

Economic Process and Systems

5.2-5.3

Bell Ringer Page: 59

Name your favorite clothing store and explain why you like it so much.

1. What is the store's specialty?
2. Can specializing hurt a store too much?

Begin notes on page 59 and extend onto 61

Learning Objectives: I will be able to...

Examine the exchange of goods and services and the issues affecting profit.

List and analyze the four types of economies.

Debate command and market economies.

Market

An organized system where producers and consumers exchange goods and services.

1. How did people use to exchange goods and services before a currency was used?



Currency

A government issues money in the form of paper bills and metal coins.

Different countries use different currencies. In order to trade each country must establish a value for their currencies and a system for exchanging different currencies.



Profit

The money left over after subtracting the *cost* of doing business.

Labor

Rent

Materials

Companies want to decrease ***cost*** and increase ***revenues***.

Revenue=the money earned after selling goods or services.

Nonprofit Organizations

Business like institutions that do not seek to make a profit.

Churches

Museums

Hospitals



Competition

Profits are affected by ***competition*** in the marketplace.

Competition=the struggle among producers for consumer business.

Companies compete by...

1. lowering prices
2. specializing
3. advertising

Specialization

Companies can increase their profit and revenue by concentrating on a limited number of goods or services.

- Halloween Stores
- Scentsy Stores

Healthy Economy

A healthy economy **grows** as companies produce and sell more goods and services.

When prices increase over time, this is referred to as ***inflation***.

******Economies do not grow forever!***

Economic activities fall as demand falls leading to unemployment. If this decline lasts for more than 6 months, it is referred to as a ***recession***.

Checks for Understanding

1. How does competition affect producers and consumers?
2. How does inflation affect prices?
3. How does recession affect prices?
4. What is the difference between profit and revenue

Economic Systems

Every society has an economic system.

4 Basic Economic Systems

1. Traditional
2. Market
3. Command
4. Mixed

Traditional Economy

- Decisions based on custom and habit.
- Wants and needs are satisfied through hunting and farming.
- Do not want to change their basic way of life
- Uncommon in today's society



Market Economy

- Individual producers and consumers make economic decisions.
- Referred to as *capitalism* or *free market*
- Encourages entrepreneurship by giving people economic freedom.
- Really...no such thing as a *pure* market economy.



PHOTO: EMMANUEL DUNAND/AFP/GETTY IMAGES

Command Economy

- Central government makes all economic decisions.
- Also called a centrally planned economy.
- Individual producers and consumers do not make basic economic decisions.
- No such thing as a *pure* command economy.



Mixed Economy

- Most societies have mixed economies with varying levels of government control.
- Combines elements of traditional, market and command economic systems.
- Government makes some economic decisions. (U.S.A. and Australia)
 - Passing laws to protect consumer rights.
 - Governments tax companies and influence economic growth.
- Government owns and controls most business. (N. Korea and Cuba)

Checks for Understanding

1. What are the differences among traditional, command and market economies?
2. What are the advantages of a free-market system used in the United States?
3. Do you think government involvement in taxing consumers and producers is necessary in a mixed economy?

- <https://www.youtube.com/watch?v=B43YEW2FvDs>

“Debate and Defend” Brainstorm Page 58

Complete the “Debate and Defend” brainstorm activity and be prepared to defend and debate either a Command Economy or Market Economy tomorrow.