

# Depiction of main economic systems

[Economics](#)



## **Economic System Effectiveness**

When deciding which economic system would benefit my company the most, there are many factors to consider. Today, there are a variety of advancements made in technology, and a majority of the markets follow media trends. Businesses must adapt to stay open. In socialist economies, individuals are allowed to own their companies. The downside is that these owners do not take home their entire profit. The government imposes steep taxes on the wealthy so that even the less fortunate can enjoy the earnings. With the risk I am taking to start my business, I would need an economy that allows me to handle all of my production, distribution, and profits. An economy that allows me to make changes where I see the need and keep up with changing trends. A capitalist economy is the most suitable choice for my business. It provides me with the freedom to hire and fire whomever, to determine wages, to set my prices, and more. In the end, all the effort I exert to build my company will circle back around and benefit me and my community. A successful business means more employment opportunities, more money for funding community needs, and raises the standard of living in an economy.

### **Socialism and Communism**

A socialist economy relies on its government to control business production, distribution, and profits. Individuals can own businesses but are required to pay excessive taxes. The more profits a company earns, the more taxes they must pay. The main idea behind socialism is equality, to take from the wealthy and assist the less fortunate. In this economy, people who have high incomes also give up a big percentage of their salary to taxes. “ Socialism

may create more equality than capitalism, but it takes away some of businesspeople's incentives. For example, tax rates in some socialist nations once reached 83 percent. Today, doctors, lawyers, business owners, and others who earn a lot of money pay very high tax rates" (Nickels, McHugh, & McHugh, 2016, p. 42). Consequently, many of them leave socialist countries for capitalistic countries with lower taxes, such as the United States. This loss of the best and brightest people to other countries is called a brain drain. As a result, the government uses these funds to provide free education, healthcare, childcare, and more to the public. A socialist economy focuses on how to reduce wealth differences, unemployment rates, and inflation.

Similarly, Communist economies carry the same principles as socialist economies but are far more intense and intrusive. In this economy, the government controls all economic decisions. It preys into the social lives of its citizens and holds many restrictions against them. These individuals fear their government and are not allowed to pick their religions, home locations, job types, etc. In both economies, their people lack creativity and innovation. Their governments handle all production, distribution, and profits from all businesses. However, in a communist economy, there is an inaccurate representation of supply and demand which results in an uncertainty of how much goods to produce. Consequently, it causes a lack of resources and the economy then suffers more and falls into economic depression.

### **Capitalism**

Our third and last economy is called the capitalist economy. Capitalism like socialism believes in equality too. However, capitalist economies approach

equality differently. Instead of controlling business production, distribution, and profit, capitalist governments let individuals handle their businesses on their own. These countries give their citizens the freedom to make their decisions whether it is in their business or home. Like the other two economic systems, capitalist economies provide their people with a set of rules and regulations to abide by. However, capitalist laws do not hinder creativity but instead, embrace diversity and innovation. The government has also developed programs that assist individuals in starting their businesses and lends funds to companies that are struggling. Capitalist economies rely on supply and demand to determine how much to produce, when, and for how much.

Comparing the success rate of businesses in capitalist economies with markets in other countries, it is important to me that my business start and grow in a capitalist economy. When I think about a free market, I reflect on how liberating it is to have the freedom to make business decisions. I envision a company where I can provide a need for others and at the same time pass it down to my kids and the generations ahead of me. “ The thing to keep in mind is that in a true free market, you succeed by meeting the needs and wants of other people; you succeed by providing something that somebody else wants” (Forbes, 2017, p. 129). Overall, I chose a capitalist economy because it gives me the freedom to build my business the way I initially intend to and develop ways of giving back to my community through my journey.

**Conclusion**

In summary, a capitalist economy provides the freedom to allow my creativity and business to flourish. It models the type of equality that nurtures companies and provides for its community in the long run. Socialist and communist countries give their governments authority over their businesses so they can handle their production, distribution and profits. Their goal like capitalism is to have equality, so that even the less fortunate can benefit. Reflecting on these points, I would hate to work hard for my income and have a big portion of it be taken away by the government. I believe it is important to give back to your community, but I also believe that each business should find its own way of charity. A capitalist economy will benefit my company by providing me the freedom to make executive decisions and stay updated with the latest trends. Ultimately, my goal is to fill a need or want in my community and I am able to do that under a capitalist economy.