

Economics



1) Economics and 2) Economy

1. The study of how people choose to use their limited resources to satisfy their unlimited wants.
2. A system used to manage limited resources for the production, distribution, and consumption of goods and services.

Adam Smith

- Scottish born philosopher and political economist.
- “Father of modern economics”



Microeconomics vs. Macroeconomics

1. Micro looks at decisions made by individuals, households, and businesses
2. Macro focuses on the workings of the economy as a whole.

- Economics
 - Macro
 - Micro

Economic system

A structure of governance that deals with the different economic activities to answer the basic questions on the needs of the economy.

Economic systems



Economic systems

**TRADITIONAL
Economy**

Economic systems

INDIVIDUAL

TRADITIONS



ROLES

Traditional Economy

EXAMPLE:

- A farmer engaged in the production of rice did exactly what his father did when he was also planting rice before.
- Does not require progress
- Using methods used by his ancestors

Traditional Economy

The *SOCIETY* decides, not
the *INDIVIDUAL*.

Economic Systems

- MARKET
 - ECONOMY
 - Feudalism
 - Mercantilism
- Capitalism

Market Economy



MARKET

Arrangement between the
SELLERS and the BUYERS
to make a TRANSACTION.



Market Economy

Indicator:
CONSUMER'S
DEMAND

HIGH PRICE = In demand
= increase production

LOW PRICE = not in
demand = decrease
production

Economic Systems

CAPITALISM

Capitalism

Foundations:

Private Property

Profit Motives

AKA:

Free Enterprise or

Free Market System

- Ownership for
- Production
 - Land
- Capital
- Entre-preneur
- Labor

Capitalism

Ownership of Resources & Wealth

“Property is allowed without limitations”

Decision-Making

“Decision-making is DECENTRALIZED”

Pricing

“Pricing depends on the prevailing price in the MARKET”

Economic Systems

Command Economy

All economic activities
are planned by
authority.



Command Economy

- Government owns and controls all factors for production.
- Individual preferences are not considered

PRINCIPLE:

- Interests of society should prevail over that of the individuals.

**Thanks For
Attention**