

# *What is an economic system?*

*What? A set of relationships in society that shapes the provision of human needs*

**Function:** A system that provides for human needs

**Determines:**

- What work is done
- How work is done (Organisation of labour)
- By whom it is done (Organisation of workers)
- Who gets the output (product) of work

## *Types of Economic Systems:*

<b>Type</b>	<b>Basis</b>	<b>Example</b>
Slavery	<ul style="list-style-type: none"><li>• Coercion/Forced Labour</li><li>• Actors:<ul style="list-style-type: none"><li>◦ Slave owners</li><li>◦ Slaves<ul style="list-style-type: none"><li>• Owned by someone</li><li>• Given basic needs (Shelter, food, &amp; clothing)</li><li>• Bought and sold as a commodity</li></ul></li></ul></li></ul>	<ul style="list-style-type: none"><li>• Ancient Rome, Egypt, &amp; Greece</li><li>• Africans in U.S.</li></ul>
Feudalism	<ul style="list-style-type: none"><li>• Principle of mutual obligation</li><li>• Actors:<ul style="list-style-type: none"><li>◦ Serfs/Peasants:<ul style="list-style-type: none"><li>• Receive basic subsistence &amp; social protection</li><li>• Cannot be bought or sold</li></ul></li><li>◦ Lords:</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Middle Ages in Western Europe</li></ul>

	<ul style="list-style-type: none"> <li>• Have control over property</li> <li>• Employ &amp; protect serfs</li> <li>• Had military power</li> </ul>	
Capitalism	<ul style="list-style-type: none"> <li>• Dominance of financial transactions <ul style="list-style-type: none"> <li>◦ Buying &amp; selling commodities via exchange</li> </ul> </li> <li>• Private ownership of capital <ul style="list-style-type: none"> <li>◦ PP = social institution that gives rights to individuals or firms <ul style="list-style-type: none"> <li>• The means of production used to make profit</li> <li>• Owner has property right to determine use</li> <li>• Owner has right to obtain property income (profits, interest, rent)</li> <li>• Owner has right to use &amp; exclude others from using (e.g. No trespassing)</li> </ul> </li> </ul> </li> <li>• Property rights: <ul style="list-style-type: none"> <li>◦ Legal expression of class relationships <i>combined with</i> ways to control labour processes</li> </ul> </li> <li>• Wage-Labour relationship <ul style="list-style-type: none"> <li>◦ Workers <ul style="list-style-type: none"> <li>• Receive part of economic output in wages</li> <li>• Majority of population</li> <li>• Work for an employer</li> <li>• Labour = commodity (Labour time = sold in exchange for wages)</li> </ul> </li> <li>◦ Business owners <ul style="list-style-type: none"> <li>• Entitled to majority of output in profit</li> <li>• A distinct class, but a minority</li> </ul> </li> </ul> </li> <li>• Finance: <ul style="list-style-type: none"> <li>◦ Monetary system, bank-credit money (debt)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Dominant economic system in international economy</li> </ul>

	<ul style="list-style-type: none"> <li>• Role of the state: <ul style="list-style-type: none"> <li>◦ Property rights, markets, 'umpire'</li> </ul> </li> <li>• Ideology</li> <li>• Growth (expansionary tendency) <ul style="list-style-type: none"> <li>◦ Markets for commodities, labour, finance, production of goods etc.</li> </ul> </li>   <li>• <b><i>Responses to capitalism:</i></b></li> <li>• <b><i>Classical Political Economy:</i></b> <ul style="list-style-type: none"> <li>◦ <i>Capacity of an economic system based on market exchange</i></li> </ul> </li> <li>• <b><i>Marxist Economics:</i></b> <ul style="list-style-type: none"> <li>◦ <i>Capitalism generates inequality, conflict, crises</i></li> </ul> </li> <li>• <b><i>Neoclassical Economics</i></b> <ul style="list-style-type: none"> <li>◦ <i>Free markets produce efficient outcomes</i></li> </ul> </li> <li>• <b><i>Institutional Economics:</i></b> <ul style="list-style-type: none"> <li>◦ <i>Social manifestations of business and consumer behaviour</i></li> </ul> </li> <li>• <b><i>Keynesian Economics</i></b> <ul style="list-style-type: none"> <li>◦ <i>Focus on unemployment and the state = central</i></li> </ul> </li> <li>• <b><i>Neoclassical Synthesis</i></b> <ul style="list-style-type: none"> <li>◦ <i>Keynesian macro &amp; neoclassical micro</i></li> </ul> </li> <li>• <b><i>Monetarism</i></b> <ul style="list-style-type: none"> <li>◦ <i>Capitalism works best when government interfered least</i></li> </ul> </li> <li>• <b><i>Neoliberalism</i></b></li> </ul>	
Socialism	<ul style="list-style-type: none"> <li>• Shared ownership and planning <ul style="list-style-type: none"> <li>◦ Capital, land, and all property</li> </ul> </li> <li>• Distribute output on an equitable basis</li> <li>• No separation class of 'owners'</li> <li>• Major debates about how to implement principles</li> </ul>	