

Readings

1.1.

- Freedom in markets implies freedom to choose goods, services, jobs etc. premised on the freedom to contract and democratic principles i.e. the freedom to vote and elect
- Markets are however inequitable: does this imply less freedom?

1.2

- The unfettered achievement of private interests has spillover effects on public interest
- The freedom of markets implies the assumption of:
 - Perfect substitution
 - Perfect information
 - Perfect competition i.e. concurrence
 - Efficient production leaving no waste

Economic systems

a/System

An economic system is a system of production, resource allocation, and distribution of goods and services within a society or a given geographic area.

b/Types

The contraction of economic typologies is a question of language and ideology

Example 1: 3 systems – a focus on origin

TYPES OF ECONOMIC SYSTEMS

Economic Systems	WHAT to Produce	HOW to Produce	FOR WHOM to Produce	Examples
TRADITIONAL	<ul style="list-style-type: none"> • determined by tradition • economic roles often passed from generation to generation 	<ul style="list-style-type: none"> • determined by custom 	<ul style="list-style-type: none"> • usually centered around traditional family and social units such as a tribe 	<ul style="list-style-type: none"> • Aborigines of Australia • Mbuti of Central Africa • Inuit of Canada
COMMAND	<ul style="list-style-type: none"> • determined by government officials 	<ul style="list-style-type: none"> • determined by government officials 	<ul style="list-style-type: none"> • determined by government officials 	<ul style="list-style-type: none"> • Old Kingdom Egypt • Middle Ages in Europe • Zhou Dynasty in China
MARKET	<ul style="list-style-type: none"> • determined by individuals 	<ul style="list-style-type: none"> • determined by individuals 	<ul style="list-style-type: none"> • determined by individuals 	<ul style="list-style-type: none"> • United States • Canada • Australia

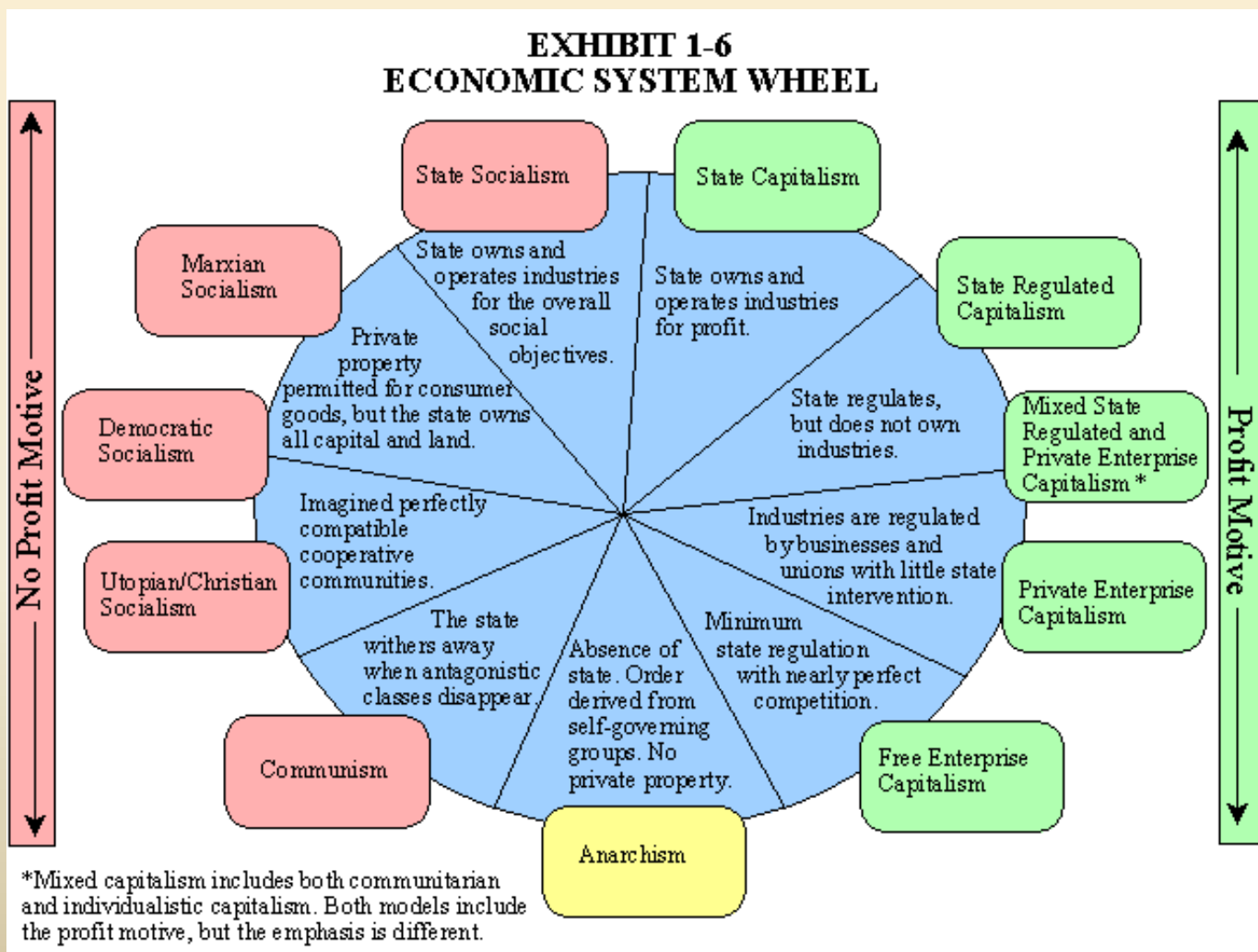
Example 2: 4 systems – a focus on price determination

CHARACTERISTICS	TRADITIONAL ECONOMY	PLANNED ECONOMY	FREE-MARKET ECONOMY	MIXED ECONOMY
Role of government	No formal government other than a sovereign or feudal lord	Decides all economic activities	Little or no role of government	Government creates laws and regulates business activities
Freedom of choice	Freedom of choice in so far as resources available to produce	No freedom of choice	Consumers and producers have freedom of choice	Limited freedom of choice given government controls
Ownership of natural resources	Sovereign or feudal lord	State/public sector	Private sector	Both public and private sector
Price determination	Barter was the main form of trade	Government sets price	Price mechanism system determines price	Price Mechanism system but regulated by government
Which sector answers the basic economic questions?	Traditions and customs	State/public sector	Private sector	Both public and private sector

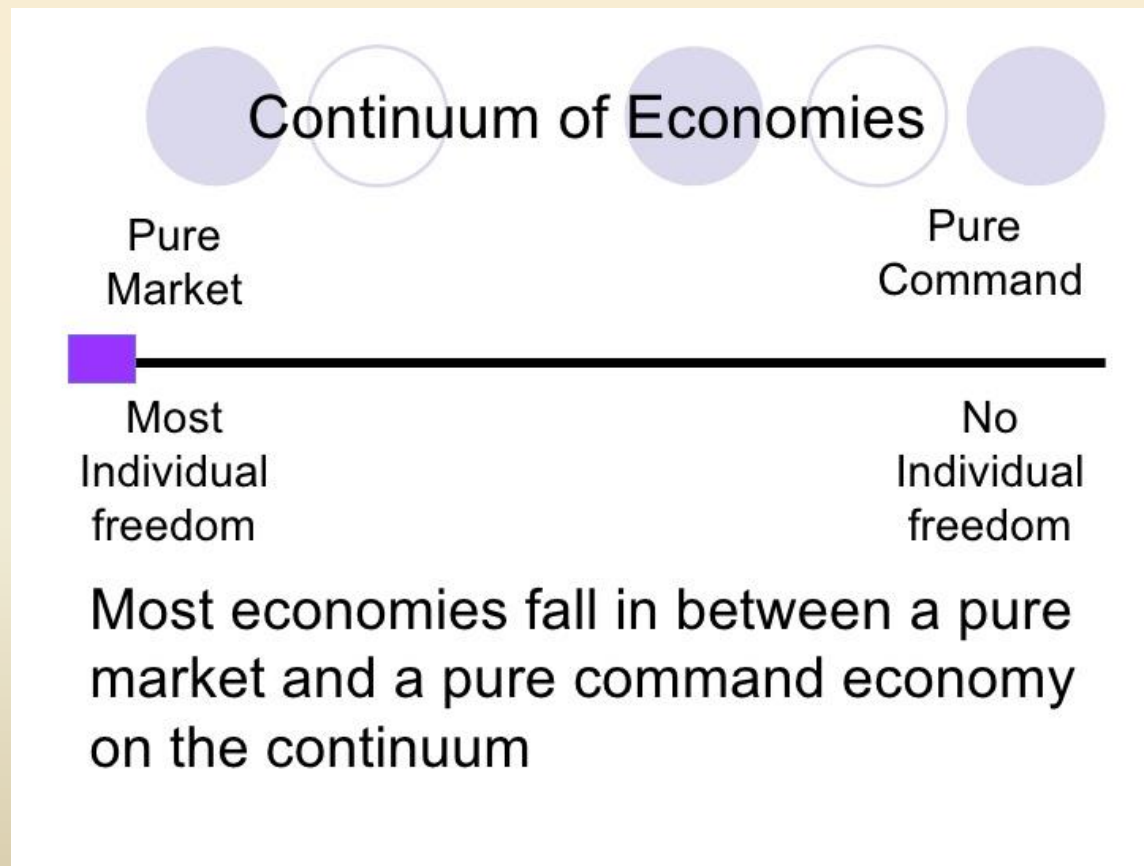
Example 3: -isms

		Ownership Form	
		Public	Private
Allocation Mechanism	Planning	Socialist Planned Economy	Dirigisme / "Command Capitalism"
	Market	Market Socialism	Market Capitalism

Example 4: the wheel – a focus on profit motivation



Example 5: a focus on economic freedom



Example 6: distribution of economic freedom

