

No two nations' economic systems are exactly alike. Some focus on tradition, others emphasize government control, and still others value an open market. Nevertheless, there are certain elements found in all economic systems. These are:

- **Resources**

Economic resources include **natural resources** (including entrepreneurship), and **capital goods**—manufactured or constructed items.

- **Markets**

Markets are arrangements for the exchange of goods and services. Economic markets are made up of both buyers and sellers.

- **Participants**

Participants include **producers, consumers, and government**. Producers make or provide products, consumers purchase products, and government makes and enforces the country's laws.

- **Medium of exchange**

A medium of exchange is something of value that can be used to obtain goods and services. The most common medium of exchange is money.

- ▶ *Using money as a medium of exchange is much more convenient than trading goods and services directly. Imagine trying to pay for a haircut using food or clothes—it just wouldn't work!*



Traditional Economies

Traditional economic systems answer the basic economic questions in the following way.

- **What will be produced?**

People living in a traditional economy produce the same things that were produced by their ancestors. The items they produce are needed to carry on their daily lives.

- **How will products be produced?**

People in a traditional economy use the same methods of production as their ancestors. They pass these methods down to their children. If a person learned to hunt using a bow and arrow, for instance, he will teach that method to his children.

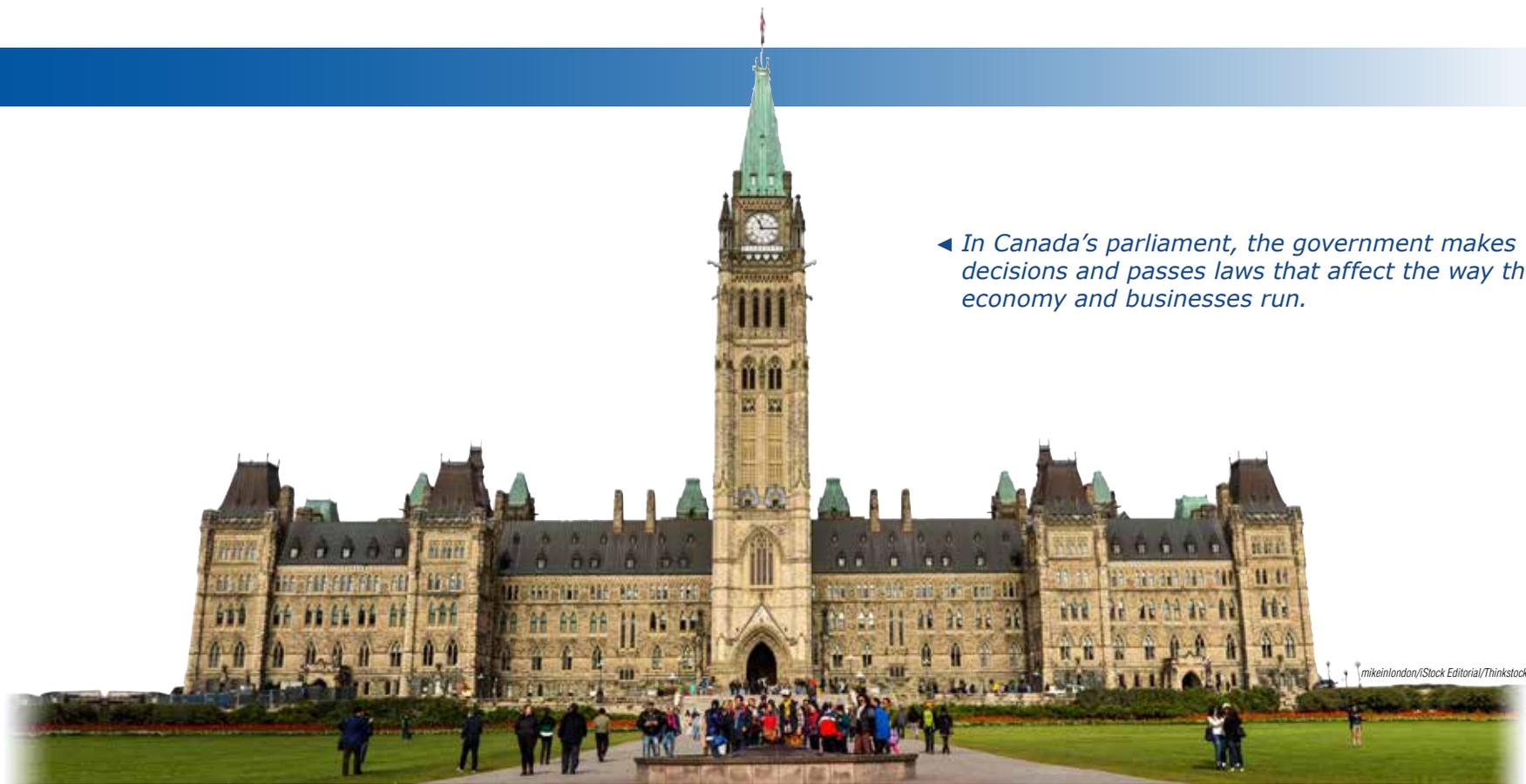
- **How will products be distributed?**

People in a traditional economy use some of what they produce and share the rest with their community. Everything that is produced by the community is consumed by the community. There are no incomes, prices, or markets to consider in a traditional economic system.

- ▶ *Some traditional production methods may seem inefficient by modern standards, but people in traditional economies have developed the necessary skills to keep their societies functioning for generations.*

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◀ *In Canada's parliament, the government makes decisions and passes laws that affect the way the economy and businesses run.*

Socialist Command Economies

Socialist command economic systems answer the basic economic questions in the following way.

- **What will be produced?**

Planning is done by the government, but supply and demand are taken into consideration. Planners decide whether to expand current production or save profits for expansion.

- **How will products be produced?**

Government decides how products are produced. Other production decisions are made by private businesses.

- **How will products be allocated?**

Consumers' incomes determine what they can buy. People can choose what work they do, but wages are set according to the value of the work to society, as determined by the government. As a result, government influences workers' incomes and their ability to purchase.

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