An economic system= how the decisions of what goods and services to produce, how to produce them and who to produce them for are made.

Three main different types of economic systems:

1. ***A Market economic system:*** All decisions are taken by private sector organisations and individuals. → there is no government intervention (no public sector, no taxes, no public spending)

-A market is any set of arrangements that brings together all the producers and the consumers of a good or service so they may engage in exchange.

2. ***A Planned economic system:*** All decisions are taken from public sector organizations. These organizations are controlled by the government and it creates very little consumer choice. The quality is normally poor and these firms only produces what the government wants to produce and not what consumers want→ there are often shortages.
3. ***A Mixed economic system:*** The decisions are split between the private sector and the public sector. Decisions are both took by organizations and individuals or the government.

DIFFERENCES BETWEEN A MIXED AND A MARKET ECONOMIC SYSTEM:

MARKET	**MIXED**
Firms will only produce goods & services if they profitable.	A government can provide public goods (street lamps) that are in the public & economic interest.
Firms will only supply products to consumers who are able to pay for them.	Many public sector organisations deliver merit goods & essential public services (education) who are mostly free or at low costs for people who can't afford it .
Resources will only be employed if its profitable to do so.	A government can provide jobs in public sector organizations and provide welfare payments to people out of work or on low incomes. → financial help to firms during economic recessions.
Harmful goods may be produced if it is profitable to do so.	A government can use laws to make the production of dangerous and harmful goods illegal
Some producers and consumes may ignore the harmful effects of their decisions and actions.	Some firms and consumers in the private sector will only consider their own private costs and benefits. A government can introduce laws regulations to protect the natural environment.
Monopolies	A government can regulate or break up monopolies so they don't benefit of their power.

- **Demand**= the willingness or want of consumers to buy goods and services.
- **Effective demand**= is when consumers have enough money to buy the goods and services they need and want.
- **PRICE MECHANISM**→ rising market price signals that consumers demand for the product is rising → firms might then want to allocate more resources to that product to make more
- On the other hand→ if market price is decreasing the firm might decide not to produce the good or service anymore.
-
- **Quantity demanded**→ the amount of good and services consumers are willing and able to buy
- **Individual demand**→ the demand of one single consumer