

Unit 1 Lesson 3 Three Key Economic Questions and Three Types of Economies

- Question 1: _____?
 - How much of our resources should we devote to national defense, public health, and welfare or consumer goods: guns vs. butter.
- Question 2: _____?
 - What combination of CELL should be used? ie. Manual vs. mechanical labor
- Question 3: _____?
 - How will the income be distributed? How will factor payments be determined?

Economic Goals

- _____: making the most of resources
- _____: freedom from government intervention
- _____: assurance that goods will be on time
- _____: fair distribution of wealth
- _____: innovation leads to economic growth which then leads to higher living standards
- _____: individual safety net (welfare)
- _____: societies' additional goals (environment protection)

Types of Economic Systems

1. Traditional Economy
2. Command or Centrally Planned Economy
3. Market Economy

Traditional Economies

- **Traditional Economies** rely on _____, _____, or _____ to decide what to produce, how to produce it, and to whom to distribute it to. Ex: Eskimos, tribal communities

Centrally Planned Economy

- **In a Command or Centrally-Planned Economy**, the _____ makes all decisions about the production and consumption of goods and services. Ex: Dictatorships

Market Economy

- **In a Market Economy**, economic decisions are made by _____ and are based on trade or exchange Ex: United States, Canada, and Australia

Mixed Economy

- **Mixed Economies** are systems that combine tradition and the free market with limited government intervention.
- _____ economies today are mixed economies

Types of Mixed Economies

- _____ – equal economic treatment
- _____ – government owns or controls most of all goods
- Socialism has some democracy; communism believes in violent revolution and strong central authoritarian government
- Major difference between socialism and communism is that socialists can have a _____ while Marxist communism believes there needs to be a violent revolution and needs a strong centrally planned, authoritarian government.
- _____ - a market economy where the government has a limited control of certain markets. _____ and _____ allow the government to provide a variety of services such as education, welfare and national defense.
- _____ – Government owns and runs key industries such as electrical utilities, telephone networks, and health care.