**What is Economics?**

**Economics:** is the study of how individuals and societies seek to satisfy needs and wants through incentives, choices, and allocation of scarce resources.

**What are Economic Resources /Factors of Production?**

Natural Resources raw materials found in nature that are used to produce goods

Human Resources people’s knowledge, efforts, and skills used in their work

Capital Resources used to produce goods and services (buildings, materials, and equipment)

Entrepreneurial recognize the need for new goods or service

Resources

Scarcity shortage of resources

**How are Economic Systems created?**

* Countries create economic systems to determine how to use their limited resources effectively.
* Primary goal of an economic system is to provide people with a minimum standard of living, or quality of life.

Different types of Economic Systems

* Traditional Economy
* Market Economy (free enterprise)
* Command Economy
* Mixed Economy

**What are the 4 Types of Economic Systems?**

**Traditional Economy**

* Economic activities are centered around the family or ethnic unit
* Customs govern the economic decisions
* Farming, hunting and gathering are done the same way as the generation before
* Men and women are given different economic roles and

**Disadvantages:**

Technology is not used; difficult to improve

Found in isolated and rural areas–

Amish

Pygmies of Congo

Eskimos & Indian tribes

Belarus

**Advantages:** people have specific roles; security in the way things are done

**Market Economy (Free Enterprise)**

* Also called a Free Market Economy or Free Enterprise Economy
* Businesses and consumers decide what they will produce and purchase and in what quantities
* Note: a true market economy does not exist.
* Decisions are made according to the law of Supply and demand, which determines the type and quantity of goods produced and the price that will be charged.

**Disadvantages:** huge rift between wealthy and poor

**Advantages:** competition to have the best products and services

**Command Economy** (Planned or Managed Economy)

* The government (or central authority) determines what, how, and for whom goods and services are produced.

**Two types:**

* Strong Command – where government makes all decisions (communism – China, Cuba)
* Moderate Command – where some form of private enterprise exists but the state owns major resources (socialism – France and Sweden)

**Disadvantages:**

* Fewer choices of items
* No incentive to produce better product or engage in entrepreneurship

**Advantages:**

* Guarantees equal standard of living for everyone
* Needs are provided for through the government

**Mixed Economy**

* Combination of a market and a command economy
* Government provides for the basic needs of the people
* Marketplace sells goods and services
* *Most nations have a mixed economy:* United States, England, Australia

**Disadvantages:**

* citizens have to pay taxes

**Advantages:**

* balance of needs and wants met by government and in marketplace