

Economic Systems and Economic Analysis

Objective: Understand how different economic systems address fundamental economic questions and explore the distinctions between normative and positive economic analysis, including their impact on production decisions and consumer behavior.

Economic Systems:

- **Market Economy:** Decisions on production and consumption are determined by supply and demand, with minimal government intervention. Example: United States.
- **Mixed Economy:** Combines elements of market economies with government intervention and planning. Example: Canada, Sweden.
- **Traditional Economy:** Decisions are based on customs, traditions, and cultural beliefs. Production methods are often ancient. Example: Indigenous tribes.
- **Command Economy:** The government makes all decisions regarding what, how, and for whom to produce. Example: Cuba.

Specific Country Analysis:

- **Canada and Sweden (Mixed Economies):** Both countries have market-based economies with significant government intervention in areas like healthcare, education, and welfare, ensuring a redistribution of wealth and equitable production. The governments in these countries answer "for whom to produce" by aiming for a wider distribution of goods and services across society, impacting decisions about "what" and "how" to produce to meet societal needs.
- **Cuba (Command Economy):** The government decides what goods and services are produced, how they are produced, and who receives them. This system aims to meet the basic needs of all citizens, but may lack the efficiency and innovation seen in market-driven economies.

Impact on Production Decisions:

- Market forces in Canada and Sweden, though significant, are tempered by government policies aimed at social welfare, affecting the types of goods produced (more public goods and services). In Cuba, production decisions are centrally planned, prioritizing **initio**essentials like healthcare and education.

