Economic Systems

Values

An economy is a group of people who make stuff and divide it up. What we are looking at now is how people figure out how to divide up the stuff. These decisions are based on the group’s values. A value is belief about what is important. In economies, the big question is whether the stuff will be divided up equally or whether will people will be free to choose what kind of work they will do and what they get to do with their stuff. Some groups believe that being free to make decisions is the most important idea. Countries that follow this idea are usually called market economies, or countries that follow capitalism. Other groups believe that fairness, or equality, is the idea that is the most important. Usually countries that try this are called command economies, or communist. Other groups try to combine the two, thinking that a little of both is better. The countries that follow this idea are called mixed market, or socialist.

Market Street

Imagine a street of people like the TV show *Sesame Street.* Today, on *Market Street*, we will see how a market economy works. Let’s meet Pauline and Dan. Pauline and Dan live on *Market Street*. They have the freedom to make decisions about what work they do and what they do with their stuff. Pauline is a hard worker and smart. She wants to be a veterinarian. Unfortunately, it costs 10,000 dollars a year to be a veterinarian. She comes from a large family so her family cannot afford to spend that kind of money on one child’s education so Pauline will not be able to be a veterinarian. She has always been good at doing hair and makeup so she decides to become a cosmetologist. She is very successful. She works eleven hours a day but she is able to open up a nice shop and people start respecting her work. Unfortunately, some of the chemicals she uses to color hair are not safe. She used them a lot because of her work. Now, she is very, very sick. She cannot continue her business. She tries to find out if she can sue the chemical manufacturer but the manager tells her that, as far as *Market Street’s* government is concerned, people should have the freedom to sell whatever they want and people should have the freedom to choose what they buy. Pauline does not have enough money to live on and she is too sick to work. *Market Street’s* government does not have any programs to help Pauline because government programs cost money and money has to come from taxes. Making people give the government money through taxes is not a free choice, so *Market Street’s* government does not do it. Pauline has to move back in with her parents. She lives on the couch and does her best to help out when she feels well enough. Her parents have to work extra hours to have enough money for everyone to live on.

Dan also lives on *Market Street*. Even as a young man, Dan loved customizing cars. When he was twelve, he hung out at *Market Street Custom Cars*. The owner saw his passion and helped him learn how to do the work, hiring him to work full-time. Dan quit school and started working. He was very, very good at the work. Word got around, even beyond *Market Street*, about Dan. The owner starting charging extra for Dan to work on the cars but did not give Dan a raise. This made Dan angry and he quit. He started customizing cars on his own and drove *Market Street Custom Cars* out of business. He trained a lot of people to do the work he did, so he was able to make money from what they did, too. Dan made thousands of dollars a day. He bought expensive things and started hanging out with famous people. It was great to be Dan on *Market Street*.

**Thinking Questions**

1. **Find an example of people on *Market Street* having the freedom to make economic decisions for themselves.**
2. **What is the government’s role in the economy on *Market Street*?**
3. **Why doesn’t the government have more programs?**
4. **Is there a big difference between how successful people and unsuccessful people live on *Market Street?***

Command Street

Over time, some people on *Market Street* started thinking that freedom in the economy meant that most people had the freedom to be really poor while a few people got be really rich. They did not think that was very good and thought it was more important that everyone share equally in what an economy makes. So these folks went one block over and set up a new street called *Command Street*. The people who started this street thought the only way to make sure things were divided up fairly would be for the government to make all the economic decisions because they did not think rich people would give up their extra stuff to give to poor people unless the government made them. So, they set up a government that planned everything that the people on *Command Street* would need. Please meet Ted, Joyce, and Lila. Ted is a promising student of science who wants to do research on how to cure cancer. Joyce is a planning manager for the government. Lila is a young woman who has lived in the urban part of *Command Street*. Joyce is responsible for figuring out all the products people on her part of *Command Street* will need for the next year: how much toothpaste, aspirin, shoes, clear backpacks, wheat, etc. This job can be challenging because coming up with a perfect list of what people will need is impossible. She remembers the years she forgot to include shoes in the list. Some people had to go without shoes and some of those people got severe frostbite. She also figures out who will work where. She sends letter to Ted to let him know that he will be leaving school because *Command* *Street* needs help at the toothpaste factory. Ted is very sad but he does report. He is taught what to do at the toothpaste factory. The job is boring. Everyone in the factory was kind of lazy. Ted figured out ways to improve the system and make more toothpaste per hour but his bosses did not do anything about it. As far as the bosses were concerned, they were making the amount of toothpaste the government demanded so they did not need to make more. The workers did not see a good reason to work very hard since they were going to be paid the same amount no matter how hard they worked so they did the minimum amount and relaxed the rest of the time. Lila received a notice that she had to work on a state-run farm even though she had never seen a farm. She reported to the farm, and it was similar to how the factory worked. People did the minimum amount. They were not very careful with the machines because the machines did not belong to them and a lot of the farmers did not really know how to farm. When a machine broke, they had to do without for a year because it was not in the plan from the year before for that farm to get a new piece of equipment. Sometimes, they would get a replacement machine for something that still worked well because someone had decided the farm needed it without asking the farm. One day, Lila was working in the field and was bitten by a scary green animal. The bite was very painful. She was taken to the government run hospital where they took care of the bite and helped her get better. For Lila, there was no charge at the hospital and she did not have to worry about bills while she was injured because the government ran everything. The government wanted to make sure everyone on *Command Street* was taken care of.

**Thinking Questions**

1. **What is the government’s role in the economy?**
2. **Did you notice any examples of people getting to make their own economic decisions?**
3. **Is there a big difference between successful and unsuccessful people on *Command Street*?**
4. **Do you think *Market Street* or *Command Street* is a better place to live? Why?**

Mixed Market Street

The street next to *Command Street* saw what was happening on both streets. The decision makers on this street decided that they were going to try to combine the two. They thought having some freedom meant that people would be rewarded for good ideas so they would have and share those ideas. At the same time, the decision makers on this street also wanted to avoid having a group of very, very poor people and a much smaller group of very, very rich people.

Meet Max, Riley, and Lori. Max is a computer genius. He figured out how to increase the power of hand held computers. He started a factory to make his products. It took a really long time to get it started because the government had a lot of rules about how he could run his business. The government wanted to make sure he was being safe a fair to his workers and customers. Max did finally open his factory. His idea was so good that he was making big profits. He was a millionaire. The government knew he was making a lot of money and they put taxes on what he earned. For every dollar he made, he had to pay the government 80 cents. This bothered Max a little bit but he also saw what the government did with the money. For example, Riley is a student. His parents grew flowers. They never made a lot of money but they did like nature so it worked for them. Riley did not want to be a flower grower. He wanted to be a veterinarian. When he graduated from high school, he went to the Medical Institute and enrolled. Riley knew that, as a student, the government would pay for his school tuition, his apartment, and give him some money every month. He was able to graduate and establish a popular vet clinic where he met his wife, Lori. Lori and Riley worked in the same clinic. They were not making a lot of money yet and the money they did make, they invested in equipment for the clinic. Lori found out she was going to have a baby. She and Riley discussed the situation and they reviewed their options. Lori and Riley knew that their healthcare was free because the government ran that industry. They also knew that because they were citizens of *Mixed Market Street*, the government would pay the salary of one of the parents for a year so that parent could stay home and take care of the child. They also knew the government would help them pay for childcare when the year was over if they did not have enough money for it. Lori decided that she would take off work for most of the time but that Riley would get to spend at least two months staying home with the new baby. They were very excited.

**Thinking Questions**

1. **What is the government’s role in the economy?**
2. **Why are the taxes so high on *Mixed Market Street*?**
3. **Can you find an example of the people on *Mixed Market Street* having freedom to make economic decisions?**
4. **Can you find an example of the government making the economic decision on *Mixed Market Street?***