

Types of Economies

Compare how different economic systems answer the fundamental economic questions of what goods and services to produce, how to produce them, and who will consume them

Key Terms

Supply	What is produced
Demand	The quantity people want of a certain product.
	Questions: 1. Name a product in high demand 2. What happens to price when demand is high? 3. What happens to price when demand is low?
Scarcity	The idea that there are limited goods and unlimited needs and wants. This forces us to make choices
	Question: 1. Have you ever had to make an economic choice? What?
Consumer	A person who buys the good or service (consumes)
Producer	the person who supplies the good or service

Video 1: Price Supply and Demand in a Free Market

The Three Basic Economic Questions

All economies must answer:

- What to produce?
- How to produce it?
- Who will get it?

Who answers these questions determines the type of economy the society has.

Types of Economy

Questions answered by:

Command / Communism:

All economic decisions are made by the government

- *An example:*



_____ Individuals
(consumers and
producers)

_____ Government

Free Market / Market / Capitalism

Laissez-Faire

Private individuals make all economic decisions.

Supply and demand determines price with **competition** and consumer choice

- *An example:*



_____ Individuals
(consumers and
producers)

_____ Government

Mixed / Socialist

Represents characteristics of 2 or more types of economies

- *An example:*



_____ Individuals
(consumers and
producers)

_____ Government

Traditional / Tribal

All economic decisions are based on habits, customs, and traditions

- *An example:*



_____ Individuals
(consumers and
producers)

_____ Government

Video 2: Free Market vs. Command Economies