

The basic questions of production are answered by each society differently based on the economic systems they have chosen to abide by. An **economic system** is the way a society uses its resources to satisfy its people's unlimited wants. There are three basic types of economic systems. They are traditional economies, command economies, and market economies.

The first type of economic system we will discuss is the traditional economy. A **traditional economy** is an economic system where families, clans, or tribes make economic decisions based on customs and beliefs. These beliefs and customs were handed down from generation to generation. The goal of these societies is strictly survival. Each person has their own specific role that they play in the economy. Men hunt, women farm and cook, the blacksmith makes tools, and his son will be a blacksmith too. The good of the whole society is always more important than that of the individual members. Therefore, there are not as many wants in these types of economies. The only concern is for the basic needs of survival.

The traditional economic system, unfortunately, is pretty inefficient. It relies on habit. These people are so stuck in their ways that they do not change, when sometimes change, new ideas, or innovation is a good thing. New technologies, medicines, ways of production, etc will only help an economy. But, in traditional economies, these ideas are rejected because of old habits. So, when an economy resists change, they become less productive than other economies that use new skills and technologies to produce. People do not get to choose a job of their liking either. They are usually stuck doing what their other family members did. Or, they are given a job based on their gender, not on their skills or interests. When someone is not happy with their job, they also become less productive because the job does not fit their abilities or interests.

Societies that use a traditional economy are usually very poor, third world countries and clans like small tribes in Africa and the Middle East. These are small community societies that are very close. They lack modern conveniences like microwaves and even running water. They have a low standard of living and often struggle just to have enough to eat.

A **command economy** is another type of economic system where the government controls all aspects of the economy. It decides what goods and