

ECONOMICS

	<p>Economics:</p> <p>Economic System:</p>
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Traditional	Command	Market	Mixed
<ul style="list-style-type: none"> -An economic system where tradition and custom govern economic decisions -Economic activities are usually centered toward the family, tribe, or ethnic group -Resources are allocated based on inheritance -Farming, hunting, and gathering are done largely in the same fashion as the generation before -Choices are determined by environment -Little or no use of technology 	<ul style="list-style-type: none"> -The government or other central authority makes all economic decisions -Individuals have little, if any, influence over economic functions -Resources are owned by the government -There is no competition; the purpose of business is to provide goods and services, not to make a profit -Factories are concerned with quotas -Consumers have few, if any, choices in the market place -The government sets the prices of goods and services 	<ul style="list-style-type: none"> -Economic decisions are made by individuals competing to earn profits based on supply and demand -Resources are owned by individuals -Profit, not quotas, is the motive for increasing work -Competition determines price and increases the quality of products -Individual freedom is considered very important; individuals have freedom to make economic decisions -Also called “capitalist” economy 	<ul style="list-style-type: none"> -Combines elements of pure market and command economies; Government and individuals share the economic decision making process -Government guides and regulates production of goods and services -Resources are owned by individuals -Government serves to protect both producers and consumers from unfair policies and practices

	Traditional	Command	Market	Mixed
Advantages	<ul style="list-style-type: none"> -Little friction among members because there is little competition -Individual roles are clearly defined -System is generally well-understood by participants 	<ul style="list-style-type: none"> -Can ensure stability because it does not coincide with business cycles -Serves people collectively instead of individuals; focus on equality -Distributes wealth among all of society -Products produce fulfill needs 	<ul style="list-style-type: none"> -Prices determine by market forces (supply and demand); competition brings down prices -Consumers can buy whatever they like in whatever amounts they want -Adjusts to change easily -Little government intervention -Great variety of goods and services -Capital flows to where it will get the greatest return 	<ul style="list-style-type: none"> *See advantages of command and market economic systems -Can focus on social welfare and political freedom, as well as individual liberties
Disadvantages	<ul style="list-style-type: none"> -Does not allow for growth and development -Changes are slow -There is little social mobility (your role is determined by birth) -Does not take advantage of technology -Individuals often have no control over environmental factors 	<ul style="list-style-type: none"> -Often there is insufficient resource distribution, i.e. Shortages and/or surpluses -Cannot determine societies objectives and consumer preferences as well as market can -Lack of incentives for innovation -Infringes on personal freedoms -Can often lead to corruption among state planners -Cannot easily adjust to change 	<ul style="list-style-type: none"> -Does not always provide basic needs of everyone in society, which can lead people to slip into poverty -May make it difficult for government to provide adequate social services -There are occasionally market failures -People can make choices which are harmful to themselves and to others 	<ul style="list-style-type: none"> *See disadvantages of command and market economic systems -May not lead to optimal use of resources -Government intervention can hinder progress