

3.2 Explain how individuals, organisations (for profit and not-for-profit) and the government work together to distribute economic resources used to produce goods and services

SELF TEST QUESTIONS

1. Distinguish between the difference economy systems
2. Identify the benefits and drawbacks of these systems
3. Distinguish between the public, private and third sector
4. Describe the circular flow of the economy

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

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 - Telecommunications Ryanair - Transport	Not for Profit Organisation - Oxfam (Recue Poverty, Focus Ireland (Support Homelessness),
Example	National Government - Depart. of health Depart. 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.

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

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)
- Charities** - These are set up to benefit others. This 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. Their 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

