

7.7: Introduction to Economic Systems

What you'll learn to do: describe and differentiate between major different economic systems

In a society, the economic system answers three fundamental questions:

1. What do we produce?
2. How do we produce it?
3. For whom do we produce it?

Practically speaking, this translates as who owns the factors of production and who decides what and how much to produce and associated pricing. This module introduces the three major economic systems: command, market, and mixed.

We'll also discuss the characteristics and management implications of each system, such as the role of government or a ruler/ruling party. This section also highlights factors that interfere with the conceptually ideal free market system. Although a free and competitive market is the economic ideal in terms of efficiency, it may not be the ideal in terms of representing a society's values.

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