**Government-Controlled versus Free Market:**

Explain the difference between a government-controlled (command) economic system and a free market economic system in your own words.

A government controlled or command economic system is where the government controls all production, prices, and income. A free market system involves no government intervention and allows supply, demand, and competition to operate unrestricted.

**Characteristics of Economic Systems:**

List some characteristics of a government-controlled (command) economic system versus a free market economic system:

| Government-Controlled | Free Market |
| --- | --- |
| ~Individuals have no power in decision making  ~Private property is limited or non-existent  ~Needs of the state drive economic activity  ~Work is obligatory and is on behalf of the state | ~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 |

Based on the definitions and the characteristics, what would be the advantage of a free market economic system over a government-controlled economic system?

Advantages of free market include: stronger growth of innovation, competition can keep costs of production and prices of goods and services lower, more diversity in products and more responsive to consumer needs

**The United States:**

What type of economic system is used in the United States?

Capitalist Free Mixed Market Economy

**Economic Indicators:**

Briefly describe the two economic indicators in this section, and explain how they may be used to measure a nation’s economic health. What type of economic system do you think the nation’s with low economic freedom and low GDP per capita utilize?

Economic freedom refers to the ability of citizens to make their own economic choices and standard of living refers to how well people live in economic terms. The more freedom and higher standard of living a nation has, would indicate better economic health. Low economic freedom and low standard of living is most associated with government-controlled economic systems.

**Putting It All Together:**

1. Using what you know about government-controlled (command) versus free market economies *and* capitalism, socialism, and communism, place the three economic systems correctly on the spectrum and justify placement using evidence from all texts.

Place each of those words on the continuum below:

**Capitalism**

**Communism**

**Socialism**



Explanation:

Communism is the most aligned to a pure command economy because the central government determines production, investment, prices, and wages. While both communism and socialism are more command, socialism moves more to the middle because individuals may still retain ownership of personal property and people are compensated not just based on need but contributions. Capitalism supports free enterprise that allows for private ownership of the means of production and their operation for profit which makes that the closest to a free market economy.