**KEYWORDS**

**Economy** - This is the way goods and service are made, sold and used. The

goal of the economy is to use the resource available effectively

**Economic Resources** - These are the factors that are used to produce and

distribute goods and services

**Economic Systems** - This is the method countries use to distribute their

economic resource, goods and services

**Centrally Planned** - This is where the Government has control over

economic resources and the decisions made

**Free Market** - This is an economy where individual control the resource

and make all the decisions

**Mixed Economy** - This is one that has both centrally planned and free

market economies An example is Ireland

**Private Sector** - This is the sector where individual set up their own business with the aim of making a profit

**Third Sector -** This sector is made up of social enterprises and not for profit organisations. They operate independently of the Government and are also known as NGO (Non Government Organisations)

**Charites** - These are set up to benefit others. This is is done by raising

money through fundraising. Their aim is also to help the less well off and

relieve poverty

**Voluntary Organisations -** These organisations provide a serve to it members. They raise finance by charging memberships and running fundraisers. They are managed and run by a committee. For example, GAA

**Social Enterprise -** These enterprise have a social or environmental aim. There aim is to make a profit to benefit for a cause rather than the owners.

**Circular flow of Income** - This looks at the movement of economic growth

and wealth in an economy

**SELF TEST QUESTIONS**

1. Distinguish between the difference economy systems

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2. Identify the benefits and drawbacks of these systems

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3. Distinguish between the public, private and third sector

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4. Describe the circular flow of the economy

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**ECONOMIC SYSTEMS**

Economic system deals with the following – 1. Allocation of resources (Scare), 2. The production of goods and services, 3. The distribution of goods

and services and 4. The role of the public and private sector

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| --- | --- | --- | --- |
| **System** | **CENTRAL PLANNED** | **FREE MARKET** | **MIXED ECONOMY** |
| **Definition** | The Government has control over economic resources and the decisions | This is an economy where individual control the resource and make all the decisions | This is one that has both centrally planned and free market economies |
| **Explanation** | The state makes all the decisions about the goods and service produced in a county -no individual can set up a business | Individual set up the companies and make the decision. Success is based on Supply and demand | The production of goods and services are shared between the government and Individuals who set up their own business |
| **Example** | North Korea | USA | Ireland |

**SECTORS OF ECONOMY**

Economic system deals with the following – 1. Allocation of resources (Scare), 2. The production of goods and services, 3. The distribution of goods

and services and 4. The role of the public and private sector

|  |  |  |  |
| --- | --- | --- | --- |
| **System** | **PUBLIC SECTOR**  | **PRIVATE SECTOR** | **THIRD SECTOR** |
| **Definition** | Controlled by the Government – Provide services | Individual Business - Make a Profit | Social enterprises and not for profit organisations. |
| **Example** | Local Government – housing, Fire service, Facilities | Eir - TelecommunicationsRyanair - Transport | Not for Profit Organisation – Oxfam (Recue Poverty, Focus Ireland (Support Homelessness),  |
| **Example** | National Government – Depart. of healthDepart. of Education & Skills |  | Voluntary Organisations - They are managed and run by a committee - GAA |
| **Example** | State Owned – Transport (CIE), Entertainment (RTE), Communication (An Post) |  | Social Enterprise - have a social or environmental aim. - make a profit to benefit for a cause rather than the owners. |

**CIRCULAR FLOW OF INCOME**



Countries with A lot of Government Involvement

usually have

1. High tax, 2. A lot of state services and

3. Equal distribution of wealth and resource

Countries with Little Government Involvement

Usually have

1. Lower taxation, 2, Low level of public services,

3. A gap between rich 4. Less equal distribution of wealth

**CIRCULAR FLOW OF INCOME**

1. Business use the factors of production – which they sell to households

2. The household spend money on the goods and service supplied by firms

3. This money is then used by the business to pat wages, interest and rent.

4. If household doesn’t spend all their money, they save it so it leaves the circular flow

5. Banks use this money for investment so it will be returned to the economy in the form of services

6. In an economy where the government makes the decision money will leave the circular flow of income in the form of taxes but will be returned when the government start spending

7. Imports and exports also play a part in the Circular flow. Imports means the money is leaving and exports means that money is coming into the circular flow