

-Gov't makes production + distribution decisions aka Gov't answers the questions

Goals = Economic Justice (no social hierarchy)

Economic security (basic needs fulfilled by gov't ex. shelter, employment)

Perverse Incentive: A motive causes unintended negative behavior to occur

Ex. kid decides to knock out all his teeth for more \$ from tooth fairy

A. Problems

-Production quotas = how much is produced

Since basic needs are guaranteed if quota is met, incentive to work is to meet quota rather than produce quality (PERVERSE INCENTIVE = QUOTAS).

People won't produce more or better than required b/c no motive (no growth/innovation)

IV. Mixed Economy

-Blends elements of free market and CPE's to answer q's

A. Tragedy of the Commons

-Tendency for shared foods that are shared to be abused/overused

Ex. Fish in ocean, air, public bathrooms, public parks

Possible solution: Privatizing property

Ex, leasing strips of highway to private companies

B. Public Good

-Good that is NON EXCLUSIVE + NON RIVALROUS (someone can't be kept from using it and that in using that good, someone else is not kept from it either)

Ex. Roads, street lights, police

C. Externality

-Indirect costs/benefits of an economic transaction (impacts a party indirectly involved)

Ex. CO2 emissions (POLLUTION DUE TO PRODUCTION), planting trees (capture co2)/deforestation, alcohol consumption (leads to traffic accidents, lower productivity)

Economic freedom = Wealthier nations

-Easier to make a business, leads to private sector jobs (measure of economic growth), private sector jobs are based on DEMAND (not taxpayer money), take risks/profit motive

ALSO NEEDS: political stability, fair legal system, stable currency