**Economic Systems**

**How do countries organize economic activity?**

**Fundamental Economic Concepts**

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**Pure Command Economies**

- **What?** Control authority over government.
- **How?** State decides what, how, and for whom.
- **Advantages:**
  - Mobility: Control over people and on a large scale.
  - Basic Goods Provided: Basic needs are met.
  - Poor Information: Minimal information.
  - Innovation Discouraged: Innovation is discouraged.

**Disadvantages:**

- Lack of competition and freedom for businesses.
- Lack of consumer choice.
- Limited variety of goods and services.
- Limited innovation.

**Averages for Top Five Command Economies**

- Economic Equality: Scored 6.8 on Gini Index.
- Economic Security: 20.3% below poverty line.
- Economic Stability: 30% inflation rate.

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**Pure Market Economies**

- **What?** Consumers decide what, how, and for whom.
- **How?** Competitive market forces:
  - Price: Setting and changing.
  - Competition: Many producers.
  - Quality: Increased variety.
- **Advantages:**
  - Mobility: Great freedom of movement.
  - Basic Goods Provided: Wide variety of goods.
  - Poor Information: Broader consumer knowledge.
  - Innovation Discouraged: Innovation is encouraged.

**Disadvantages:**

- Lack of control and protection.
- Risk of poverty.
- Limited innovation.
- Competition: Price manipulations.

**Averages for Top Five Pure Market Economies**

- Economic Growth: 2.8% annual GDP growth rate.
- Economic Efficiency: 1.9% labor productivity gain.
- Economic Freedom: 2.6% economic freedom index.

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**Broad Social Economic Goals**

- Economic Equality: 64
- Economic Security: 3.61
- Economic Stability: 20.8%
- Economic Growth: 2.8%
- Economic Efficiency: 1.9%
- Economic Freedom: 2.6%

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**Economic Continuum**

- **North Korea:** 1.3
- **Cuba:** 29.6
- **Iran:** 41.8
- **Saudi Arabia:** 62.1
- **Australia:** 81.4
- **United Kingdom:** 75.8
- **Hong Kong:** 90.6

The Heritage Foundation’s index of Economic Freedom measures the performance of 50 countries in 10 areas of economic freedom on a scale of 1 to 100.

- Property rights: Investment freedom
- Government spending: Freedom from corruption
- Business freedom: Fiscal freedom
- Monetary freedom: Labor freedom
- Trade freedom: Financial freedom

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