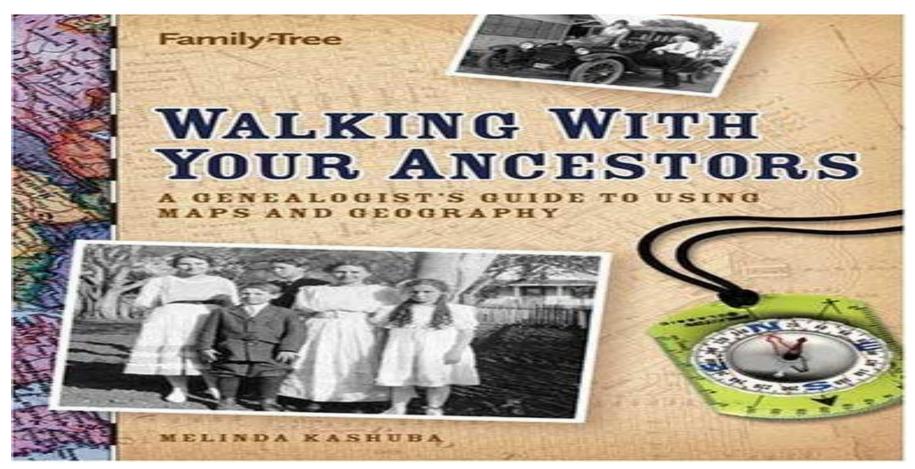
- What three questions must all economic systems answer?
- What are the major types of economic systems, advantages/disadvantages, and their goals?

# An Economic System

- An economic system is a method used by a society to produce and distribute goods and services.
- There are three key questions addressed by every economic system:
  - What goods and services will be produced?
    - How will these goods and services be produced?
      - Who will consume these goods and services?

#### A Traditional Economy

- In a traditional economy, people live and work as their ancestors lived and worked.
- In a traditional economy, we produce what our ancestors produced.
- produce it the way our ancestors did.
- distribute it the way our ancestors did.



It's all about the ancestors.

Traditional economies do not encourage change.

### A Free Market Economy

 In a free market economy, people are free to buy and sell whatever their money allows.

 The government does not interfere in the business of business.

The individual has complete economic freedom.



In a free market, individuals are free to buy and sell.

# A Centrally Planned Economy

 In a centrally planned economy, the government makes all economic decisions.

 The government answers the three key economic questions.

Karl Marx advocated a centrally planned economy.



Communists advocate centrally planned economies.

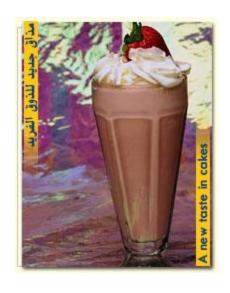
E. Napp

### A Mixed Economy

Modern nations have mixed economies.

 A mixed economy combines elements of the other three economic systems.

 However, it is important to remember that nations mix their economic systems differently.



Just as every person mixes a milkshake differently, so, too, do nations mix their economies differently.