



Economic Systems



A closer look at some of the economic systems around the world

Government-Controlled Economic Systems

An economy in which a central government controls production, investment, prices, and incomes. Also referred to as command economies.

Who decides?



What?



How?



For whom?

The central government

Free Market Economic Systems

An economic system in which production and prices are determined by supply and demand and unrestricted competition between privately owned businesses.

Who decides?



What?

consumers



How?

producers



For whom?

price

The United States



Did You Know?

A mixed-market system is an economic system that utilizes most of the elements of capitalism (market); however, does allow for limited government involvement in the economy.

- The United States ranks as one of the largest countries in the world
- The United States has one of the strongest economies in the world
- The United States is classified as a highly developed capitalist mixed-market economy
- The United States ranks #1 in nominal gross domestic product
- The United States is the world's largest importer and second-largest exporter
- The U.S. dollar is the currency most used in international business and is the world's reserve currency

Characteristics



- Needs of the state drive economic activity
- Individuals have little power to make decisions
- Private property is either limited or non-existent
- Work is obligatory and is on behalf of the state

Characteristics



- Private property rights are strongly protected
- People are free to buy and sell goods and services to satisfy their own desires
- There is individual freedom in decision-making
- The potential for profit provides the incentive to create and to work

Economic Indicators

When comparing the economic health of a nation and the advantages of one economic system over another, economists look at many data points. Two important areas are economic freedom and the standard of living for citizens.



Economic Freedom:

The ability of citizens in a society to make economic choices; measured by the Index of Economic Freedom

Most Free: Singapore (83.9)

Least Free: North Korea (2.9)

U.S. (70.6)

Statistics as of 2023 from The Heritage Foundation

Standard of Living:

How well people live in a town, region, or country in terms of income and wealth; measured by GDP per capita

Highest: Monaco (\$234k)

Lowest: Burundi (\$238)

U.S. (\$76k)

Statistics as of 2021-22 from World Bank