As the current state of the American economy remains highly volatile, some key questions: is it worth sacrificing individual freedom for government control over commerce to stabilize the economy? Why should we allow the government to regulate commerce?

There are three main types of economic systems: command, free market, and mixed economy. In a command economy, the government maintains complete control over the economy, from prices, to wages, to product distribution. Although this economy seems fair because everyone is put on the same economic standing and ensured the same basic necessities, not everyone contributes the same amount of productivity. As such, why should a doctor make the same wage as a construction worker or retail sales associate? The prevailing mindset is as follows: productivity input should be proportional to wage. Seeing others achieve the same amount while performing less skill-intensive work causes others to become indolent with their work. Why put in the extra effort in work when you can receive the same amount with less effort? The problem with a government-dominated command economy lies with the lack of competition, and consequently the lack of incentive. The eventual failure and collapse of communism in China and the Soviet Union are prime examples of the adverse effects of government control on the economy.

Competition provides the incentive to improve. With other competitors in the resource market, workers feel compelled to work more diligently to attain a pay raise. This increases the productivity of the workforce, thus increasing real GDP. With other competitors in the product market, producers feel compelled to discover innovative production methods to improve product quality while minimizing costs to increase their profit margins, which in turn lowers costs for consumers. Without any incentive, the growth of the economy slows, or becomes stagnant because the labor force is not motivated to work to produce goods and services.

Another major fault with the command economy is that it is highly susceptible to bribery and embezzlement. The government controls the command economy, so officials affiliated with the government have the ability to easily influence the flow of currency. Also, black market operations intensify in command economies to circumvent the prices and goods and services that are highly regulated and limited by the government. Why are black markets detrimental to the economy? They introduce goods and services that are not guaranteed to be of good quality, and harm legitimate businesses that cannot compete with the lower prices in the black market due to tax and law evasion.

In a free market economy, Adam Smith's concept of laissez faire ensues. As consumer demand increases, prices are pushed upwards. Prices are kept in check by consumer demand and consumer purchasing ability. As prices increase, prices increasingly fall outside the range that consumers can and are willing to pay for goods and services. Consequently, because too few consumers are buying, prices naturally fall downwards so producers can create a profit. The market constantly responds to the change in supply and demand of goods and services to match the equilibrium price and equilibrium quantity between the two. However, a free market economy does possess its own faults. The survival of the fittest amongst businesses may lead to monopolies if businesses are unable to produce goods and services at costs low enough to remain in the market. Monopolies can singlehandedly cause the collapse of the economy. With one business dominating an entire industry, that business has the freedom to control the prices within that industry. Businesses that monopolize the industry usually decide to set a high price for its goods and services, causing a ripple effect in the economy that negatively impacts related industries by increasing the production costs of the latter. In addition, a striking poverty gap may occur in a free market economy. For example, in China, most of the wealth lies heavily concentrated in the hands of people in tourist cities such as Hong Kong and Shanghai. The rest of China still remains living in poverty, especially those in the countryside.

A mixed economy falls somewhere in between a command economy and free market economy. Some government regulations are put in place, but the majority of the prices in the economy are determined by the law of supply and demand. The controls of the government consist of bureaucratic red tape and regulatory policies such as tariffs, quotas, licenses, and unnecessarily extensive paperwork. These policies are usually instated to protect domestic businesses, but they often hurt domestic businesses as well as the economy on an international level. The issue with tariffs is that they often lead to tariff wars. Here, we are reminded of the Great Depression of the 1930s. The Smoot-Hawley Tariff Act of 1930 enacted a number of high tariffs on American goods that led to retaliation from major trading partners that hiked up tariffs on their respective goods. Quotas can increase the prices of domestic goods compared to the world price, leading to other negative effects such as an increase in black market operations. Requiring businesses to obtain licenses and undergo lengthy paperwork procedures wastes time and resources and prevents the growth of new competition.

But some regulation is necessary to protect workers and consumers. In the United States of America, license requisites ensure that business practices meet the government-legislated standards. Some major worker protection laws include the minimum wage laws and child labor laws to prevent the exploitation of workers. A well-noted consumer protection act is the Federal Meat Inspection Act of 1906, which ensured that meat products were properly labeled and treated under sanitation guidelines. There are also effective U.S. government laws, such as the Sherman Antitrust Act of 1890, to prevent monopolies, as exemplified in the Microsoft case in the 1990s, where the government stopped Microsoft from monopolizing the operating system and web browser markets. Furthermore, though many view taxes a burden that raises prices for consumers, taxes serve as automatic stabilizers in the economy that limit the impact of negative economic shocks, by funding government purchases for public works, creating more job opportunities. Taxes also fund transfer payments for welfare and social security, which provides a source of income for those that need it.

How much government interference should be allowed? Over the course of history, we have observed that too much government control is bad; command economies are quick to fail, and tariff policies cause a backlash of tariffs from other countries. On the other hand, sometimes government intervention aids the economy, as in the recent government bailouts of the banking industry and automobile industry in the United States of America. Nonetheless, we, the people of the United States, do not need to give up our all of our individual rights to maintain a stable economy. Supply and demand generally upholds a balanced economy. Minimal government control is only necessary to minimize the impacts of economic problems.