

The Different Types of Economies

Introduction

Countries around the world rely on many different things when it comes to their economies. Economies today fall into 5 different types depending on factors like who controls resources, products being produced for the world or for self, and others. The types of economies we see today are traditional, developing, market, command, and mixed. Most countries today use a mix of these economic systems.

Traditional Economy

One economic system is a traditional economy, a system in which people grow their own food and make their own goods. The types of jobs that are in a traditional economy are usually passed down through the family for generations. For example, a child that is a part of a family that farms will be given the land once his parents have reached an age where they cannot work anymore, just like his parents were given the land by the grandparents. Most people that are a part of a traditional economy make just enough product for their family to use, but do trade any surplus they may have. Trade may take place through bartering, or the exchange of goods without the use of money. Rural and remote communities often have the most traditional economies. An example of a place that has a traditional economy is native people in Brazil that are secluded from the more advanced part of the economy.



Developing Economy

The next economy is a developing economy, a system that is between a traditional economy and another type of economy. A country that has a developing economy is one that is trying to become an industrialized country. This means that they are trying to create factories that will create jobs, and move away from the traditional economy where people produce just enough product to sustain their family and perhaps trade locally. Developing economies are trying to work towards becoming either a command economy or a market economy. An example of a country that has a developing economy is Ecuador.



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Market Economy

The third type of economic system is called a market economy. A market economy is a system based on private ownership, free trade, and competition. Individuals and businesses are free to buy and sell what they wish. Prices are determined by the supply and demand for goods. For example, you are able to choose if you would like to buy an Xbox One or a Playstation 4. There is no restriction on which one you must purchase, it is up to the consumer. The freedom to let prices dictate what products do well and do not do well is sometimes called capitalism. The United States is one of the many countries that uses a market economy. The citizens of the United States let supply and demand determine the prices of the products in



Command Economy

The fourth economic system we see in the world today is a command economy. This is a system in which the central government makes all of the economic decisions. The government decides what goods to produce, how much to produce, and what prices will be. This means that if you lived in a country that had a command economy, if the government decides that they are only going to produce 100 cars for the year, once the cars have been sold, there will be no more production. There is no supply and demand in a command economy, only what the government believes is best for the country. While no country has a purely command economy, the economies of North Korea and Cuba are close to it. The Communist governments of these nations own and control most businesses.



Mixed Economy

The final economic system we see in the world today is a mixed economy. Most countries have a mixed economy. This is where the government does have some control over certain aspects of the country, but supply and demand is still in control of prices. People are also allowed, like in a market economy, to start their own businesses and control what they buy. Even though most countries are a mixed economy, some are closer to command than market, and vice versa.