

ECONOMIC SYSTEMS

DEFINITION: It is the way in which a society organises its economy

TYPES

PLANNED OR SOCIALIST ECONOMY:

The state controls the factors of production and how the economy works

MIXED:

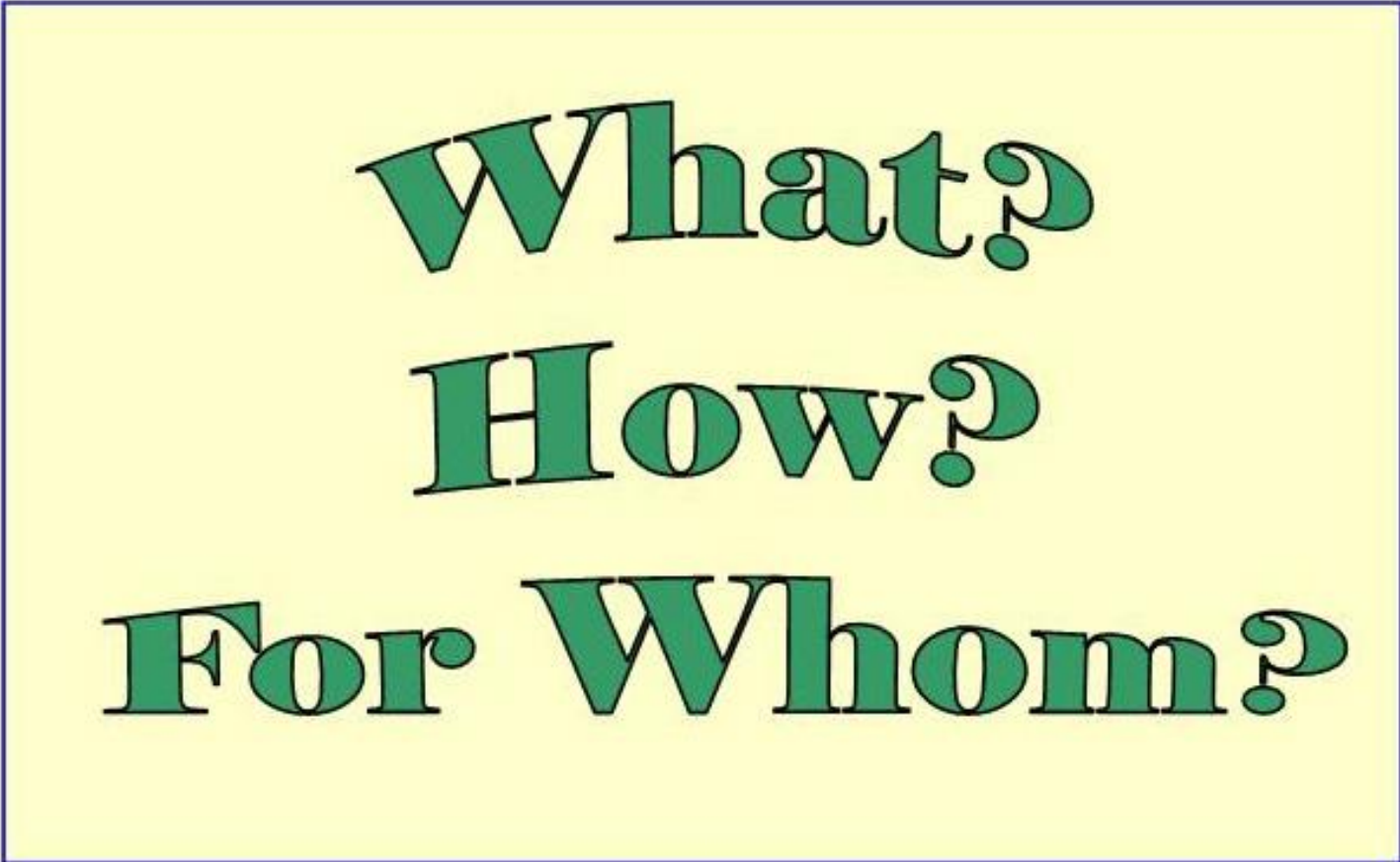
The state takes actions that affect the economy

CAPITALIST SYSTEM OR MARKET ECONOMY:

Businesses and consumers control the economy with quite limited involvement by the state

Economic systems

Three basic problems must be addressed: **what** goods to produce, **how** should goods be produce and **for whom** will goods be produce. How a country answers this questions determines what type of economic system it has.



What?
How?
For Whom?

Capitalist economy



free market
economics 101



www.youtube.com/watch?v=Ng3XHPdexNM

a) The capitalist system

- In the capitalist system, economic activity is regulated by the market which is why it is also known as the market economy.

CHARACTERISTICS

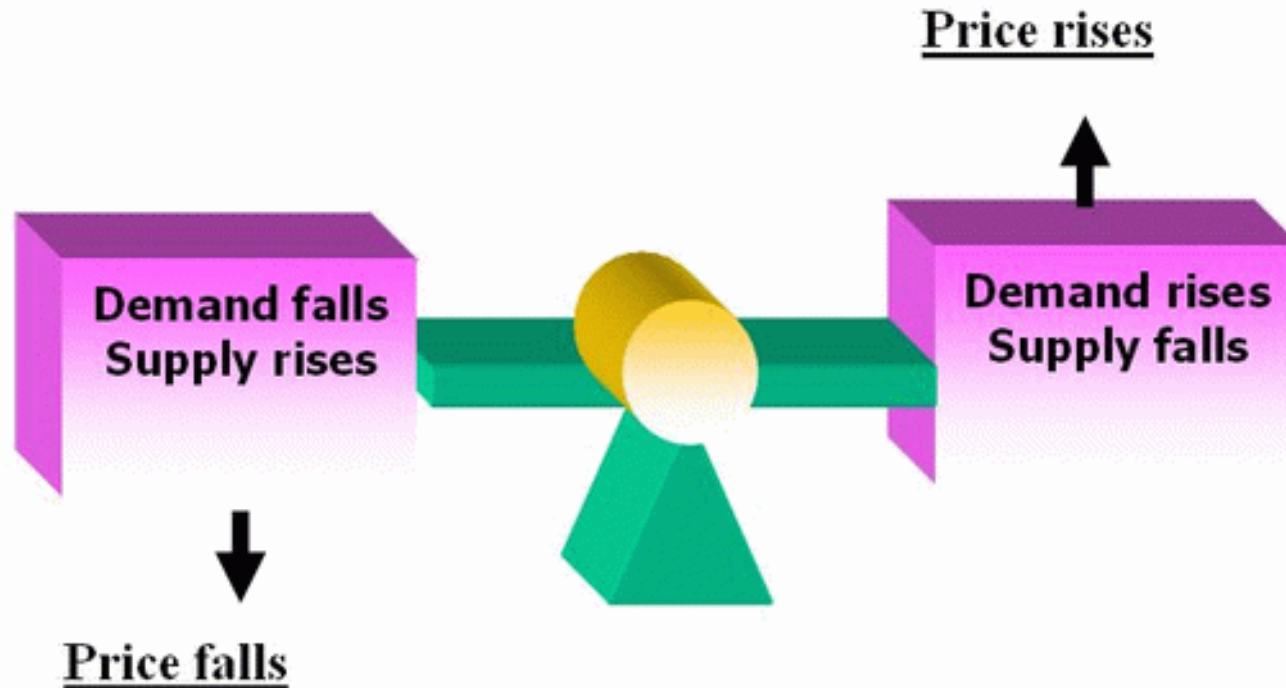
Private
Property

Search
of Profit

Market based
on the law of
the supply and
demand



- The market is governed by the law of supply and demand. Supply is the amount of goods and services on sale and demand is the willingness to buy goods or services. Prices rise if supply is less than the level of demand. In the opposite case, prices fall.



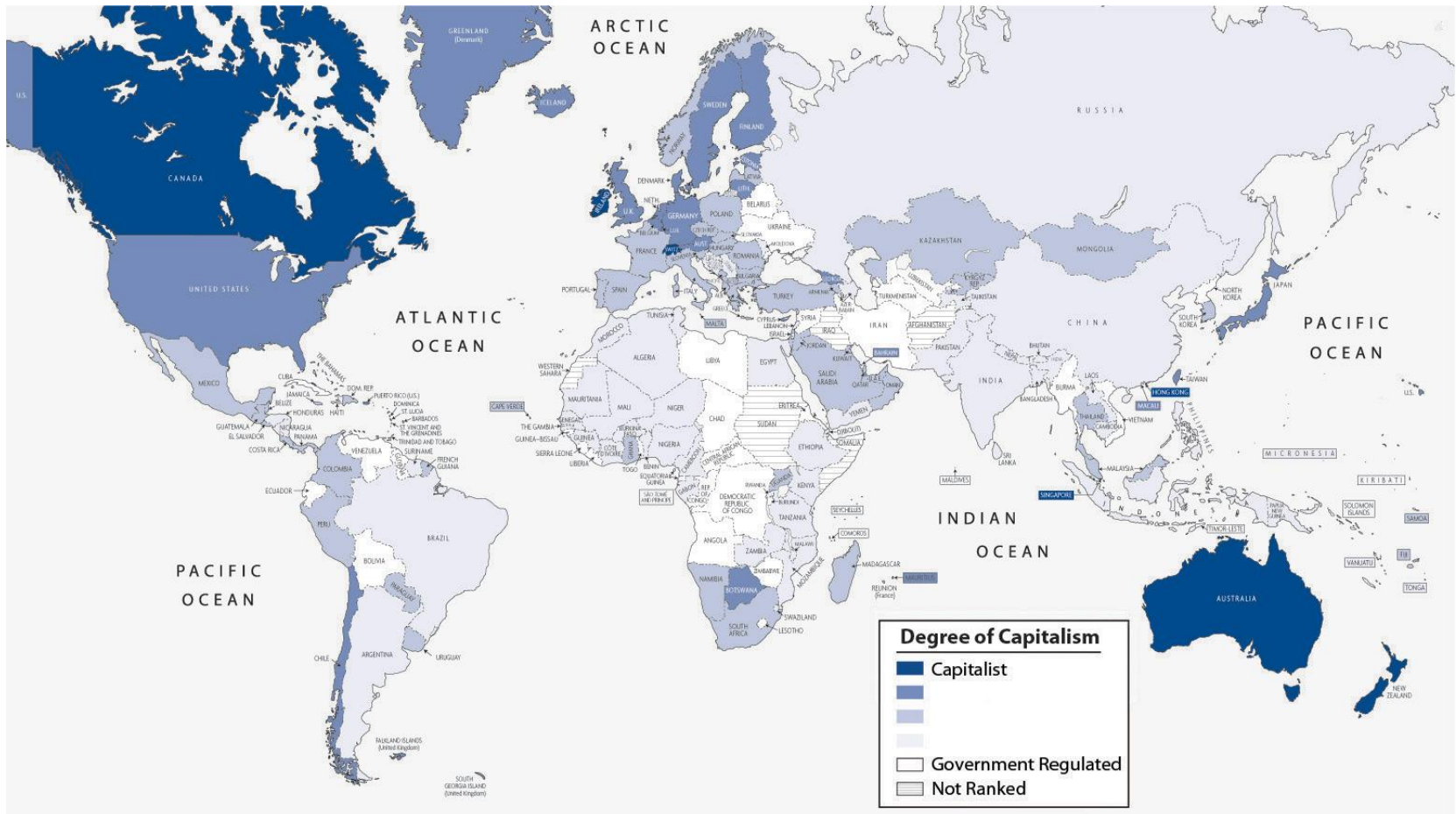
- We have 5 houses and 20 buyers ¿what represents demand and supply?
¿what is going to happen with the prices?
- We have 100 houses and 10 buyers ¿what is going to happen with the prices?

- Other principles of the capitalist system are:

- Private property

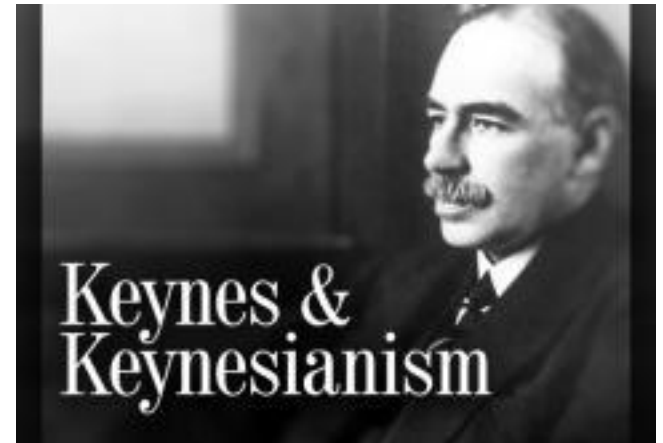
- Free competition between companies and the search for individual profit.

- The capitalist system has been adopted by the majority of the world's countries.

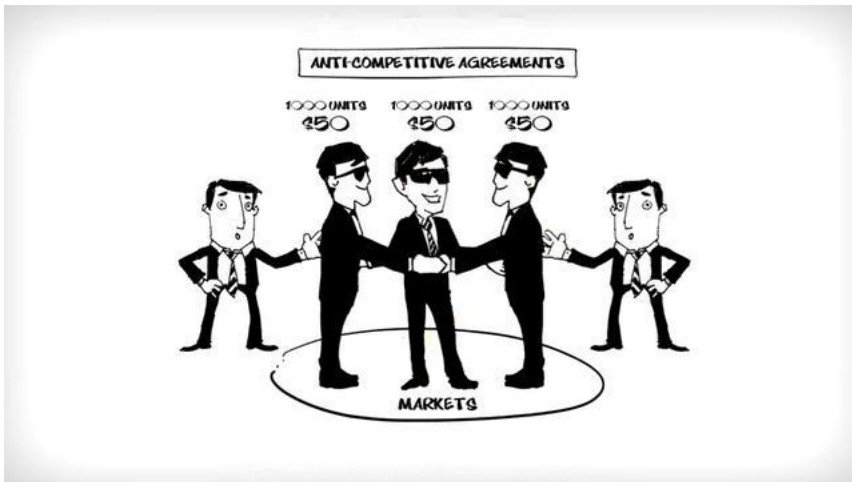


-The capitalist systems represent a variety of ideologies, which vary in terms of their degree of economic liberalization and the extent of state intervention in the economy.

1. Neoliberal ideologies
2. Keynesian ideologies (Keynes).



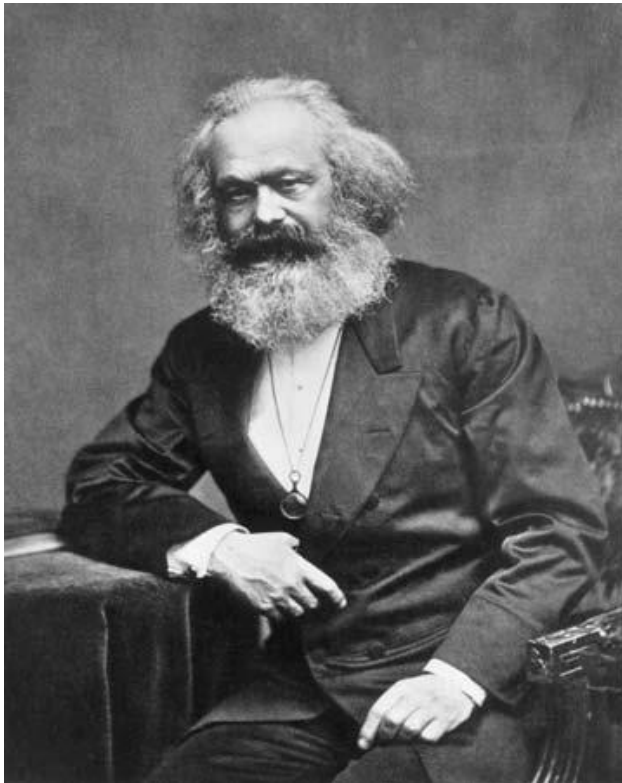
-The problems of capitalism



b) The socialist system

-In the socialist system, economic activity is regulated by the State, which is why it is also known as planned economy. Companies are owned by the State.

- The State decides what to produce and how to produce it and sets product prices and workers salaries. The State achieves social equality so the goal is to produce for everybody.



- Today, only survives in China, Cuba, Vietnam, Laos and North Korea. In recent years, some of these countries have also introduced private initiatives.

c) Mixed systems

- Mixed systems combine a market economy with greater or lesser State economic intervention. Although market prices result in products only being for those that can afford them, State intervention guarantees that the basic needs of all citizens are provided for. **Welfare State**
- State economic intervention is known as the welfare state: public health care and education, minimum wage, public housing, pensions, public transport...
- Other principles: private property and enterprises, public enterprises and measures to redistribute wealth (public services, progressive taxes...)
- Mixed systems operate in many countries in the world, especially in Europe

Worldwide geoeconomic areas:

- The triad: EEUU and Canada, EU and Japan.
- Emerging economic powers: BRICS
- Underdeveloped areas
- The Asian tigers



	PLANNED	MARKET	MIXED
Governments directly influences and controls bussineses practiced due to ownership of natural and capital resources			
Privetly owned factors of production			
Prices are influenced by supply and demand			
Very low unemployment rate			
Considered synonimous with a capitalistic economy			
Individual freedom is limited (roles of individuals are static from generation to generation)			
Considered synonimous with a socialist economy			
Minimal government involvement in business transactions			