

PENANG SANGAM HIGH SCHOOL

P.O BOX 44, RAKIRAKI

LESSON NOTES- WEEK 22

Subject: Commercial Studies

Year: 10

Strand: 3

Sub Strand: 3.1 - Introduction To Economics

Content Learning Outcome: - Investigate and explain economic problems using different economic systems

Lesson Notes:

INTRODUCTION TO ECONOMICS

Economic Problem- Scarcity of resources.

Three Basic Economic Questions- What to produce, How to produce and For whom to produce.

Four Types of Economic System.

1. Traditional Economic [Subsistence/ Closed Economy]
2. Free Market [Capitalist/ Laissez- Faire/ Free Enterprise/ Market Economy]
3. Command Economy [Planned Economy]
4. Mixed Economy [Open Economy]

Economic System	Features	Ownership & Distribution	How The Basic Questions Solved	Advantages	Disadvantages
1. Traditional Economic	<ul style="list-style-type: none"> - Production for <u>own consumption</u> directed towards basic survival. - Based on <u>customs, tradition and beliefs</u>. - Use <u>primitive techniques of production</u>. - Surplus production was exchange using <u>barter trade</u>. 	<p><u>Ownership</u></p> <ul style="list-style-type: none"> - Heads of households decide the use of resources. - Commercial ownership. <p><u>Distribution</u></p> <ul style="list-style-type: none"> - Based on custom, traditions and beliefs. 	<p><u>What to produce?</u></p> <ul style="list-style-type: none"> - Needs of their household/ society towards survival. <p><u>How to produce?</u></p> <ul style="list-style-type: none"> - Using their knowledge and skills. <p><u>For whom to produce?</u></p> <ul style="list-style-type: none"> - For own consumption. 	<ul style="list-style-type: none"> - Simple form of organization. - No industrial pollution. - No need for capital innovation. 	<ul style="list-style-type: none"> - People had limited choice. - No economic growth. - Low standard of living. - No planning for the future. - Little provision for health and education.
2. Free Market	<ul style="list-style-type: none"> - <u>Private individuals control</u> on resources. - <u>Profit motive</u>. - <u>Price- mechanism</u> is used to determine the price of goods and services. - Has <u>freedom of choice</u>. - <u>High degree of specialisation</u>. - <u>Consumer sovereignty</u>. 	<p><u>Ownership</u></p> <ul style="list-style-type: none"> - <u>Private ownership</u> with a motive of profit. <p><u>Distribution</u></p> <ul style="list-style-type: none"> - <u>Use of money</u> as a medium of exchange. - <u>Those who can afford</u> to pay. 	<p><u>What to produce?</u></p> <ul style="list-style-type: none"> - Consumer demand determines production. <p><u>How to produce?</u></p> <ul style="list-style-type: none"> - Use of innovative skills and resources that yield profit. <p><u>For whom to produce?</u></p> <ul style="list-style-type: none"> - Those who can afford to pay. 	<ul style="list-style-type: none"> - Freedom of choice. - Resources are used efficiently. - Better profits. - High level of specialisation. - Continue innovation and technologies progress. - Producers are able to respond quickly to consumer demand. 	<ul style="list-style-type: none"> - Private firms don't provide goods and services that don't have profits. - Pollution will occur. - High competition can lead to creation of monopoly. - Consumers can be exploited. - Inequality in distribution of income.

3. Command Economy	<ul style="list-style-type: none"> - <u>Resources owned and controlled by government.</u> - <u>Production is towards the welfare of people.</u> - Consumers have <u>lack of freedom of choice.</u> - <u>Price fixing</u> done by central authority. - Maintain <u>economic stability.</u> - <u>Absence of profit and competition</u> may lead to inefficiency. 	<p><u>Ownership</u> Government owns and control resources allocations.</p> <p><u>Distribution</u> Equally distributed among the rich and poor for welfare of its people.</p>	<p><u>What to produce?</u> Decided by the central planning authority.</p> <p><u>How to produce?</u> Use of resources and technology.</p> <p><u>For whom to produce?</u> Government decides the price and distributes equally among the rich and poor.</p>	<ul style="list-style-type: none"> - People needs are catered. - Economic stability is maintained. - Greater income equality. 	<ul style="list-style-type: none"> - There can be delays in decision making. - Consumers have lack freedom of choice. - Absence of profit and competition may lead to inefficiency.
4. Mixed Economy	<ul style="list-style-type: none"> - Is a <u>combination of market and command economy.</u> - <u>Resources are controlled by both the private sector and public sector.</u> - <u>Government provide those goods</u> which the <u>private sector is reluctant to provide.</u> - Consumers have <u>freedom of choice.</u> - <u>Private individuals have profit motive</u> while <u>government has a motive to cater for the welfare of its people.</u> 	<p><u>Ownership</u> - Both by private sector and public sector.</p> <p><u>Distribution</u> - Money is used as a medium of exchange.</p>	<p><u>What to produce?</u> - <u>Consumer demand</u> determines production and <u>government</u> provides <u>public goods.</u></p> <p><u>How to produce?</u> - Business use <u>resources</u> for production that yields profits and government uses resources for production towards people's welfare.</p>	<ul style="list-style-type: none"> - Provide an incentive for people to work towards profit making. - People have freedom of choice. - Income equality. - Government intervenes to provide social justice. 	<ul style="list-style-type: none"> - Private sector will not produce those goods that don't have any profit. - Lots of social cost. - Monopolies will occur which lead to increase in price.

			<p><u>For whom to produce?</u></p> <p>- <u>Private individual produces for those who can afford to pay while government provides for those who cannot afford to pay.</u></p>		
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Class Activity

- Planned economy is where
 - resources are owned by the government.
 - people are free to produce anything they want.
 - resources are owned by individuals and government.
 - people grow their own food and build their own shelters.
- The main aim of the producers in a free market economy is to
 - determines consumer sovereignty.
 - have little consumer choice.
 - provide services.
 - make profit.
- Describe any two economic problems that exist in all economies.
- Describe two features of a Traditional Economy.

5. Paragraph Writing

Fiji is an example of a mixed economic system. With reference to the above statement:

- state one characteristic of mixed economic system.
- explain two advantages of mixed economic system.
- explain two disadvantages of mixed economic system.