

CENTRALLY PLANNED ECONOMIES

3 Key Economic Questions

- ⦿ What goods and services will be produced?
- ⦿ How will they be produced?
- ⦿ Who gets them?

- In a centrally planned economy, the central government answers the key economic questions

- ⦿ Government owns both land and capital
- ⦿ It controls where individuals work and the wages they are paid, so it owns labor too

Decision Making Process

- ① 1. Top planners decide that more military uniforms than sweaters will be produced.
- ② 2. Materials committee decides how many sweaters and uniforms will be made.
- ③ 3. Factories make the sweaters and uniforms.

Role of Consumers

- Consumers do not determine what to produce and how to produce it through their decisions

Socialism

- A social and political philosophy based on the belief that democratic means should be used to distribute wealth evenly throughout a society

Communism

- ① A political system that arose out of socialism
- ① A centrally planned economy with all economic and political power in the hands of the central government
- ① Authoritarian—exacts strict obedience from their citizens