



Economic Systems

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Aims and objectives

- Aims:

- 1) Introduce types of economies;
- 2) Introduce special vocabulary.

- Objectives:

- 1) Show presentation;
- 2) Show vocabulary;
- 3) Ask some questions to auditory.

Plan

- 1) Types of Economic Systems
- 2) Traditional Economy
-
- 3) Market Economy
-
- 4) Mixed Economy
- 5) Command Economy

Types of Economic Systems:

Economic Systems

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graph TD; A[Economic Systems] --> B[Traditional Economy]; A --> C[Market Economy]; A --> D[Command Economy]; A --> E[Mixed Economy];
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**Traditional
Economy**

**Market
Economy**

**Command
Economy**

**Mixed
Economy**

Economic Systems

- Economic Systems – method used by a society to produce and distribute goods and services
- Each type has its own solution to questions: what, how much and for whom provide goods and services.

Types of Economic Systems:

1. Traditional Economy

- relies on habit, custom, or ritual to decide questions of production and consumption of goods and services
 - little room for innovation or change
 - revolves around the family



The **Inuit** of northern Canada are among the few communities that have a traditional economy.

Types of Economic Systems:

2. Market Economy

- decisions on production and consumption of goods and services are based on voluntary exchange
 - choices are made by individuals



Types of Economic Systems:

3. Mixed Economy

– market-based economic system in which the government plays a limited role

- most modern economies!!



Types of Economic Systems:

4. Command Economy

- a central authority is in command of the economy
 - central government makes all the decisions

The Soviet Union & China-
The Transition from
Command Economy to
Market Economy

Why the Soviet Union Failed and
China Succeeded



Comparing Mixed Economies

- An economic system that permits the conduct of business with minimal government intervention is called **free enterprise**. The degree of government involvement in the economy varies among nations.

Continuum of Mixed Economies

Centrally planned

Free market

Iran

South Africa

France

United Kingdom

Hong Kong

North Korea

China

Botswana

Canada

Singapore

Cuba

Russia

Greece

Peru

United States

Countries Economic Systems:





3 Economics

- **WHAT** goods and services should be produced?
—
- **HOW** should these goods and services be produced?
—
- **FOR WHOM** should these goods and services be produced?
—

Traditional economies

- The highest goals of people in a traditional economy are economic stability and security. Most want nothing more than to live as they always have, following traditional ways of life, in harmony with nature. For most traditional societies, though, this goal is increasingly difficult to attain. Traditional economies have become shrinking outposts of the past surrounded by the modern world. As modern economies exert an ever-growing influence, traditional societies are struggling to find a path to economic survival.

- Do you know any barter countries?
- Which ones?



Inuit (North America)



Command economies

- Rulers at the top of these early civilizations—kings, pharaohs, emperors—commanded the populace to devote economic resources to building projects or military adventures. Many thousands of people might be conscripted to build a pyramid, defensive wall, irrigation canal, temple, or road. In a preindustrial age, such projects took vast quantities of human labor. Often, many people would be drafted into a ruler's army and sent into battle in distant lands.

- Can you tell us, what countries do u know with command economy?



North Korea



Market Economies: Decision Making by Individuals

- The newest economic system to emerge in human history is the market economy. A market economy depends not on tradition or command to coordinate its activities but on the decisions of individual producers and consumers. Note that when economists speak of “the market,” they are referring to the economic system within which buyers and sellers exchange goods and services. This is distinct from an everyday market, which is a place where people buy and sell goods.

USA



Melissa & Doug

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Let us repeat

1) Traditional Economy

- centers on families, clans, or tribes
 - decisions are based on customs and beliefs
- Good of the group always comes before individual desires



Can you reckon some pluses and minuses of Tradition economy?

- +

- -



Tradition economy

- Advantages and Disadvantages
 - Advantages: little disagreement over goals, roles
 - methods of production, distribution determined by custom
 - Disadvantages: as result of resistance to change, less productive
 - do not use new methods; people not in jobs they are best suited for
 - low productivity results in low standard of living

Let us repeat

- **Command Economy....**

Who can tell about this?

You can work together 😊



Command Economy

- (centrally planned economy) government (or a king, a leader, a marshal) makes economic decisions
 - determines what to produce; how to produce; who gets products
 - determines who is employed, work hours, pay scales
- Wants of individual consumers rarely considered
- Government owns means of production: resources and factories

Let us repeat

Market Economy (no interruption from government)

- driven by choices of consumers and producers
 - consumers spend money, go into business, sell their labor as they wish
 - producers decide how to use their resources to make the most money
- Consumers, producers benefit each other when they act in self-interest

Let us repeat

Mixed economy

- has elements of traditional, command, market systems
 - most common type of economic system
- Traditional, command, market economies adopt elements from others

- 
- Types of Mixed Economies
 - U.S. basically has market system
 - European countries greater mix of market and command elements
 - France—government controls some industries; provides social services
 - Sweden—state owns part of all companies; lifelong benefits, high taxes
 - Namibia—traditional; state supports market, foreign investment

So, who can summarize?



Vocabulary

- **Centrally planned or command economy** –*an economy where all economic decisions are taken by the central authorities.*
- **Free-market economy** – *an economy where all economic decisions are taken by individual households and firms and with no government intervention.*
- **Mixed economy**–*an economy where all economic decisions are taken partly by the government and partly through the market.*

Vocabulary

- **Planning** – *establishment of objectives for man and organization and determination of the best ways to accomplish them.*
- **Nationalization** – *the process under which private industries become state owned industries.*
- **Tax** – *a charge, monetary as a rule, imposed by authority upon persons or property for public purposes.*

Vocabulary

- **Subsidy** –*monetary grant or gift.*
- **Partnership** –*unincorporated business owned and operated by two or more persons under a voluntary legal association.*

Thank you for your attention

