

# [Strengths and weaknesses of the command economic system](https://assignbuster.com/strengths-and-weaknesses-of-the-command-economic-system/)

Identify the three basic economic systems in the world and evaluate the strengths and weaknesses of the command economic system.

INTRODUCTION

An economic system is a system used to allocate resources in an economy. A system is required to allocate resources because resources are scare in economics scare means limited resources being insufficient to satisfy the unlimited want of man. The three most basic economic system are the; command economic system, free economic system, mixed economic system.

IDENTIFICATION OF ECONOMIC SYSTEM

COMMAND ECONOMIC SYSTEM: A command economic system is an economic system in which the government state owns and controls all resources within its jurisdiction; this means that no individual has any authority over the use of resources. (Private firms can also be referred to as ” individuals”). The government determine what should be produced, the proportion dedicated to which economic sector and the resource distribution policy. Price is also determined by the government through price regulation. A command economic also denote a communistic form of totalitarianism which is one of the basic of the political and economical control of the whole country. Command system is characterized by the following;

Market forces do not affect price.

Individuals have no control over resources.

Individual has restricted freedom of choice.

Resources are usually underutilized.

The price of resources is stable.

FREE MARKET ECONOMIC SYSTEM: in this economic system individuals (including firms) are allowed to own and control resources. Since the government has minimal control over economic proceedings there is competition between individuals in which they would vie for economical gain. In this system price of resources are determined by the market forces (supply and demand). Free market economic evolved out of the previous feudal system and capitalism continues to evolve and change over time. Capitalism is a profoundly different creature from the system that Adam smith championed in 1776; similarly the capitalism of modern Russia is substantially different from the capitalism of the modern U. S. A. A free market is also called capitalist economy as all major decision relating to consumption and production are left to the market forces. A free market economic system is characterized by the following.

Individual are free to own and control resources.

There is usually a large gap between the rich and poor

There is freedom of choice for consumers

There is a large rate of innovation

Price is determined by the market forces

An example of a country that employs this system is the United States of America.

MIXED ECONOMIC SYSTEM: A mixed economic system is an economic system that combines the policies of both the command and free market economic system is the most realistic because no economy is purely free market or command. The mixed economy is employed in an attempt to eliminate the disadvantages of the other economic system and at same time gather the advantages.

COMPARISION OF COMMAND ECONOMIC WITH OTHER ECONOMIC SYSTEM.

MARKET ECONOMIC SYSTEM

Large gap between rich and poor.

There is plenty innovation due to competition.

Price is determined by supply and demand (price mechanism).

Private firms and individuals own and control resources.

As a result of competition products are of high quality.

Capitalism involved private enterprises where businesses are owned by private individuals.

It has less government intervention.

COMMAND ECONOMIC SYSTEM

Citizens usually have relatively equal wealth.

Since the government all resources there is no competition and as a result of no innovation.

Price is determined by the government (price regulation).

The government owns and controls resources

Since there is no competition products end up beings sub standard.

It has public enterprises where the government control thing including businesses and production.

A command economy is much more government controlled.

STRENGHTS OF COMMAND ECONOMIC SYSTEM

Prices are stable.

It provides a minimum standard of living.

The gap between the rich and poor, the half and the half not is small.

Consumer exploitation is rare.

The government provides essential goods.

Consumer exploitation is roundly saved.

There is price stability.

WEAKNESSES OF COMMAND ECONOMIC SYSTEM

Products are usually substandard.

Resources are wasted.

Consumer’s choices are restricted.

Economy finds it difficult to engage in international trade.

Division of labour is minimal.

Standard of living is collectively low

Officials are usually corrupt

Innovation is practically useless as the government determines what is required for the economy

CONCLUSION

In conclusion, these described economic systems are the most fundamental and basic compared to reality in which these systems are much more complex and board. Also its hard to say which economic system is the best or most advantageous, economic system are selected based on the country’s objectives which could be to create a self sustaining economy that would not need to rely on other economies in any way for the price of slow but equal development. Another objective maybe to create a booming economy that will expand and grow to its full all consuming potential whether it as the expanse of others or not. Whichever system is selected it will not be a utopian setting as all the systems are burdened with disadvantages it might carry.

These three examples are the best summary of economic system today keeping mind that they are much complicated and largely based on assumptions. It is also unclear which system is best because they are only used depending on what the government hopes to achieve. In which one might say would be to achieve equality and stability no matter how low standards are or to realize full potential at the expense of others. In the modern society the capitalist system to be the most dominate with 80% of the world employing it, a general over look in the world would suggest that capitalist countries are more advanced. This doesn’t make it an economic utopia as it has many setbacks but this is the same as with all economies.