

The Advantages and Disadvantages of Traditional, Command and Market Economies

In the world of today there are three major types of economies. Traditional economies are dictated by tradition, customs, and, to a large extent, religion. As time goes on this type of economy is becoming more and more scarce. Command economies, such as the former Soviet Union, North Korea, and Cuba, have a central government that controls just about everything in the society.

The third and final major economy is the market economy. This is a mostly free economy, where the central government is weak and the businesses do as they please to make a profit. Each of these economies has many positive and negative aspects.

Traditional Economy

One of the few advantages existing in a traditional economy is that the roles of individuals are clearly defined. Every member of the society knows exactly what they are to do and most don't have any complaints about it. There are also many disadvantages to this type of society. These societies are often very slow to change and when new technologies are introduced, these ideas and techniques are discouraged.

Command Economy

Command economies have many advantages to it. One advantage is that equality is focused on. The government tries to eliminate all private property and distribute its good equally. If done correctly no one is in poverty and no one is wealthier than another. Social services are also emphasized in this type of economy. The government will provide equal health care, education opportunities, and make sure all people are fed.

A third advantage to this type of economy is that it is capable of rapid change for major problems. The government owns the companies, so if production needs need to be shifted into a different area, the government is capable of doing it rather quickly.

A final major advantage of command economies is that they are very stable. Command economies will never have sudden depressions. Although command economies may seem like a utopian form of economics, they also have many disadvantages. In command economies there is very little freedom. The individual usually doesn't have the opportunity to decide what they want to do for a career, and they have no control over the goods they receive. Another major problem is that there is little reason for innovations, hard work, or quality of the work.

Since no one makes more money than everyone else, the people feel like there is no reason to work hard. A third disadvantage is that there is little focus on consumer wants. Finally, when it comes to minor day-to-day changes, the government has a hard

time coping with them.

Market Economies

In recent years, market economies have been coming more and more popular. Three major examples of market economies are The United States, Japan, and France. One major advantage is that market economies can adjust to change easily. If there is a demand for one thing, companies have the ability to change what they produce instead of having to go through too much government protocol first. Rational self-interest in market economies is also encouraged. People have the ability to make as much money as they can and do what is in their best interest.

Another positive to market economies is that the government tries to stay out of the way of businesses. Although the government sets certain standards businesses must follow, for the most part businesses can do as they please, allowing them to produce what they want, how they want. A fourth advantage to the market economy is that there is a great variety of goods and services for consumers. If there is a demand for a good or service, the demand will almost always be met in a market economy.

Although there are a lot of positives to market economies, there are also many negatives that go along with it too. One major problem with this type of economy is that it doesn't always provide the basic needs to everyone in the society. The weak, sick, disabled, and old sometimes have trouble providing for themselves and often slip into poverty.

Another problem is that it becomes hard for a government with so many private businesses to provide adequate defense, education, and health care to its people. A third disadvantage to this type of economy is that there is uncertainty in the business world. One company could easily be forced out of business causing all of its employees to become unemployed and lose their means of income.

The final major disadvantage is that occasionally there are market failures. This can cause some companies to become way too powerful and become a monopoly. If the government doesn't step in, the monopoly can take advantage of the consumers and charge ridiculously high prices.

Conclusion

Each of these types of economies has its own unique positives and negatives. It may seem like one economic system is better than another, but it all depends on what the viewer deems important.

Advantages & Disadvantages of Economies

Use the information from the article to fill in the boxes with the advantages and disadvantages for each type of economy.

	Advantages	Disadvantages
Traditional Economies		
Command Economies		
Market Economies		