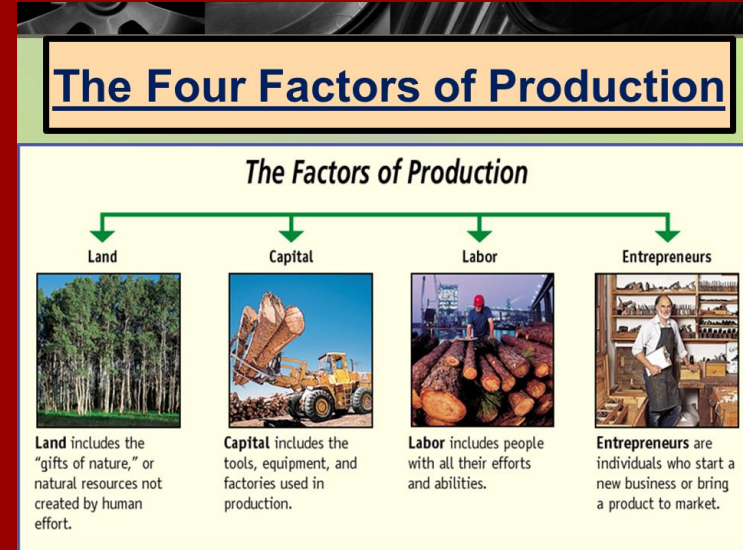


Types of Economies

Four Factors of Production

1. **Land**-the land and any resources used from the land
2. **Labor**-the work required to produce goods and services
3. **Capital**-the money and/or tools needed to produce goods and services
4. **Entrepreneurship**-taking on financial risks in hope of receiving a profit



Traditional Economy

- economy where individuals supply most of the goods and services they use
- many things are done by tradition
- usually little modern technology

Ex. tribal societies on islands, jungles, and in deserts



Command Economy

- government controls the factors of production

- government makes all the major economic decisions

- basic needs are usually met for all citizens and everyone has a job

- very few consumers goods and “luxuries”

Ex. old Soviet Union, North Korea



Market Economy

-individuals make all economic decisions according to the laws of supply and demand

-laissez-faire economics

(other names; free market, free enterprise, capitalism)

Competition-whoever produces the best goods and services for the lowest price will survive, others will go out of business



Market Economy (cont.)

Invisible Hand-the idea that people will be pushed to producing what they are best at producing and this will benefit everyone (a company that is making things no one wants will be forced out of business, a company that makes things people want at a good price will grow)

Ex. United States?



Mixed Economy



- a blend of market and command system
- individuals have economic freedom with some government control for the benefit of citizens
- all real world economies are really mixed economies on some level

Ex. United Kingdom, France