Economics



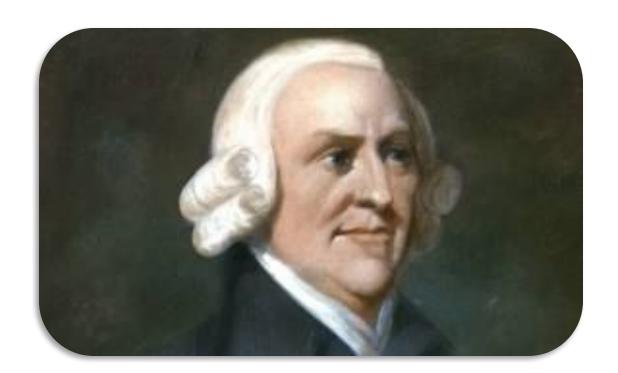
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1) Economics and 2) Economy

- 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.

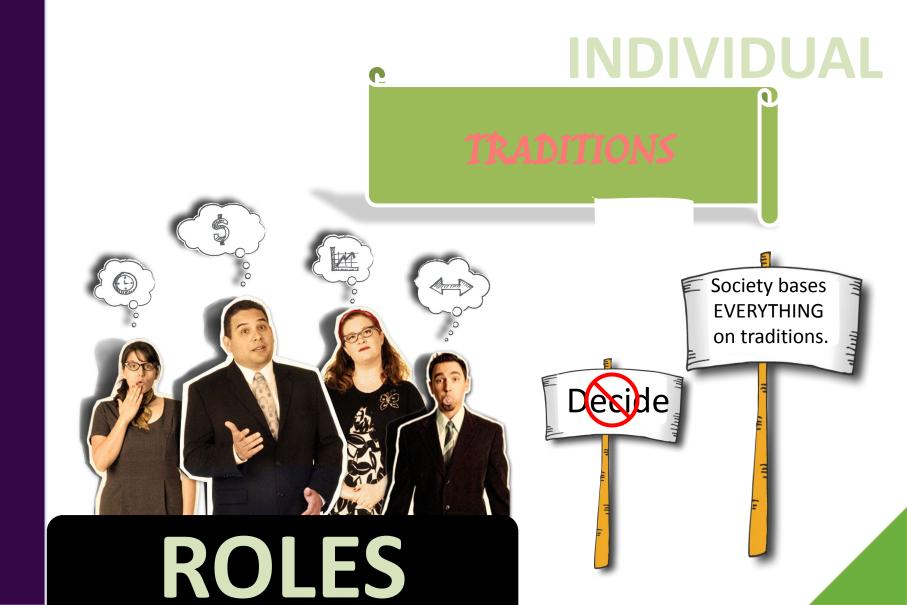
Economic systems



Economic systems

TRADITIONAL Economy

Economic systems



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



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