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The Economic Problem

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Throughout time, the inhabitants of earth have been faced with the challenges of acquiring resources and using them to their benefit. Academically put, the economic problem faced by humans is the production and distribution of resources. The three solutions to this economic problem channel the work of mankind to productive outlets, but also ensure the correct allocation of the results of these efforts. These systems of economies are run by tradition, command, and market. Through these institutions of economic organization, the United States has successfully produced goods but failed to adequately solve the issue of “Who Gets What?”

At one point in time, every economy in the world was, at the very least, largely guided by tradition. In fact, there are still peoples today who keep to the same customs their ancestors did, tens of thousands of years ago. In this type of economy, both production and distribution are executed in very much the same way as many generations before them had done. This long-standing cycle has ensured the survival of many groups, like the Native New Guineans, since humans first began interacting with one another. Surely, it would be an unnerving process for these people to deviate from this way of life that has been so deeply engrained in their societies. Along with this consistency, tradition-based economies leave little room for economic growth because of their very slow improvements through trial and error.

Another means of managing the economic problem is through an economy run by command. This form of guiding the production and distribution of resources has also been around since early in the history of mankind. However, it has several key differences from an economy run by tradition. Noted in its name, the command economy is founded in the orders given from a recognized authority. This guides the economic activities of a people both individually, and as a whole. Because the power rests in the hands of the decision maker of the community, change is not static like in an economy run by tradition. Together, these two economic institutions have allowed for mankind to enter the present era with many humans experiencing great advances in technology and an increase in standard of living. Although gradually, the same societies that experienced these benefits have changed into market economies over long periods of time.

These markets and their redistributive programs, such as welfare, will result in more equitable distribution of resources; however, this comes at the severe expense to the economy’s overall efficiency. The less that a market’s most productive members are able to keep of their earnings, the less incentive they have to continue at a high level of productivity. In the end, an excess of taxation often seen in command economies means less output overall and, ultimately, less future income for the governing body.

The most complex of the three is the market economy. This system of material provisioning can function on its own, guided by a so-called “invisible

hand". Although governments often intervene to some degree, the market economy runs off of each participant making decisions based on his or her own self interests. As a result, the production as a whole goes up, and the resources are divided according to the participant's role and worth in society. In other words, the entire economic pie becomes larger, but each individual will receive a slice proportionate to what they contribute. Some large producers will receive a great share, while many others will be given little or even none, based off of their work and its value to the economy. As many individuals become better off, the economy will thrive as a whole. Although seemingly uncontrolled, the market economy generally experiences steady growth over long periods of time despite its fluctuations in the short-term.

With each of these three types of economies in mind, the United States has most greatly benefited from its use of the market economy. By incorporating concepts of tradition and command, the U.S. has gone to great lengths in its attempts to solve the economic problem. It has solved the production half of this problem by producing enough of the right types of goods (or acquiring them through trade), but it has not correctly solved the issue of distribution. By definition, distribution needs have not been met, because in 2009, approximately "14.3% of all persons lived in poverty." This means that this percentage of people did not have the yearly flow of income required to support themselves or their family members. In light of this flaw, the United States has highest GDP (gross domestic product) of any single nation at \$14,140,000,000,000. However, this only goes to show the disparity in its distribution when compared with the U.S.'s 11th ranked GDP per capita of \$46,000.

Despite these figures, the United States has actually gone to its greatest lengths yet throughout the last century or so, in its attempts to solve this problem. With policies closer resembling laissez-faire ideas and favoring big business during the early 1900s, the government now has in place methods of redistributing wealth and ensuring that most of the basic needs of the lower-class/unemployed are met. These funds are collected through taxation and given out by way of programs such as Medicaid, unemployment benefits, and food stamps. These changes, more broadly speaking, are a shift from a truer market economy to a market economy heavily influenced by command. Also, it should be noted that tradition has played a role in establishing the customs of basic transactions, contracts and agreements, and the concept of looking out for those less fortunate than us in society.

With the continued success of the market economy for Americans as a whole, it is clear that this is the best means to proceed for the years to come. With its basis in each person acting in his or her own best interest, it is inevitable that some people will not have the same return on their efforts as others do. This is why participants in a market economy give the effort they do, and that is why this

institution is the most successful. Without the option to rely on others for economic well-being, citizens of market economy nations have the highest incentive of all to succeed economically: the wants and needs of themselves and their loved ones. In a culture of consumer goods and need for material extravagance, our ideals and desire for more propel us even further in our contributions to the strength of the market economy.

Although not as prominent as aspects of the market economy, many characteristics of the command economy are present in the U.S.'s economic landscape. If the market economy of the United States is given credit for ensuring its production capabilities, then the command traits, and tradition traits to a lesser extent, are responsible for trying to solve the nation's distribution issues. However, the extent of the government's reach in its decision of who gets what is a double-edged sword. With the high redistribution of wealth comes less incentive for Americans to take risks and achieve financial success. But with little or no redistribution of wealth, many more Americans will experience poverty, or a worse degree of it. This plunge into the economic abyss for the lower class (and possibly lower-middle class) has many consequences within itself i.e.: higher crime rates. Although there is no winning formula for redistribution, the U.S. has found a respectable balance of helping those in need while still allowing for economic growth in the private sector. With the dominance of a market economy in the United States, the nation's leaders have to appease big business and corporate lobbyists. This, in turn, makes it difficult to raise taxes on these titans of industry to give these funds to those who contribute very little economically.

The least impactful of these three economic institutions in the U.S. are the aspects of a traditional economy. Interestingly enough, along with command, it accounts for much of the country's policies on distribution. These tradition-based values of community and helping our fellow man to survive have been with us since the beginning of time. These customs-derived traits of our economy impact the United States through both its social charity and the policies set forth by those who govern the nation. Aside from these ancient ideals, the economies run by tradition have also given us the system of kinship. This structure has existed since the earliest days of human contact and is the greatest holdover of tradition-based economics in the United States today. Had the market aspects of the American economy been lesser than the command and tradition-based values, the United States today would have done much better in the distribution problem. However, it would surely have been lacking severely in its production. Because participants in economy run by command or tradition would most likely not receive the percentage of returns that they would see in a truer market economy, the amount of GDP would surely decline because of the lesser amount of work being undertaken.

In conclusion, because of the competitive nature inherent in a market economy, the United States has not solved the economic problem. The rewarding of the highest contributors to the economy, although highly efficient and helpful for further growth, does not fulfill the financial needs of all individuals. This lack of wide spectrum distribution left almost a seventh of Americans in poverty for 2009. By incorporating concepts of tradition and command into the market economy of the United States, an equilibrium has been attained through which the efficiency of the market is not too greatly hampered by the welfare of the nation, and most of those living in poverty still have access to food, clothing, education, and housing. Although in no way perfect, the U.S. has gone a long way in attempting to solve the economic problem.