

Cornell Notes

Name Ashley Martinez

Date 9/8/11

Topic Economic Theories

Class/Subject Govt. Fowler P. 3

Lesson Objectives/ Goals

10:20 am

Adam Smith

◦ Describe + Compare the economic systems predominate in the world today.

◦ Compare + contrast traditional command and market economies.

◦ Explain how mixed economies are a combination of other economic systems.

(1723-1790) Smith is considered the father of capitalism and free market theory.

◦ He believed that the market production + prices were controlled by consumers. (the Invisible Hand)

◦ Prices and production would increase or decrease depending on consumer demand. He believed that the govt. should not interfere with the economic market.

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Laissez-Faire
Economics

◦ Based on the economic theory that govt. should not interfere in business and the economy. (hands-off) Little or no regulation, restriction or taxes.

Capitalism

Based on the private ownership of property and the exchange for profit of goods, labor, and money.

Socialism

a theory of social + economic organization based on the govt. control (sometimes ownership) of the factors of production + social services.

Karl Marx

◦ Regarded as father of communism + socialism

◦ Believed capitalism would suppress the common peoples by placing the resources and wealth of production in the hands of elite.

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Karl Marx continued ...

Traditional economies

- Marx proposed a "classless" society, where all shared property and the factors of production were shared with no private property or ownership of industry.
- Traditional economies are found in rural, non-developed countries.
 - Some parts of Asia, Africa, S. America + Middle East have traditional economies
 - customs govern the economic decisions that are made.
- ~~Technology~~
- Farming, hunting, gathering
- Economic activities are usually centered toward the family or ethnic unit.
- Men + women have diff. economic roles + tasks.

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Command
economies



Govt. sets
the prices of
goods + services.

- govt. or other central authority makes decisions and determines how resources will be used.

- Change can occur easily

- There is little individual freedom

- There is no competition.

- Businesses are not run to create a profit.

- Consumers have few choices in the market place

- Factories are concerned with quotas.

- Shortages are common because of poorly run factories + farms.

Examples : Cuba, N. Korea,
+ People's Republic
of China.

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Market Economies

AKA Capitalist economies.

Mixed Economies

- Resources are owned + controlled by individuals
- Economic decisions are made by individuals competing to earn profits.
- Ind. freedom is considered very important.
- There are many economic freedoms.
- NO competition among businesses.
- Govmt + Individuals share the decision making process.
- Govmt guides + regulates production of good + services offered.
- Individuals own means of production.
- Protects consumers + workers from unfair policies
- Most effective economy for providing goods + services.

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Review

Can you identify these four types of world economies?

- Traditional
- Command
- Market
- Mixed