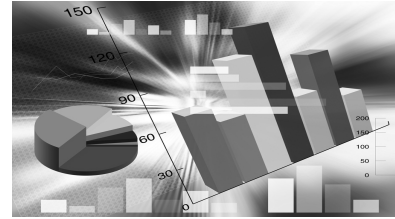


LIGHTHOUSE CPA SOCIAL SCIENCES DEPARTMENT

ECONOMICS

STUDY GUIDE # 3 - ECONOMIC SYSTEMS



CHAPTER LEARNING OBJECTIVES

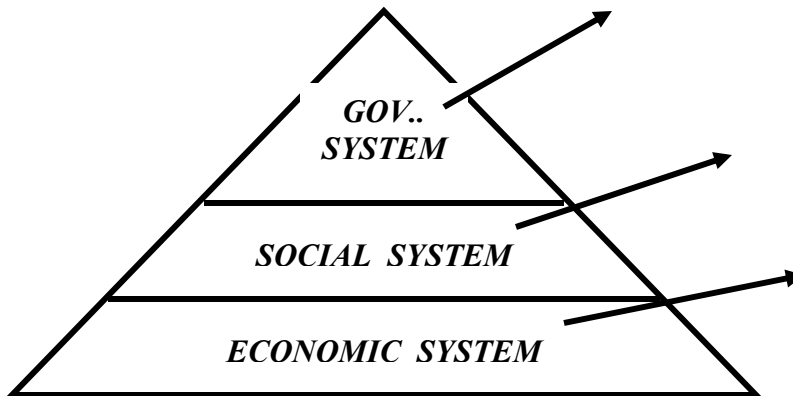
1. **STUDENTS WILL BE ABLE TO DEFINE WHAT AN ECONOMIC SYSTEM IS**
2. **STUDENTS WILL BE ABLE TO IDENTIFY THE 4 ECONOMIC QUESTIONS THAT MUST BE ANSWERED BY EVERY SOCIETY**
3. **STUDENTS WILL BE ABLE TO EXPLAIN THE 2 KEY CONCEPTS TO UNDERSTANDING CONSUMPTION**
4. **STUDENTS WILL BE ABLE TO EXPLAIN WHY INCOME IS ALSO CALLED FACTOR PAYMENTS**
5. **STUDENTS WILL BE ABLE TO EXPLAIN THE DIFFERENCE BETWEEN THE DIFFERENT TYPES OF ECONOMIC SYSTEMS**
6. **STUDENTS WILL BE ABLE TO IDENTIFY THE “FATHER OF THE FREE MARKET / CAPITALISM” AND WHAT HIS PHILOSOPHY WAS**
7. **THE STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE 3 CONCEPTS THAT WORK TOGETHER TO FORM SMITH’S “INVISIBLE HAND” – THE REGULATOR OF THE FREE MARKET**
8. **THE STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE 3 CHARACTERISTICS OF THE FREE MARKET**
9. **THE STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE 2 GENERAL SECTORS OF THE FREE MARKET**
10. **THE STUDENTS WILL BE ABLE TO EXPLAIN THE “CIRCULAR FLOW” OF THE FREE MARKET**
11. **THE STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN THE 3 ADVANTAGES AND 2 DISADVANTAGES OF THE FREE MARKET**
12. **STUDENTS WILL BE ABLE TO EXPLAIN THE 3 CONCEPTS BEHIND, THE CHARACTERISTICS OF, AND THE ADVANTAGES/DISADVANTAGES OF SOCIALIST ECONOMIES**
13. **STUDENTS WILL BE ABLE TO EXPLAIN THE CONCEPTS BEHIND COMMUNISM AND THE 4 BELIEFS BEHIND IT**

14. **STUDENTS WILL BE ABLE TO IDENTIFY THE 4 CHARACTERISTICS OF AS WELL AS THE ADVANTAGES AND DISADVANTAGES OF COMMUNISM**
15. **STUDENTS WILL BE ABLE TO EXPLAIN THE REASONS FOR THE FAILURE OF EVERY ATTEMPT AT CENTRALLY PLANNED ECONOMIES**
16. **STUDENTS WILL BE ABLE TO IDENTIFY THE 5 POSSIBLE GOALS FOR ECONOMIC SYSTEMS**

WHAT IS A “SYSTEM”?

WHAT IS AN “ECONOMIC SYSTEM”?

WHAT IS THE PLACE OF THE ECONOMIC SYSTEM AMONG ALL HUMANISTIC SYSTEMS ?



WHAT ARE THE 4 FUNDAMENTAL MICROECONOMIC QUESTIONS THAT MUST BE ANSWERED BY EVERY SOCIETY ?

- 1.
- 2.
- 3.
- 4.

WHAT ARE EXAMPLES OF CATEGORIES OF GOODS AND SERVICES ?

WHAT ARE` EXAMPLES OF RESOURCES THAT ARE USED TO PRODUCE GOODS AND SERVICES ?

WHAT ARE THE 2 KEY CONCEPTS TO UNDERSTANDING CONSUMPTION ?

1.

2. “INCOME” -

WHY IS INCOME CALLED “FACTOR PAYMENTS” ?

WHO SHOULD MAKE THE DECISIONS ? THERE ARE 3 OPTIONS :

1.

2.

3.

WHAT ARE THE 4 TYPES OF ECONOMIC SYSTEMS ?

1. “BARTER ECONOMY” -

1.

2.

3.

2. “CAPITALISM / FREE MARKET ECONOMY” -

3. “SOCIALISM / MIXED ECONOMY” -

4. **“COMMUNISM / CENTRALLY PLANNED ECONOMY”** -

A CLOSER LOOK AT CAPITALISM , SOCIALISM , AND COMMUNISM :

TWO IMPORTANT CONSIDERATIONS :

1.

2.

1.

2.

3.

***DEMOCRACY AND
CAPITALISM***

***LIMITED DEMOCRACY
AND SOCIALISM***

***MONARCHY / TOTAL.
AND COMMUNISM***

1.

1.

1.

2.

2.

2.

3.

3.

3.

CAPITALISM

WHO TAUGHT US ABOUT CAPITALISM ?

***WHAT ARE THE 6 FACTS REGARDING THE ORIGINS
AND HISTORY OF CAPITALISM ?***

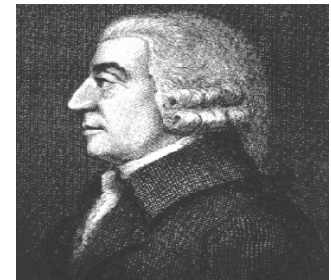
1.

2.

3.

4.

5.



SMITH

6.

WHAT ARE THE FOUR BELIEFS OF CAPITALISM ?

1.

2.

3.



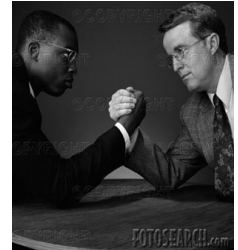
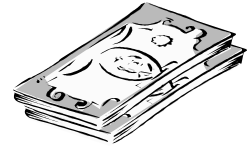
4.

“ INVISIBLE HAND ”

1. **“ PROFIT ”** -

2. **“ INCENTIVE ”** -

3. **“ COMPETITION ”** -



WHAT ARE THE 5 CHARACTERISTICS OF CAPITALISM ?

1.

2.

3.

4.

5.

WHAT ARE THE 2 FUNDAMENTAL PARTS OF THE CAPITALIST SYSTEM THAT ARE BOTH UNDER PRIVATE CONTROL ?

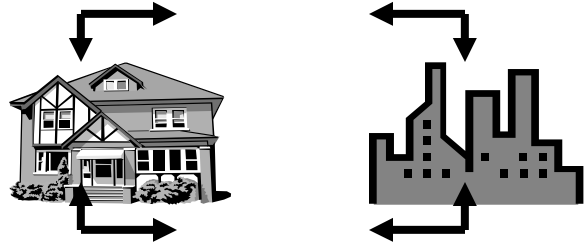
1. **“ HOUSEHOLDS ”** -

2. “ FIRMS ” -

WHAT ARE THE 2 FUNDAMENTAL MARKETS WITHIN THE CAPITALIST SYSTEM ?

1. “ FACTOR MARKET ” -
2. “ PRODUCT AND SERVICE MARKET ” -

WHAT IS THE “ CIRCULAR FLOW ” ?



WHAT ARE THE 3 ADVANTAGES OF THE CAPITALIST SYSTEM ?

1. “ ECONOMIC EFFICIENCY ” -
2. “ ECONOMIC FREEDOM ” -
3. “ ECONOMIC GROWTH ” -

WHAT ARE THE 2 DISADVANTAGES OF THE CAPITALIST SYSTEM ?

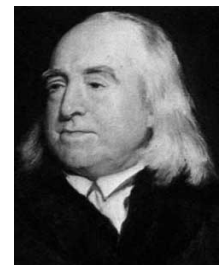
- 1.
- 2.

WHAT ARE TWO EXAMPLES OF COUNTRIES BASED ON THE CAPITALIST SYSTEM ?

SOCIALISM > MAY ALSO BE KNOWN AS :

WHAT ARE THE 5 FACTS REGARDING THE ORIGINS AND HISTORY OF SOCIALISM ?

- 1.



BENTHAM

2.

1.

2.

3.

3.

4.

1.

2.

3.

5.

WHAT ARE THE 3 BELIEFS BEHIND SOCIALISM ?

1.

2.

3.

WHAT ARE THE 4 CHARACTERISTICS OF SOCIALIST ECONOMIES ?

1.

2.

3.

4.

1.

2.

“SOCIAL PROGRAMS” -

WHAT ARE THE ADVANTAGES OF SOCIALISM ?

1.

2.

WHAT ARE THE DISADVANTAGES OF SOCIALISM ?

1.

3.

2.

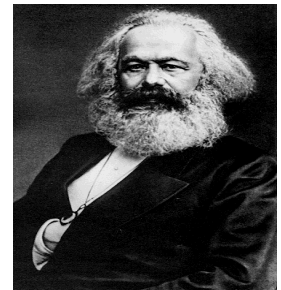
WHAT 2 COUNTRIES USE A SOCIALIST ECONOMIC SYSTEM ?

COMMUNISM -

WHAT ARE THE 4 ADDITIONAL SOCIALIST BELIEFS BEHIND COMMUNISM ?

1.

“PROLETARIAT” -



MARX

2.

3.

4. **THAT THE WORKERS OF THE WORLD WOULD DO THREE THINGS :**

1.

2.

3.

WHAT COUNTRIES USE A COMMUNIST ECONOMIC SYSTEM TODAY ?

WHAT ARE THE 4 CHARACTERISTICS OF COMMUNISM ?

- 1.
- 2.
- 3.
4. “ COLLECTIVES ” -

WHAT IS THE ADVANTAGE OF A COMMUNIST ECONOMIC SYSTEM ?

WHAT ARE THE DISADVANTAGES OF THE COMMUNIST ECONOMIC SYSTEM ? EVERY ATTEMPT AT A COMMUNIST ECONOMY HAS FAILED.

1.

2.

VERY IMPORTANT THINGS TO KEEP IN MIND :

1.

2.

3.

WHAT ARE THE 5 GOALS FOR AN ECONOMIC SYSTEM ?

1.

2.

3.

4.

5.