

2.4

Mixed Economics



As a Young Economist, I will be able to...

- Explain the rise of mixed economic systems.
- Explain how government actions affect a circular flow model of a mixed economy.
- Compare the mixed economies of various nations along a continuum between centrally planned and free market systems.
- Describe the role of free enterprise in the United States economy.

Why get involved

Most economies today blend a market system with elements of government involvement

Every economic system struggles to address the 3 basic economic questions

Laissez Faire- Doctrine that says government generally should stay out of marketplace



Reasons For Mixed Economies

1. Some modern needs are hard to meet in the marketplace. Such as roads or defense
2. Government supply some needs to achieve equity & all members of society benefit

3. Our constitution protects liberty & property such as....

Private property- property owned by an individual or company & not by the government or people as a whole

Intellectual property- Books, songs, movies, or inventions

Reasons For Mixed Economies

4. Government tries to make sure exchanges in marketplace are fair

5. People's preferences for redistribution of income can change

Mixed Economy- Economic System that has some market-based elements & some government involvement

We have a balancing act to meet in our economy as well as the global economy!



Circular Flow of Mixed Economy

A. Firms purchase land, labor, & capital from households in factor market

B. Government takes action in product market & purchases good and services

B. Government actions transfer money, collecting taxes from households & business



Mixed Economies Today

North Korea has an economy dominated by government owning all property & economic output

China allows some private ownership & allows investment, but government still dominates

Economic Transition- Period in which a nation moves from economic system to another

Privatization- Selling enterprises operated by the government to individuals, thus allowing competition in the marketplace



More Economies

Singapore has the freest markets encouraging foreign trade & investment with few regulations

Hong Kong is a administrate region of China, but operates under free economy



Economy of the United States

Mixed system, but foundation is a free market.

Pride in individual or corporate ownership of capital goods

Government keeps order, provides services, & promotes the general welfare

We have few limits & we can choose what work we want, where to live, and what to buy.

Open market encouraging free trade and few restrictions

