

The advantage of mixed economy

[Economics](#)



A mixed economy lies between the opposite poles of a free-market economy and a centrally planned, or socialist, system. A mixed system combines capitalist and socialist elements, and is sometimes referred to as a "third way." Most nations, including the United States, operate mixed economies with varying combinations of capitalist and socialist features. Mixed systems offer a variety of benefits, including free enterprise and private ownership, as well as a social safety net and the capacity for government intervention when needed.

Free Enterprise

Free enterprise and private ownership--two essential characteristics of a free-market economy--remain part of a mixed economic system. Under such a system, individuals are free to own property and operate for-profit businesses. The specific level and extent of free enterprise varies across countries. Some nations, such as the United States, emphasize free enterprise and private ownership of industry, while other countries' systems involve state ownership of some industries, such as transportation, energy and utilities. In addition, privately owned industries may be subject to a variety of government regulations.

Social Safety Net

One of the primary benefits of a mixed economy is the existence of a government-funded social safety net, which exists to provide at least a minimal level of subsistence for citizens. Sometimes referred to as a "welfare state," the benefits under this safety net include, but are not limited to, a publicly funded healthcare system for all citizens or at least some segments of the population, minimum wage laws, unemployment insurance

and a publicly funded pension system. A pure market system with private ownership of industry and only minimal state intervention in the economy would, in theory at least, leave such social benefits to private charities. The United States' mixed economic system includes the Social Security system, a federal minimum wage law and healthcare benefits for the elderly under Medicare. Other nations, such as Canada, have universal healthcare systems.

Ability to Intervene

The mixed economic system is based on the idea that government can improve economic outcomes through fiscal or monetary policy action. A mixed system gives government the flexibility to intervene in the economy in times of emergency. The best example of this was in 2008, when a global financial crisis threatened to plunge the economy into a global depression. The United States and other nations moved to stabilize their financial systems. The U. S. government, for its part, provided more than \$700 billion in " bailout" funds to enable the nation's banks to clear toxic assets, backed by troubled mortgages, from their books.