

Economic Sector

The economic sector is divided into three types. They are as follows:

Primary sector: It is that sector which relies on the environment for any production or manufacturing. A few examples of the primary sector are mining, farming, agriculture, fishing, etc.

Secondary sector: In this sector, the raw material is transferred to a valuable product. A few examples are construction industries and manufacturing of steel, etc.

Tertiary sector: It is also known as service sector, and it includes production and exchange of services. A few examples are banking, insurance, transportation, communication, etc.

Economic System

- An economic system is a mechanism with the help of which the government plans and allocates accessible services, resources, and commodities across the country. Economic systems manage elements of production, combining wealth, labour, physical resources, and business people. An economic system incorporates many companies, agencies, objects, models, and deciding procedures.
- Economic systems refer to the framework the nation and its people follow to manage economic processes. It determines how activities like production, distribution, and resource allocations happen in a geographical area.
- The main types observed worldwide are – traditional, command, mixed, and market economies.
- Identifying the system followed by a region discloses how it operates within and outside its border regarding trade, income, tax rules, and growth.
- Examples: Bhutan is more inclined toward a traditional economic structure, North Korea reflects a command economy, Japan is a market economy, and the United States promotes a mixed economic framework.

Types of Economic Systems

There are following different types of economic systems:

1. *Traditional Economic System*

It is based on and gives significance to the customs and traditions of a country's citizens. People engage in trade or barter systems for their survival, and the production, distribution, and policies are influenced by culture. It is vastly based on agriculture. It can be majorly seen in underdeveloped and developing nations.

It is also known as a subsistence economy. It is also believed that every other economy involves a history of the traditional system, and if observed closely, parts of the traditional economy can still be seen in them.

In a traditional economy, societies and communities follow their ancient culture and are not dominated by technological integration. It is majorly centered around local communities and families and operates through a barter exchange. They usually export agricultural products and raw materials to developed nations in exchange for finished goods.

2. Command Economic System

In Command economy, the government or a central authority plan and control the vital processes in the economy. It doesn't entertain other forms of the economy with the potential to pave the way for competition and the free flow of ideas. It exhibits a government system making production, consumption, and investment decisions. Hence forming a monopoly owned by the government.

Socialist economic system is an example of command economic system. **Socialist economic system** acknowledges the three inquiries in a different way. In a socialist society, the government determines what products are to be manufactured in accordance with the requirements of the society. It is believed that the government understands what is appropriate for the citizens of the country. Therefore, the passions of individual buyers are not given much attention. The government concludes how products are to be created and how the product should be disposed of. In principle, sharing under socialism is assumed to be based on what an individual needs and not what they can buy. A socialist system does not have a separate estate because everything is controlled by the government.

3. Market Economic System

Minimal or no government intervention and economic processes shaped by the law of supply and demand are properties of this type. There exist free competition and free flow of ideas where entities utilize all possible opportunities, promote innovations and sell their products based on the price accepted by the consumers. Private entities can develop an appreciable level of power when functioning in this type of system. One of the examples is the individual favoured capitalism.

Capitalist economy: In a capitalist system, the products manufactured are divided among people, not according to what they want but on the basis of purchasing power, which is the ability to buy products and services. This means an individual needs to have the money with him to buy the goods and services. The low-cost housing for the underprivileged is much required but will not include demand in the market because the needy do not have the buying power to back the demand. Therefore, the commodities will not be manufactured and provided as per market forces.

4. Mixed Economic System

Mixed economic systems have characteristics of both the command and the market economic system. For this purpose, the mixed economic systems are also known as dual economic systems. However, there is no sincere method to determine a mixed system. Sometimes, the word represents a market system beneath the strict administrative control in certain sections of the economy.

Mixed system originates when a system is made of specific principles from different economic systems. It is the amalgamation of the market, traditional, and command economies. Most of the world's economies are becoming mixed economies. It is perfect when the countries advocate for **globalization**. A country can identify global opportunities, export what it does best, and import what other countries produce best.

In a mixed economy, the **private sector** booms because the laws encourage it. Every citizen is allowed to live and earn freely. The law of supply and demand contributes significantly to the price determination process, and at the same time, the government can implement control measures like **price ceiling** to protect consumers.

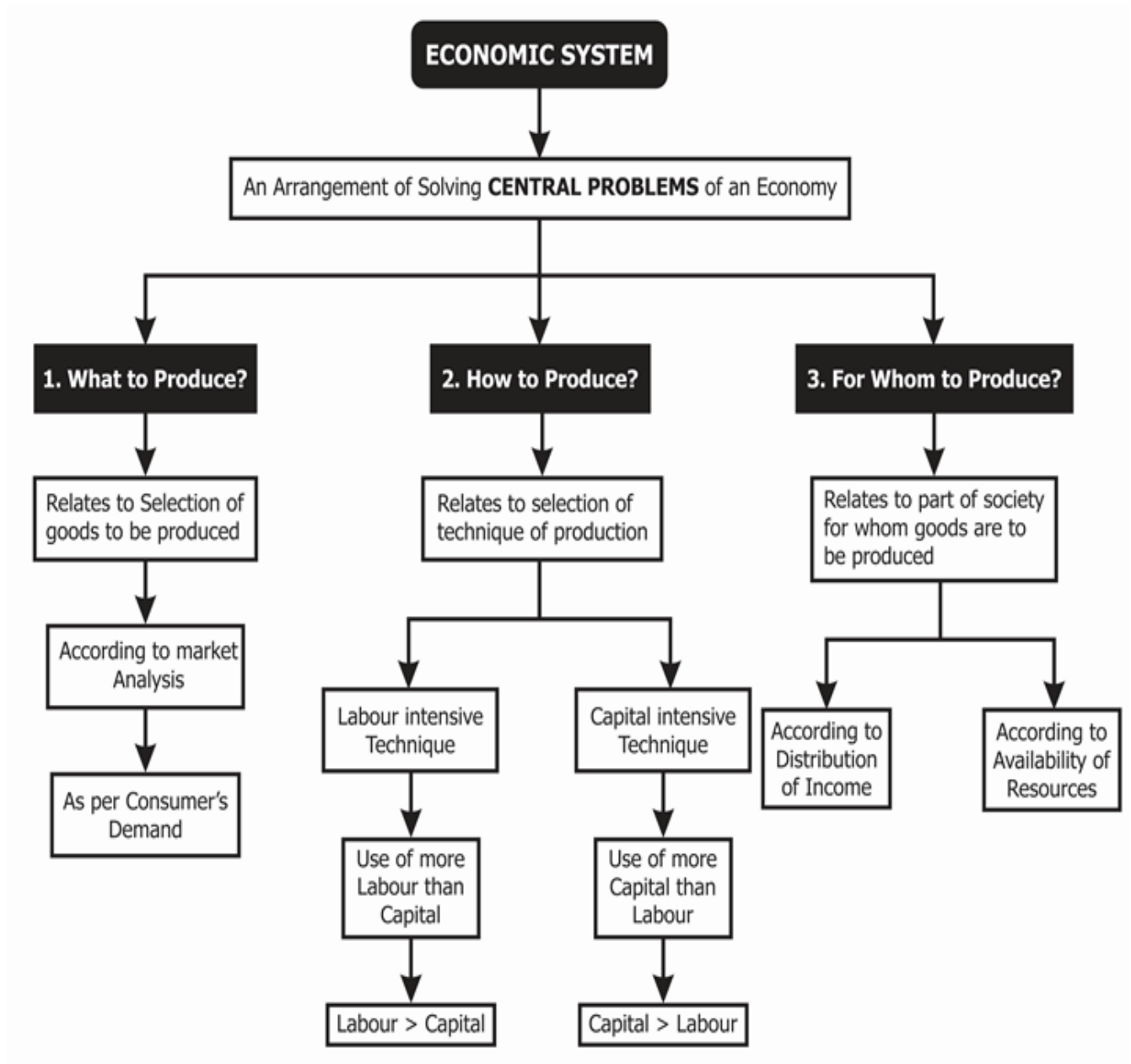
Examples

China: It is one of the popular examples of a socialist market economy but not a pure socialist economy. There are private companies in China, but the government has the predominant role in the economy; they plan, manage and exercise direct control over the national economy.

Belarus: It is a country in Eastern Europe. Even if they state their system as market socialism, the framework resembles the properties of a command economic system where the central government owns most of the businesses and banks and controls the production and distribution of goods. Of course, there are reforms and deregulations, but still, the public sector dominates the **economy**, and government intervention is significant.

United States: The structure in the United States is an example of a mixed economy because encouragement for the free market and government intervention for the public good exists concurrently. Hence, reflecting the characteristics of capitalism and socialism.

Central Problem of Economy



Differences between Capitalist, Socialist, and Mixed Economies

Parameters	Capitalist economy	Socialist economy	Mixed economy
Ownership of property	Private ownership	Public ownership	Both public and private ownerships
Price determination	Prices are determined by the market forces of demand and supply.	Prices are determined by the central planning authority.	Prices are determined by the central planning authority, and demand and supply.
Motive of production	Profit motive	Social welfare	Profit motive in the private sector and welfare motive in the public sector
Role of government	No role	Complete role	Full role in the public sector and limited role in the private sector
Competition	Exists	No competition	Exists only in the private sector
Distribution of income	Very unequal	Quite equal	Considerable inequalities exist

Frequently Asked Questions (FAQs)

What are the four main types of economic systems?

The four main types are the following:

Traditional: Customs and traditions exert great influence

Command: Government has direct control over the national economy

Market: Private entities have significant power, free market, free flow of ideas, and minimal government intervention

Mixed: Mix of other systems

What are examples of economic systems?

The nation or areas significantly reflecting the properties of the traditional economy are Bhutan, central African Mbuti, the Australian Aborigines, and the Inuit of Northern Canada. Examples of command economies are East Germany and North Korea. England and Japan are examples of market economies. France and United States have mixed economies.

What is the economic system in the United States?

The United States is one of the top countries containing a capitalist economy. However, the structure is an example of a mixed economy because encouragement for a free market and government intervention for public good exists concurrently. Hence, reflecting the elements of capitalism promoting free market and socialism encouraging fair government participation.

REFERENCE:

- [Economic Systems and Sectors of India: Definitions, Concepts, Examples \(byjus.com\)](https://www.byjus.com/economic-systems-and-sectors-of-india/)
- [Economic System - Definition, Types, Examples, What it is? \(wallstreetmojo.com\)](https://www.wallstreetmojo.com/economic-system-definition-types-examples-what-it-is/)