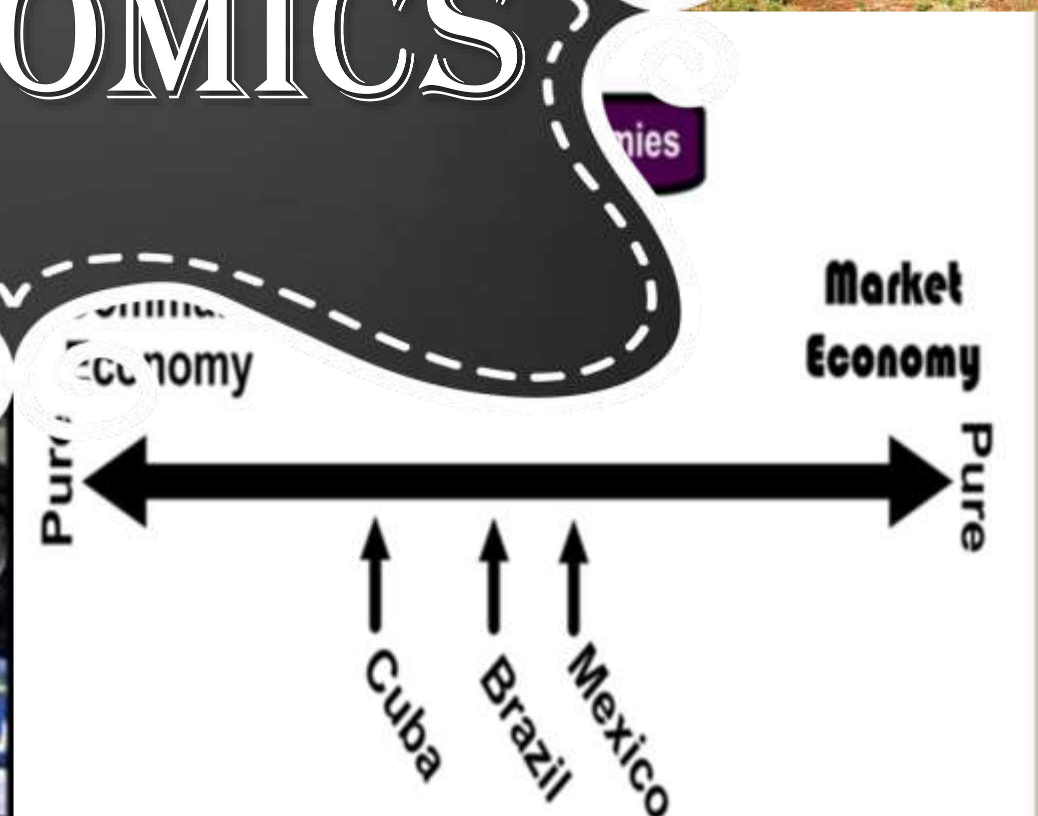

Banco de México
Cincuenta Pesos
Banco de México
Cien Pesos


ECONOMICS


Regular
Plus
Premium
FIRST BORN
Gasoline

Market Economy
Pure
Cuba
Brazil
Mexico

Standard: SS6E1 Analyze different economic systems

Element: a. Compare how traditional, command, and market economics answer the economic questions of 1 – what to produce, 2 – how to produce, and 3 – for whom to produce.

TRADITIONAL ECONOMY

Every country must develop an economic system to determine how to use its limited resources to answer the three basic economic questions.

- What goods and services will be produced?
- How will goods and services be produced?
- Who will consume the goods and services?

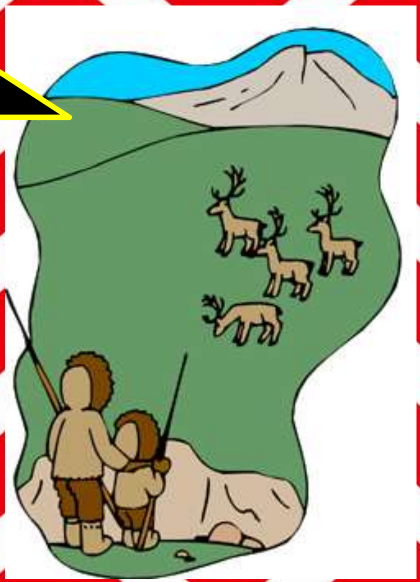
TRADITIONAL ECONOMY

Traditional economy is an economic model governed by custom, habit, and family history.

The customs and habits of the past are used to decide what and how goods will be produced, distributed, and consumed.

What your parents did, you will too!

- ❑ Hunters
- ❑ Gatherers
- ❑ Farmers

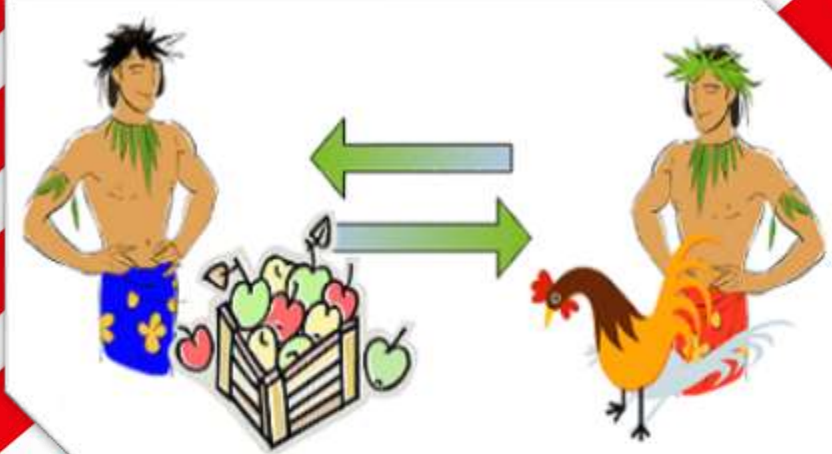


TRADITIONAL ECONOMY

Most traditional economies on Earth require their citizens to produce only what is necessary for personal use/survival.

This is known as subsistence.

Rather than using money, traditional economies use a system of bartering.



Bartering is a system of exchange whereby one good/service is given in return for another; bartering does not require monetary exchange.

TRADITIONAL ECONOMY

Pros

Never unclear of your future (you always know what you will do as a job)

Usually Stress-free

Cons

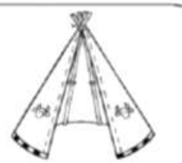
Never able to do anything different than the job your parents had.

Usually in very poor countries. (Third World Countries)

Traditional Economy Bartering

Traditional Economy Bartering

Directions: In the boxes above, illustrate items you would be willing to barter to receive the items listed. For the last row, illustrate items in both boxes.



for

for

for

for

1.) Describe the pros of bartering in traditional economies.

____

____

2.) Describe the cons of bartering in traditional economies.

____

____

3.) If you were a member of a traditional economy, what role or job would you have?

____

____

4.) Can members in traditional economies change their role or job? Explain.

____

____

5.) Do you think countries that have traditional economies have high GDP's? Explain your answer.

____

____

____

____

COMMAND ECONOMY

Command economy is an economic model wherein government planers make all business and financial decisions.

- ✓ **Government makes the basic economic decisions.**
- ✓ **Government determines which goods and services to produce.**
- ✓ **Government determines how to produce goods and services.**
- ✓ **Government determines who will produce the goods and services.**

COMMAND ECONOMY

The government sets specific production quotas for businesses.

A production quota is a required amount of specific good that must be produced in a given timeframe.

The problem with production quota's is when the government miss calculates the needs of its citizens.

When this happened the citizens suffer.

A miscalculation in production quota could mean that many citizens go without food or water!!!

COMMAND ECONOMY

Pros

Not to hard - you do what you are told to do.

Cons

Sometimes the government is unable to accurately predict what goods people will need.

This could lead to shortages in the economy.

COMMAND ECONOMY

The activity in a command economy is planned; it is organized by a central authority (government) that tries their best to predict the needs of its people.

When the government miscalculates those needs, the people suffer.

Food shortages are common in Command economies.

COMMAND ECONOMY

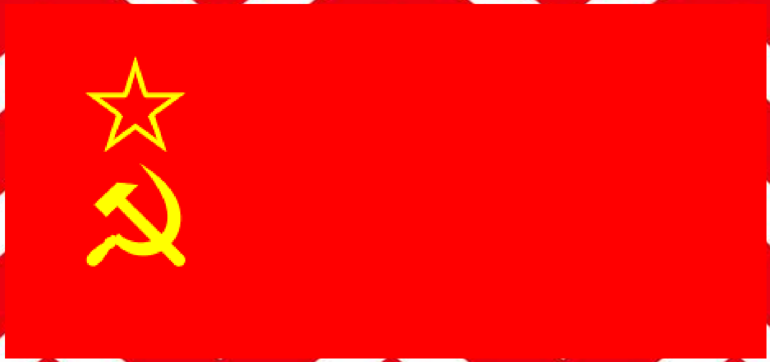
Since decision-making is centralized in a command economy, the government controls all of the supply. Prices cannot arise naturally like in a market economy, so prices in the economy must be set by government officials.

Example

Government says to change $3 a gallon for milk, the farmers have to charge $3 a gallon regardless of how much they need to make a profit.

COMMAND ECONOMY

A command economy is organized by government officials who also own and direct the factors of production. China, North Korea, and the former Soviet Union are all examples of command economies.



Market Economy

Market economy is an economic model used by governments to that allows the citizens to determine what is produced/provided in terms of goods and services, how, and for whom.

Decisions are guided by changes in prices that occur between individual buyers and sellers in the marketplace.

Also known as free enterprise, capitalism, and laissez-faire.

Market Economy

Pros

Consumers can usually find the goods they want.

Free to earn as much money as they are able to in order to buy the goods and services they want.

Cons

When shortages in supply occur, prices go up.

Market Economy

In a market economy supply and demand determines the prices.

If there is less of a product than the public wants, the law of supply and demand says that more can be charged for the product.

Market Economy

To make things simple, if there is a demand for something and the supply is not plentiful, the price of that product will go up because of the demand.

People are willing to pay more for the product so the price goes up.

Market Economy

The opposite of this is true as well. If there is something not in demand, the price of this item will go down because the demand is not there.

Market Economy

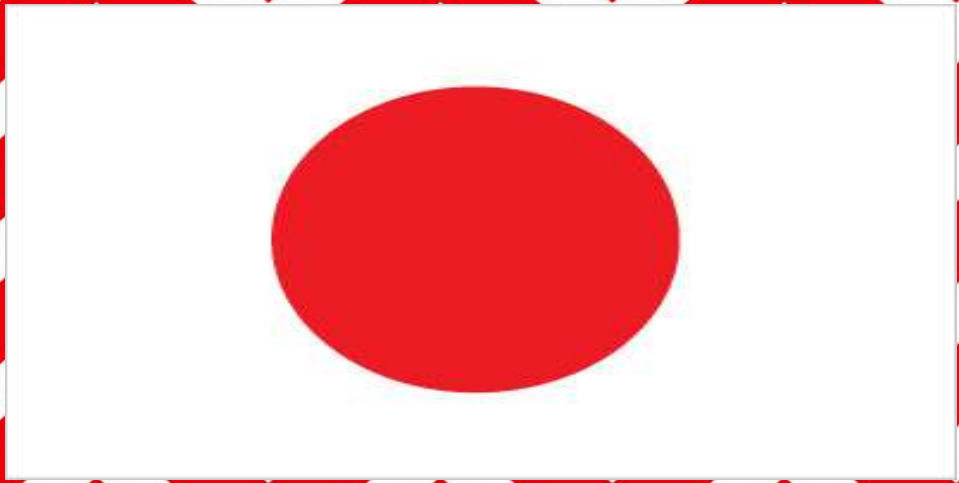
Supply and demand raises the price of perishable goods too.

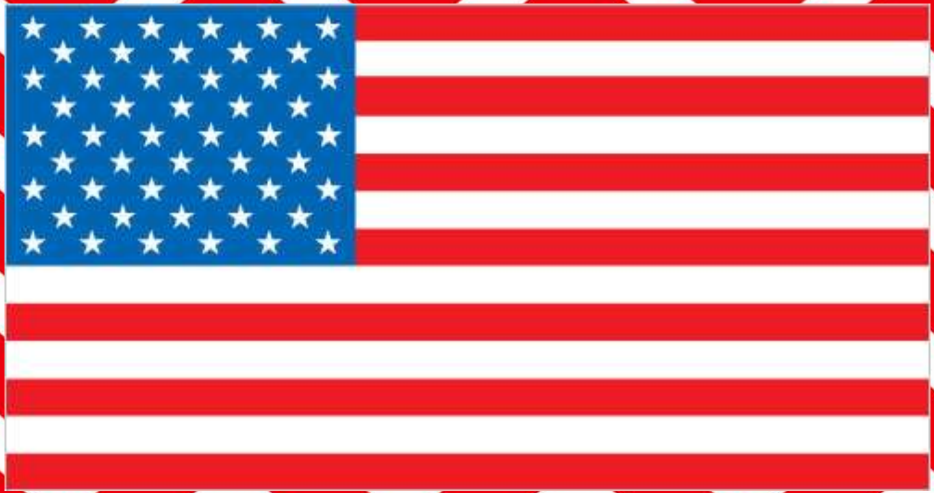
Grocery store prices fluctuate (vary) depending on the supply farmers are able to yield from their farms.

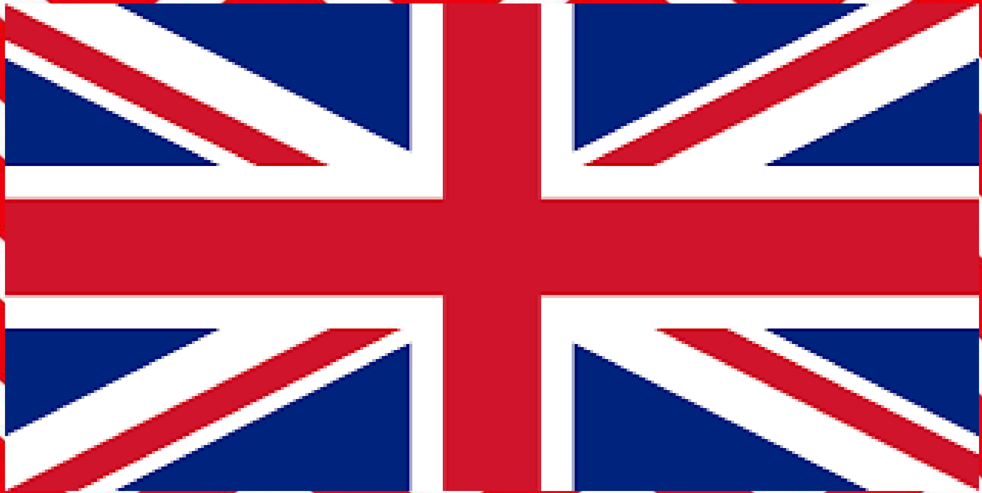
Dairy, eggs, meat, and vegetable all vary in price due to their supply.

If there is not much to sell, prices go up dramatically.

Market Economy







The United States, England, and Japan are all examples of market economies, as are most developed, democratic nations.

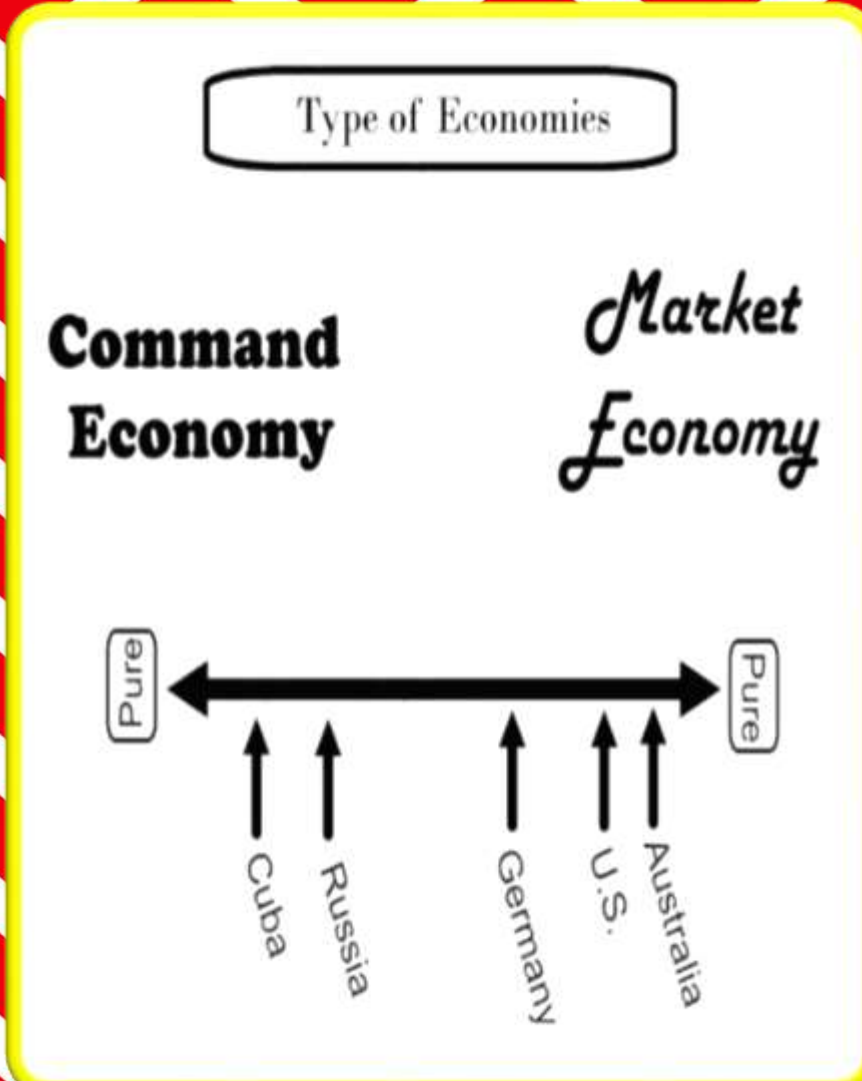
Standard: SS6E1 Analyze different economic systems.

Element: b. Explain that countries have mixed economic system located on a continuum between pure market and pure command.

Mixed Economy

There are no pure command or market economies.

All modern economies have characteristics of both systems and are often referred to as a mixed economy.



Mixed Economy

The primary differences in market and command economies lie in the division of labor or factors of production and the mechanisms that determine prices.

In a market economy the people set prices.

In a command economy the government set prices.

Mixed Economy

The activity in a market economy is unplanned; it is not organized by any central authority (government) but is determined by the supply and demand of goods and services.

Products and prices are determined by the people. If products are good or necessary, demand will be there.

Mixed Economy

Since private businesses sell goods and services they see that the people want, it is said that the people are in control of the demand for items or services. If the demand surpasses the supply the price will naturally go up.

Example A private business is selling firewood for $50 bucks a truck load. The supplier cannot keep up with the demand at that price so the price is raised to $100 a truck load. Because the demand was there and the supply was not, the prices went up.

Mixed Economy

No country on Earth can have a pure command economy because that would mean the government would own all civil liberties. The government would basically own the people from cradle to grave.

Government would control births, deaths, jobs, education, activities, etc.

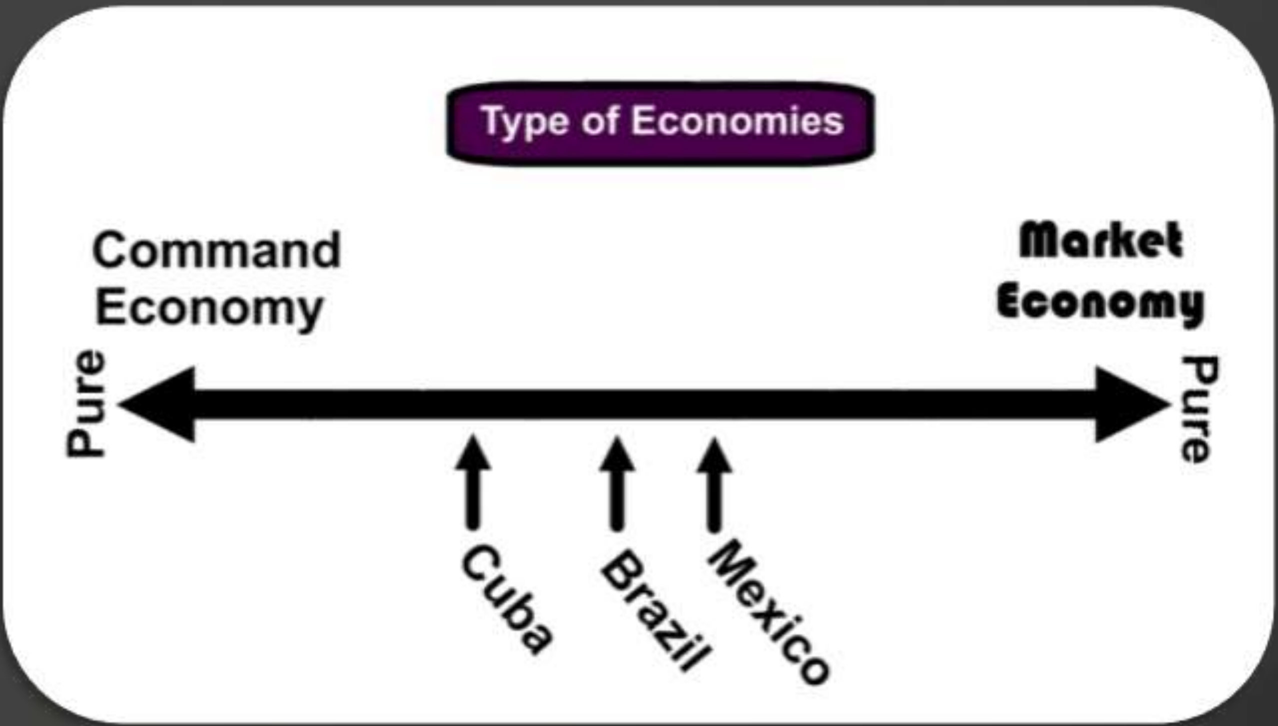
Mixed Economy

There would be no money, no highways, no laws. This would be the literal definition of anarchy.

Mixed Economy

Majority of all countries are mixed. While no countries are at the end of the continuum, some are closer than others depending on the 3 basic economic questions.

What to produce
How to produce
Whom to produce

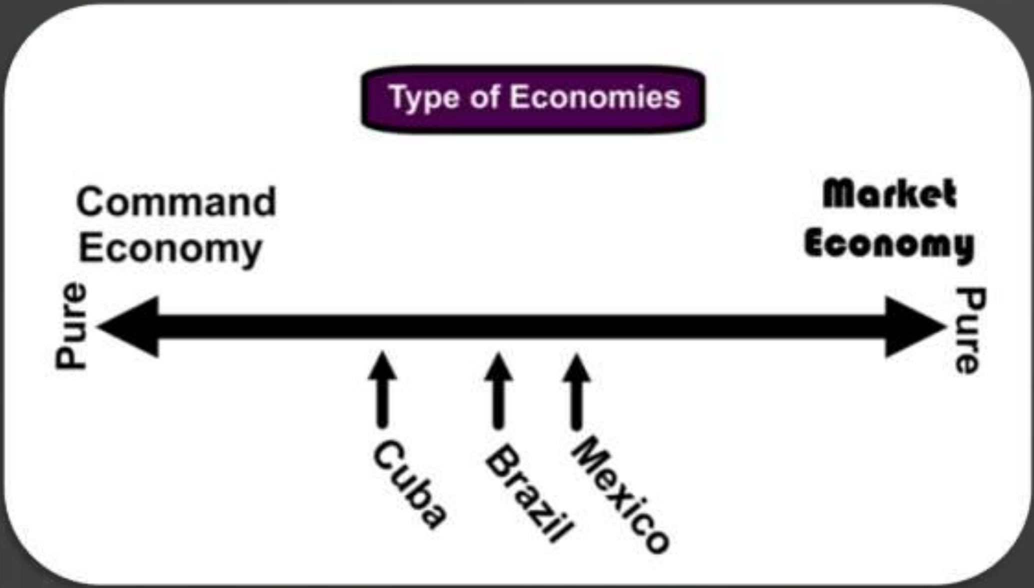


Mixed Economy

If government determines "what" a country produces it may lean toward the command side.

If government determines "how" to produce it may lean toward the command side.

If government determines "whom" to produce it may lean toward the command side.

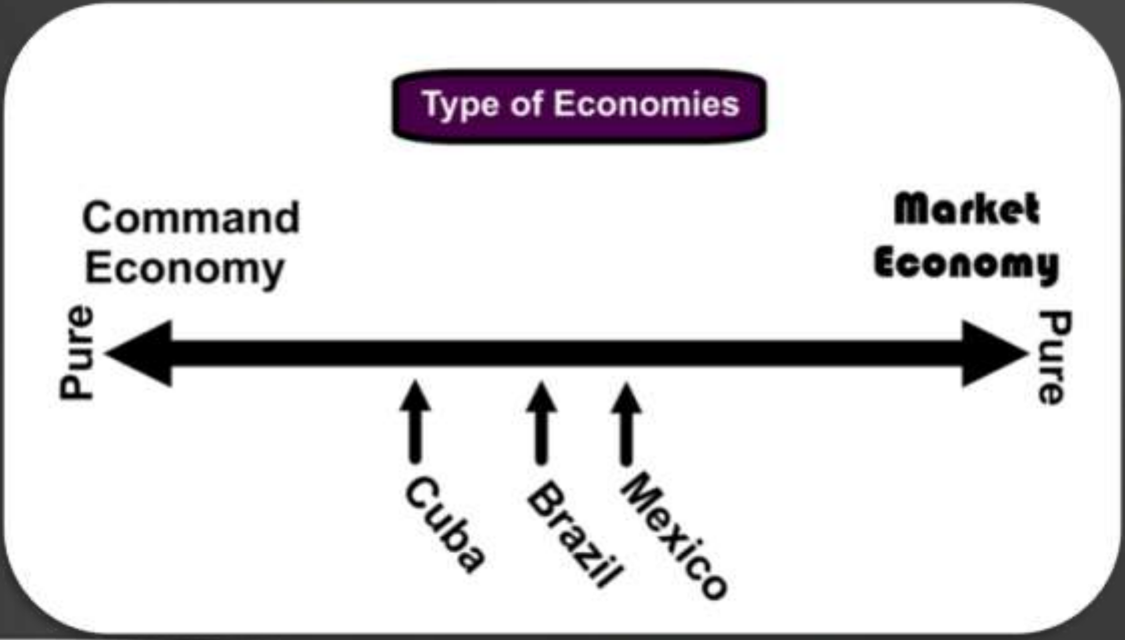


Mixed Economy

If people determines "what" a country produces it may lean toward the market side.

If people determines "how" to produce it may lean toward the market side.

If people determines "whom" to produce it may lean toward the market side.



Standard: SS6E1 Analyze different economic systems.

Element: c. Compare the basic types of economic systems found in Mexico, Cuba, and Brazil

Mexico, Brazil, and Cuba Economy Comparisons

Mexico’s economy is mostly market leaning because it has some government control.

Mexico’s government controls the nation’s oil and gas reserves.

Government decides how much oil to extract monthly as well as the prices to charge.

Mexico relies heavily on oil in their energy sector.

Failure to privatize these industries has limited economic growth in what might otherwise be a very lucrative sector of the Mexican economy.

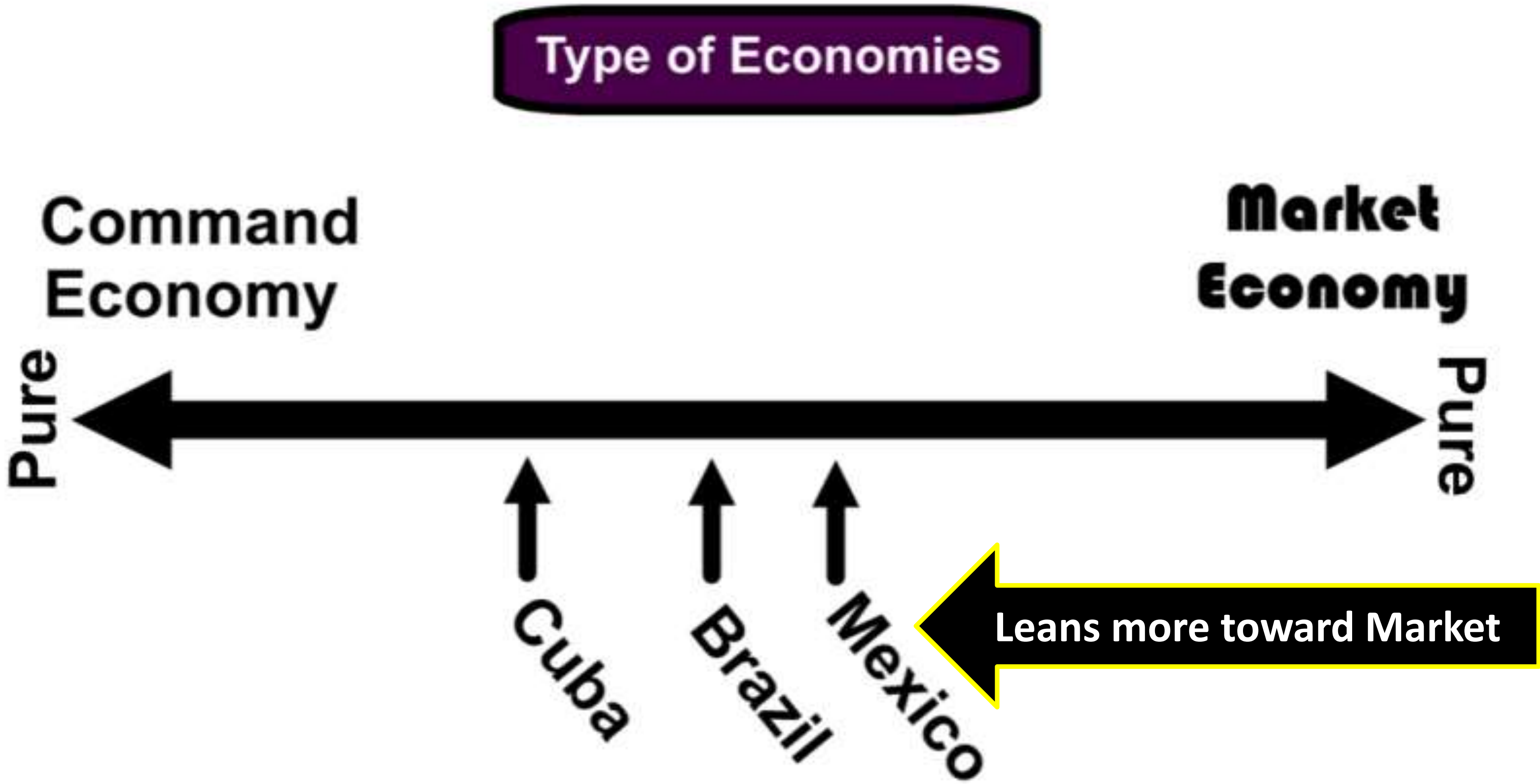
Mexico, Brazil, and Cuba Economy Comparisons

Mexico's economy is about 65 percent free and 35 percent government.

Majority of the nation’s land, factories, and businesses are owned by the citizens.

Mexico has the second largest economy in Latin America.

Mexico, Brazil, and Cuba Economy Comparisons



Mexico, Brazil, and Cuba Economy Comparisons

Because Mexico does not privatize their energy sector the economy has not grown to its full potential.

Privatize means to transfer a business, industry, or service for public (government) to private control.

Their energy sector could be more competitive if their was competition.

Organized crime and drug trafficking has also had detrimental effects on there economy as well as government corruption.

Privatizing sectors benefits everyone because it allows for competition with other businesses and gives the consumer a lower cost of the product.

Mexico, Brazil, and Cuba Economy Comparisons

Brazil's economy is slightly more command-leaning than Mexico's.

Brazil's economy is 53 percent free and 47 percent government.

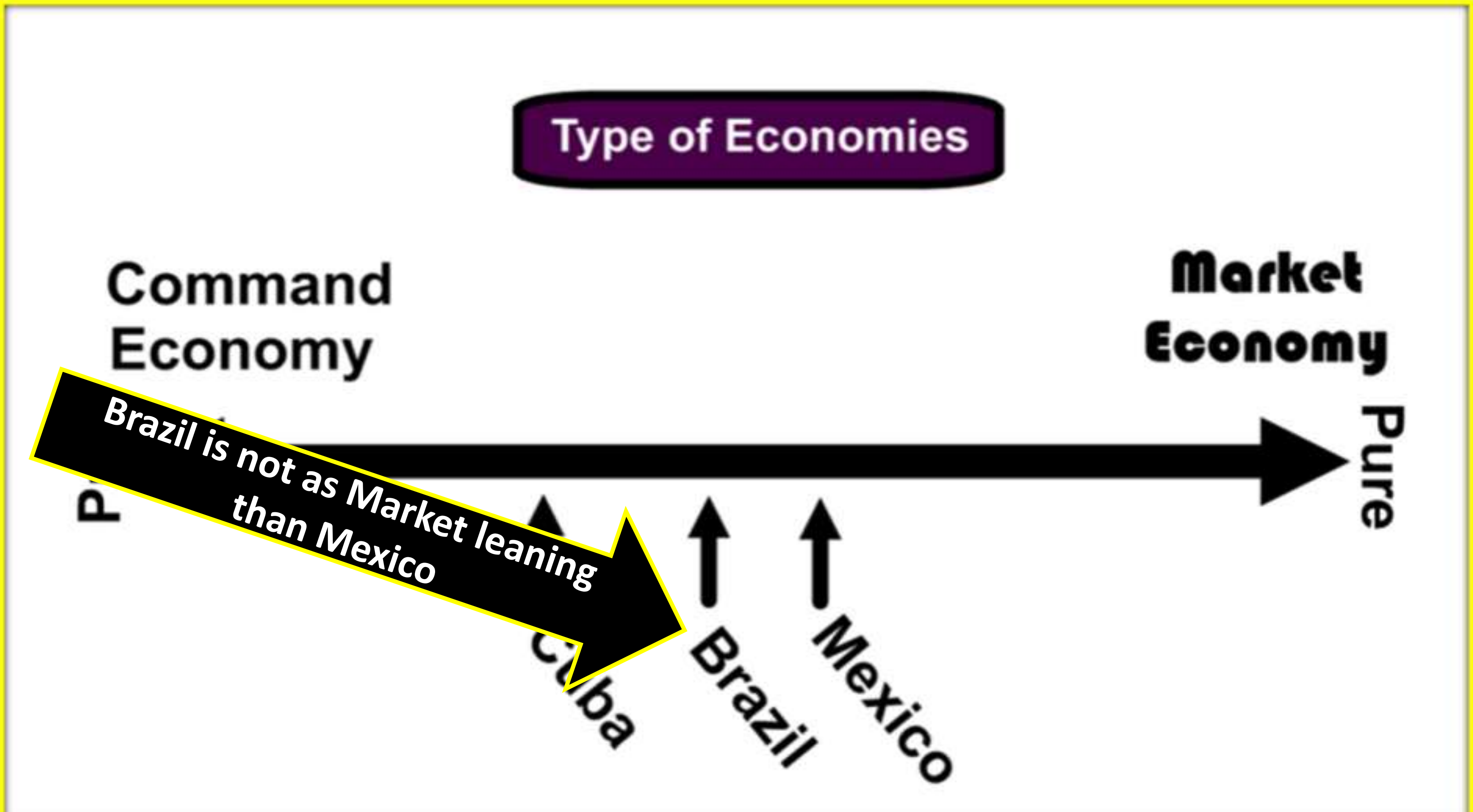
Brazil has the largest economy of all Latin American countries.

Brazil has a high level of government involvement.

Brazil's government places many laws and restrictions on businesses which hurts entrepreneurial growth.

Brazil's government collects high taxes and controls water, telecommunications, electricity, oil, and mining.

Mexico, Brazil, and Cuba Economy Comparisons



Mexico, Brazil, and Cuba Economy Comparisons

Like Mexico, government control of Brazil's energy sector has led to high prices for energy because of the lack of competition.

Growing public debt, high taxes, and insufficient infrastructural (buildings, roads, bridges, power grids, etc) upgrades have hurt economic development.

Having such issues with the creation of new businesses is not beneficial for entrepreneurs and further hurts GDP and the economy.

If Brazil's government was to lessen its governmental control on business creation it would help its economy and it would lean slightly more toward a market economy.

Mexico, Brazil, and Cuba Economy Comparisons

Because of the amount of governmental control in numerous sectors, foreign investment in Brazil’s is very limited, and government corruption and graft remain problematic.

Graft is the financial gain through illegal means, typically through kickbacks and bribes.

Think of a graft as a government official taking money from a company who is breaking the law. As long as the company gives the government official money, the business does not get reported for breaking the law.

Mexico, Brazil, and Cuba Economy Comparisons

The economy of Cuba, meanwhile, is decidedly command-leaning. Government ownership of most all major industries is a dominant feature of Cuba's communist dictatorship, although limited private ownership of small farms and businesses is permitted.

Government-set wages are insufficient for the Cuban people's survival.

Government wages is money the government gives to its people to live off of. If the money is not enough, the people suffer and are in poverty.

Mexico, Brazil, and Cuba Economy Comparisons

Cuba's economy is 33 percent free and 67 percent government.

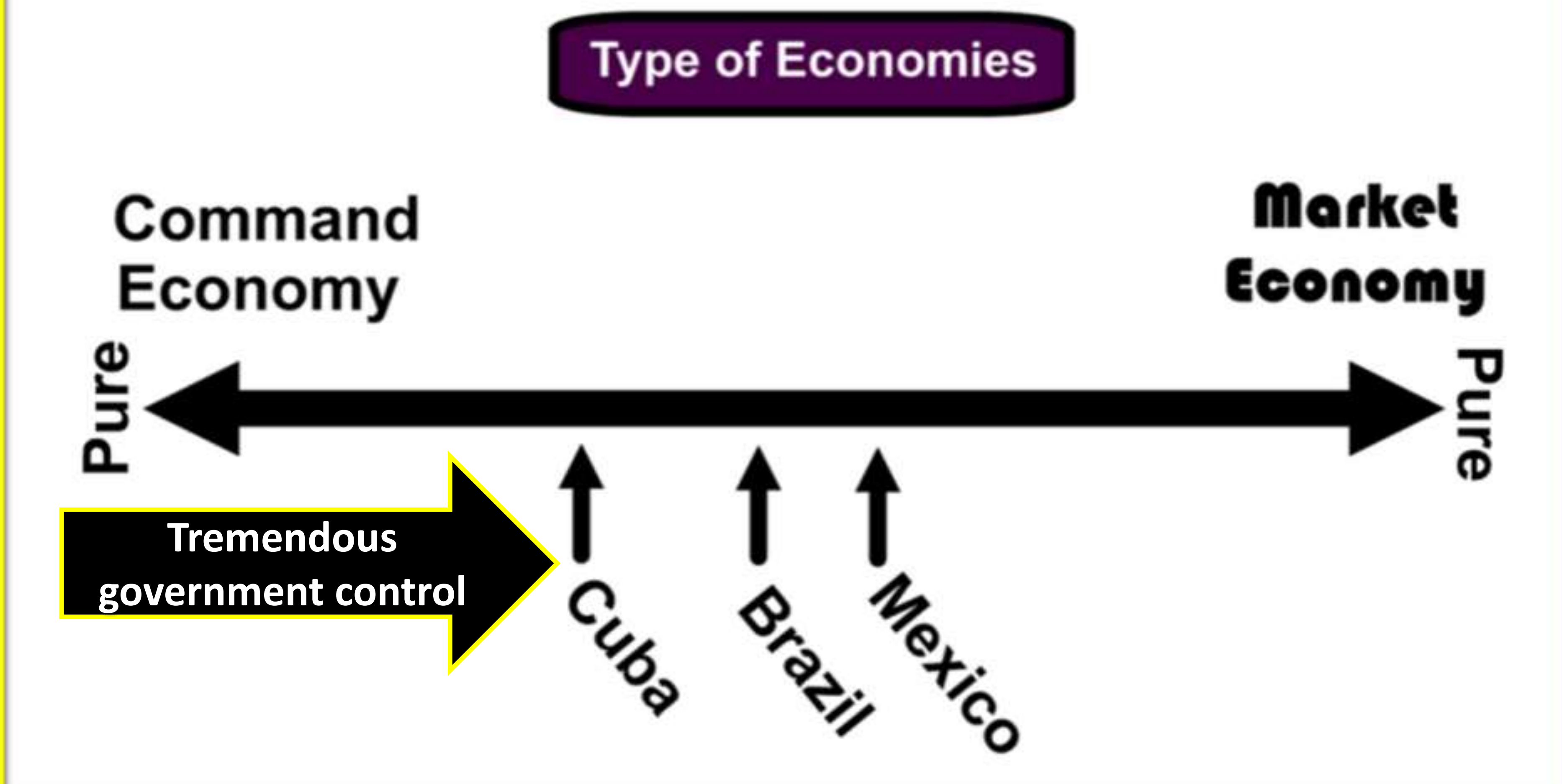
The government owns majority of land, factories, and businesses.

Government decided what goods and services to provide for its citizens.

Over 70 percent of its population works for the government.

Government wages is money the government gives to its people to live off of. If the money is not enough, the people suffer and are in poverty.

Mexico, Brazil, and Cuba Economy Comparisons



Mexico, Brazil, and Cuba Economy Comparisons

The actions Cuba's government has taken in past years toward dissidents has hurt their tourism industry.

A dissident is a person who opposes the authority of an established government.

Citizens do not have freedom of speech like Mexico or Brazil.

The Journalist to the right was arrested in 2017 for his political views against Cuba's current government.

Mexico, Brazil, and Cuba Economy Comparisons

Cuba relies heavily on agricultural trade and oil subsidies from Venezuela because it cannot afford to pay full price for certain industries it's citizens need.

A subsidy is money granted by the government to assist a business or industry in lowering the cost of its product/service.

Economics Quiz