. Not just in imposing laws and regulations, but in actually gaining control, becoming more difficult to access while simultaneously becoming less flexible.

**America is a Mixed Market economy**