

Learning out come will see students being able to :

- * A. C. 2.1-Explain how economic systems attempt to allocate resources effectively .

What is an economic system?

- * An economic system is an organized way in which a country to decide how to use/allocate its productive resources; that is to:
- * Decide what to make
- * How much to make
- * And for whom to make products for

All economies around the world operate under one or more of the three forms of economic system.

Types of Economic Systems

- * **Planned or Command-** “is an economic system in which a central planning authority, under the control of a country’s government, owns most of the factors of production and determines what, how and for whom goods and services will be produced. Countries that usually adopt a command economy system are usually dictatorships (closed economies, Socialist economies). Where it is the government rather than the consumer that decides, how factors of production will be used”.
(Borrow,Kliendl,Everard 2007)

Examples- China, Cuba and North Korea

Types of Economic Systems

- * **Market or Capital/ Free Enterprise:** is an economic system where individual buying decision in the market come to together to determine what an economy will produce , how it will produce, and for whom it will produce a good or service. This economy is full driven by supply and demand and have little or no intervention from government. The productive resources are owned by private citizens and not the government.

Types of Economic Systems

- * **Mixed-** “ is an economic system that uses aspects of a market and command economy to make decisions about what, how, and for whom goods and services are produced. In a mixed economy a national government will make production decisions about certain goods and services”.
- * (Borrow,Kliendl,Everard 2007)
- * i.e Schools, health care and transportation

Discussion

- * No country or economy is purely command or market, all have mixed economies, relying on elements of a command economy or market economy, though an economy may have more elements of either.
- * **Characteristics of a command Economy**-A pure command economy has one person or group who controls what is produced; all businesses work together to produce goods and services that are planned and distributed by the government.
- * Planned economies have several advantages. Ideally, there is no unemployment, and needs never go unfulfilled; because the government knows how much food, medicine, and other goods is needed, it can produce enough for all.
- * Realistically, these systems tend to suffer from large inefficiencies and are overall not as successful as other types of economic systems.

(boundless.com 2015)

Characteristics of a Market Economy

- * A pure **market economy** is one perfectly free of external control. Individuals are left up to themselves to decide what to produce, who to work for, and how to get the things they need.
- * Because there is no regulation ensuring equality and fairness, market economies are burdened with unemployment, and even those with jobs can never be certain that they will make enough to provide for all of their needs.
- * Because they do not need to wait for word from the government before changing their **output**, companies under market economies can quickly keep up with fluctuations in the economy, tending to be more **efficient** than regulated markets.

Source: Boundless. “Differences Between Centrally Planned and Market Economies.” *Boundless Economics*. Boundless, 21 Jul. 2015. Retrieved 23 Jan. 2016

Advantages of Mix economy

- * Most of the factors of production in a [mixed economy](#) are privately owned in a mixed economy.
- * The government strongly influences the economy through direct [intervention](#) in a mixed economy, such as through [subsidies](#) and regulation of the markets.
- * Most government intervention in mixed economy is limited to minimizing the negative consequences of economic events, such as [unemployment](#) in [recessions](#), to promote social [welfare](#).

Source: Boundless. “Differences Between Centrally Planned and Market Economies.” *Boundless Economics*. Boundless, 21 Jul. 2015. Retrieved 23 Jan. 2016 /

How Governments intervene in the allocation of resources in Mixed economy?

Granting a subsidy to a sector, to increase manufacturing or production of certain products (DBJ to farmers and manufactures)

- * **Creating and enforcing regulation** , to reduce competition and improve production (cess and tax on certain imported items i.e chicken)
- * **Direct participation** in the market by providing money and other resources segments of its populations, such as through a welfare program. i.e JUTC transportation sytem

Key Terms

- * Gross Domestic Product – GDP
- * Gross National Product- GNP
- * Balance of Payment-BOP
- * Inflation
- * Privatization
- * Budget
- * Bank Of Jamaica
- * Central Bank
- * International Monetary Fund
- * Surplus
- * Trade Deficite

Reference

* ONLINE RESOURCES

Boundless. “Differences Between Centrally Planned and Market Economies.” *Boundless Economics*. Boundless, 21 Jul. 2015. Retrieved 23 Jan. 2016

from <https://www.boundless.com/economics/textbooks/boundless-economics-textbook/principles-of-economics-1/basic-economic-questions-42/differences-between-centrally-planned-and-market-economies-155-12253>

LIBRARY RESOURCES

Everard, Kenneth E, and Jim Burrow. *Business Principles & Management*. Cincinnati: South-Western Pub. Co., 2007 Print