

Economic Systems Reference Sheet

Quick reference for capitalism, socialism, and mixed economies

| Characteristic | Capitalism (Market) | Socialism (Command) | Mixed Economy |
|--------------------|--------------------------|------------------------------|---------------------------------------|
| Resource Ownership | 85%+ private | 90%+ government | 75% private, 25% public |
| Price Mechanism | Market-determined | Government-set | Mostly market, some regulation |
| Government Role | Minimal (protect rights) | Extensive (controls economy) | Moderate (regulate, provide services) |
| Property Rights | Very strong | Weak (can nationalize) | Strong but regulated |
| Business Startup | \$300, 1 day | Prohibited most industries | \$2K-\$10K, weeks to months |
| Career Freedom | Complete | Limited (govt assigns) | High with protections |
| Investment Options | Unrestricted | None (illegal) | Extensive with tax benefits |
| GDP Per Capita | \$65,000 | \$9,500 | \$70,000 |
| Gini (Inequality) | 0.46 (higher) | 0.25 (lower) | 0.41 (moderate) |
| Growth Rate | 5-8% annually | 1-2% annually | 2-3% annually |

CAPITALISM (Market Economy)

- Private property rights protected
- Free enterprise and competition
- Profit motive drives decisions
- Supply and demand set prices
- Innovation rewarded

Examples: Singapore, Switzerland, Hong Kong

SOCIALISM (Command Economy)

- Government owns major industries
- Central planning determines production
- Prices set by government
- Focus on equality over growth
- Limited private enterprise

Examples: Cuba, North Korea, former Soviet Union

Historical Comparisons

East vs. West Germany

Same culture, divided 1945-1990. West (capitalist): 3x income, 4x productivity vs East (socialist).

North vs. South Korea

Same ethnicity, divided 1950. South: \$35,000 GDP. North: \$1,800 GDP. 20x difference.

Venezuela vs. Chile

2000-present. Chile (market): +200% GDP. Venezuela (socialist): -75% GDP, 96% poverty.

Property Rights Impact

Strong Property Rights

- Encourages investment and entrepreneurship
- Enables mortgages and business loans
- \$60K down payment becomes \$540K equity (30 years)
- \$25K business grows to \$200K value (5 years)

Weak Property Rights

- Discourages investment (risk of loss)
- No mortgages (lenders can't foreclose)
- Capital stays uninvested, loses to inflation
- Explains persistent poverty in failed states

Personal Financial Strategy by System

Market Economy

- 6-12 month emergency fund
- Save 20%+ for retirement
- Maximize earning potential
- Consider entrepreneurship
- Negotiate salary assertively

Command Economy

- Acquire scarce goods
- Build political connections
- Save in hard assets/foreign currency
- Avoid private business
- Seek emigration options

Mixed Economy (USA)

- 3-6 month emergency fund
- Save 10-15% + Social Security
- Use tax-advantaged accounts
- LLC for business ventures
- Stay informed on policy changes

Key Takeaway

Most successful modern economies are mixed systems combining market allocation (efficiency) with government intervention (public goods and safety nets). No system is perfect - all involve trade-offs between freedom and security, efficiency and equality. Understanding your system helps you make better financial decisions by leveraging its advantages (tax benefits, property rights, market opportunities) while protecting against its risks.