

# Market or Command/Planned?

- ⦿ Which economic system is best?
- ⦿ Capitalism or State Command/Planned

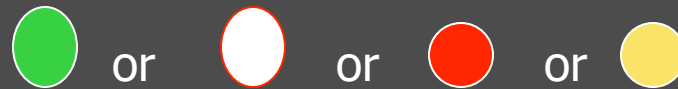
# *What is the job of government?*

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:

① What to produce?

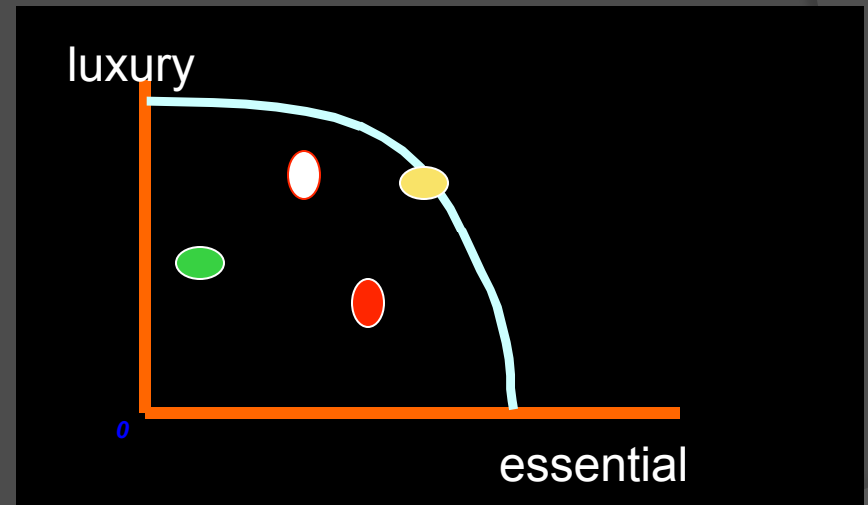


② How to produce?

Labour or capital intensive

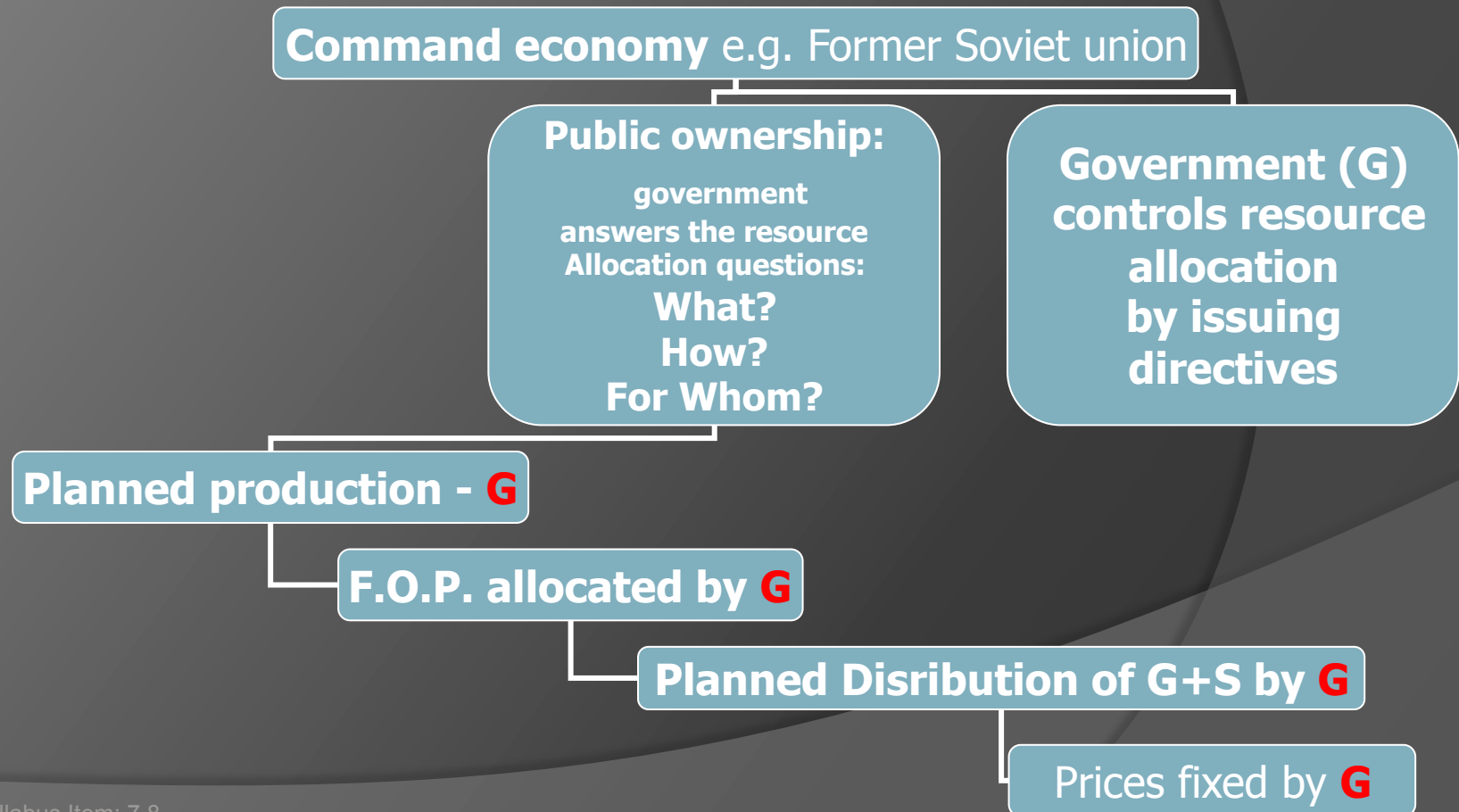
③ For whom to produce?

Who gets the goods+services?

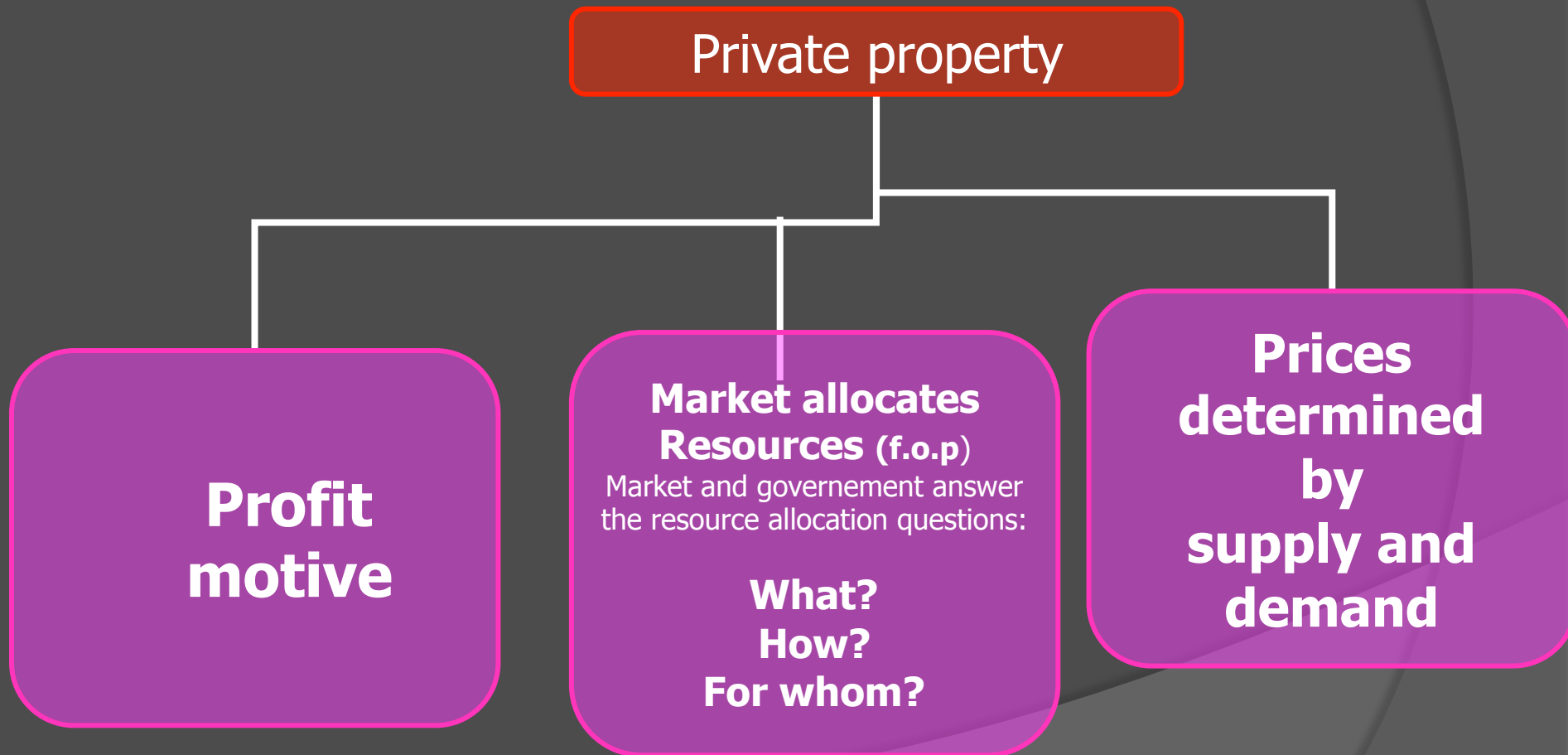


# Communism and the command/planned economy: features of the system

- 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:

- ⦿ **Growth** (standard of living, prosperity)
- ⦿ **(Un)employment** (Job creation; equity, standard of living)
- ⦿ **Inflation** (stable prices)
- ⦿ **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**