

# Market or Command/Planned?

- ◉ Which economic system is best?

- ◉ Capitalism or State Command/Planned

# *What is the job of government?*

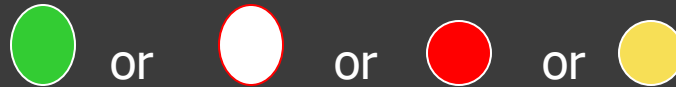
1. **Distribution of income** (rich to poor, transfer payments)
2. **Allocation of (scarce) resources (f.o.p.)**  
(sometimes referred to as state planning)
3. **Essential services e.g. Merit goods ( e.g. health + education) + Public goods (e.g. street lighting, infrastructure, police, judiciary etc)**
4. **State enterprise** (state owned firms)

Which economic system can best do the job of government?

# 3 Economic Questions: Web 102

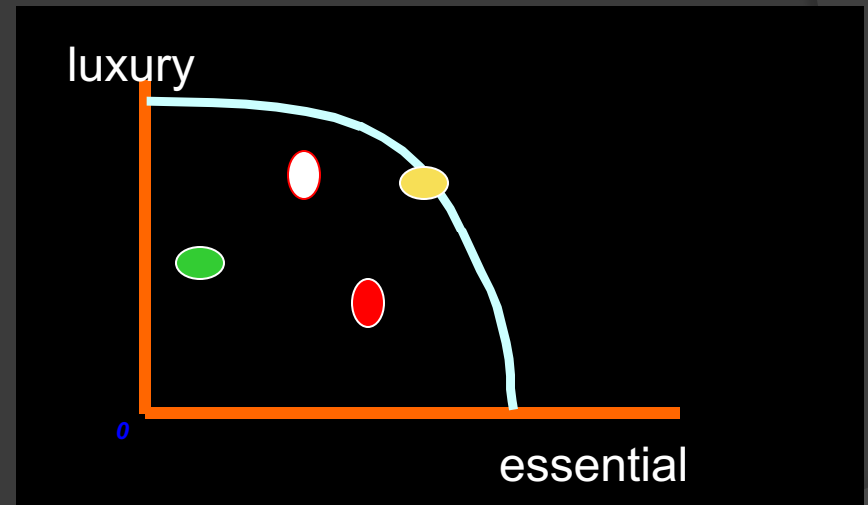
## Resource Allocation decisions

① **What** to produce?



② **How** to produce?  
Labour or capital intensive

③ **For whom** to produce?  
Who gets the goods+services?

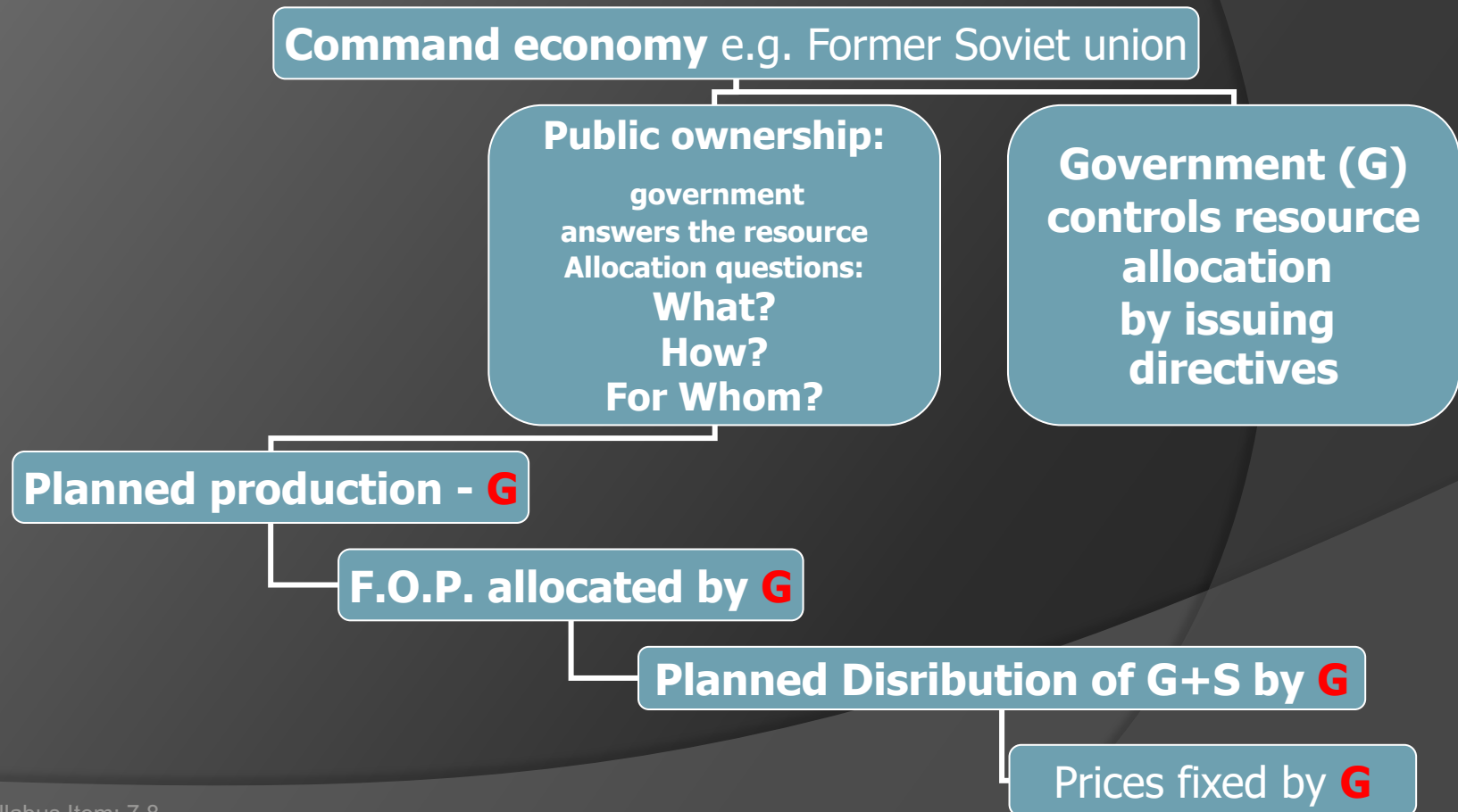


# 9 KEY concepts

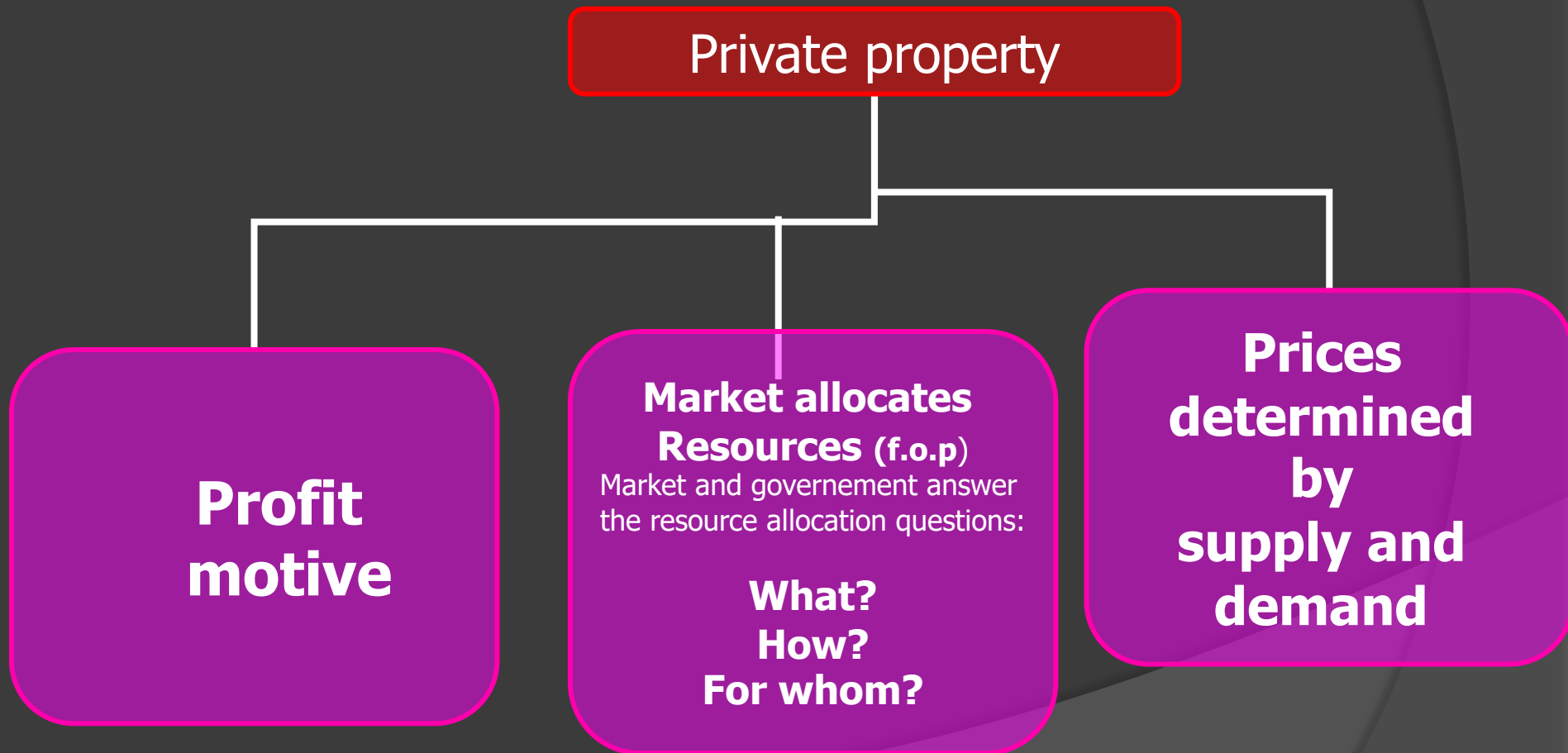
1. Scarcity (ppc)
2. Choice (ppc)
3. Efficiency (ppc)
4. Equity
5. Economic well being (standard of living)
6. Sustainability
7. Change (time)
8. Interdependence (partnerships)
9. Intervention (government)

# Communism and the command/planned economy: features of the system

- Government dominates economy and controls all economic activity



# Capitalism/Democracy and the mixed market economy: features of the system



# Key government objectives for any economic system:

- ① **Growth** (standard of living, prosperity)
- ② **(Un)employment** (Job creation; equity, standard of living)
- ③ **Inflation** (stable prices)
- ④ **Distribution of income** (equity)

# Winner?



?



# which system to manage an economy?

- ◉ **command economy or planned economy**  
**= state enterprise/control**

**or**

- ◉ **capitalist market or mixed market economy**  
**= economy with a Regulator/legislator**  
**with a “laissez-faire” approach to**  
**resource allocation i.e. market**  
**plays major role in allocation.**



- ◉ **END**