

The U.S. Economic Systems Key Terms



1. Economics--The social science that examines how societies use scarce resources to produce and distribute goods and services that satisfy people's wants and needs.

2. Goods, services & needs

- ☐ **Goods** are any form of tangible personal property. These are bought, sold, traded and produced.
- ☐ **Services**: The performance of any duties or work for another; helpful or professional activity. Service cannot be touched or felt.
- ☐ **A need** is a specific quantity of a specific good for which an individual would pay any price. These are basic requirements for survival like food and water and shelter. In recent years we have seen a perceived shift of certain items from wants to needs. Telephone service, to many, is a need. I would argue, however, that they are wrong. (Wants are simply the desires of citizens.)

3. Economic Systems--The way the society uses resources to satisfy its people's needs and wants.

4. Scarcity--Insufficient supply or amount of something needed, a shortage of goods or services that are needed.

5. Types of Economic Systems: Traditional, Command, Market, Mixed

- ☐ **Traditional**: A traditional economic system is one in which people's economic roles are the same as those of their parents and grandparents. Societies that produce goods and services in traditional ways are found today in some parts of South America, Asia, and Africa. There, people living in an agricultural village still plant and harvest their own food on their own land.
- ☐ **Command**: No person may independently decide to open and run any kind of business. The government decides what goods and services are to be produced. And the government sells these goods and services. The government also decides how the talents and skills of its workers are to be used. In North Korea and Cuba government answers the above questions.
- ☐ **Mixed**: Most decisions are left to individuals (there are some government regulations) Here the market is the primary method but with government officials often intervening in the marketplace in an attempt to improve economic performance. U.S., Japan, and Canada are examples. Examples: Seat belts and pollution devices on automobiles or inspections of commercial kitchens.
- ☐ **Market**: A market economic system is one in which a nation's economic decisions are the result of individual decisions by buyers and sellers in the marketplace. The U.S. has a market economic system. When you finish school, you may go to work where you choose, if a job is open. You are also free to go into business on your own. Suppose that you decide to open a business. You will risk the money that you have saved or borrowed in the hope that you will be successful. The price that you charge for your goods or services will be influenced by the prices charged by your competitors (other businesses selling the same items). The success that you have will depend on the demand by consumers for your goods. You may do extremely well. But if people do not want what you are selling, you will go out of business.