Types of Economic Systems
3 Types of Economies
• How many basic types of economic systems are there?

• Name the economic systems.

• Which economic system do most textbooks say is the most common throughout the world?
• How many basic types of economic systems are there? 3
• Name the economic systems. Traditional, Command, Market
• Which economic system do most textbooks say is the most common throughout the world? Mixed. The GCEE states that mixed is not an economic system but rather a blending of two different types of systems.
Economic Systems

Pure Command

Mixed Economy

Pure Market
What determines which type of economy a country has?

• The type of economy is determined by the extent of government involvement in economic decision making.
Traditional Economy

1. Allocation of resources is based on rituals, habits, or customs

2. Roles are defined by family

3. People work together for the common good

4. Little individual choice
Free Market Economy

1. Private ownership of property/resources
2. Business decisions are driven by the desire to earn a profit
3. There is a great deal of competition.
4. Consumers have many choices
Mixed Economy

1. Individuals and businesses as decision makers for the private sector
2. Government as decision maker for the public sector.
3. A greater government role than in a free market econom
4. Most common economic system today
   **Examples:** England, Germany, Russia
Command Economy

1. Central ownership of property/resource
2. Centrally planned economy
3. Lack of consumer choice

Example: Cuba and Former Soviet Union
Economic Systems

Australia 83%

Mixed Economy

Pure Command

Pure Market
Three Basic Economic Questions

• **What to produce?**
  This question asks what people will make and sell. Many countries produce goods or services based on which resources are available and which will make the most money for the lowest cost. A country's type of economy usually has less influence on this question than it does on the other questions.

• **How to produce?**
  This question asks how people will make a good or service. Manufacturing is a way to produce. Sometimes production is outsourced, or sent to other countries, in order to keep cost down. Downsizing reduces the number of employees, also allowing cost to be kept down.

• **For whom to produce?**
  This question asks whom goods are services will be made for. People in market economies will produce for a target market. This will allow them to make the greatest profit.