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**The US Mixed Economy: The Consequences of Adopting the Entwined  
Private and Public Businesses**

**Dissertation Submitted in Partial Fulfillment of the Requirements for  
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## **Dedication**

In the Name of Allah, the most merciful, the most compassionate all praise be to Allah

I thank Allah for giving me the strength and patience to accomplish this work. I dedicate this

humble work:

To my family for their support and encouragement. Their belief in my abilities sustained me

during moments of self-doubt especially my mother for her efforts in maintaining a suitable

environment to finish this work.

To all of the teachers and the staff.

Finally, to anyone who has ever aspired to learn, discover, and grow, may this dedication remind

you that with dedication and determination, even the most ambitious dreams can be realized.

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## **Abstract**

The US economy is a mixed economy characterized by the existence of public and private enterprises. This research delves in the features of these sectors and discusses the complicated relation between them as well as diving into the characteristics, the advantages and the disadvantages of both sectors with giving historical events that shaped the economical system. The main aim of this research is to shed light on the specifics of the US mixed economy and the consequences of the collaborative sectors with their impact on the stability of the economy. Methodologically, this research employs the quantitative and the qualitative approaches with analyses. In addition, a mixture of historical data, economic indicators were used to reinforce the given information. The results of this research clarify the roles of the private and the public businesses in the US. For instance, the private sector achieved by the need of innovation and competition. Public sector is essential service for maintaining stability during the economic downturn. In conclusion, this study highlights the importance of the mixed economy in the United States. It gives a clear image of how and what staple economy works and grows. The findings deliver significant implications for policymakers in which they build a strong collaboration between the private and the public sectors. Adopting both sectors can enhance the stability and the growth of the economies as well as provide social welfare.

**Keywords:** The mixed economy, the private business, the public business

## List of Abbreviations and Acronyms

<b>FY</b>	Fiscal Year
<b>GDP</b>	Gross Domestic Product
<b>REEIS</b>	Research, Education and Economics Information System
<b>RFA</b>	Regulatory Flexibility Act
<b>SEC</b>	Security and Exchange Commission
<b>SBA</b>	The Small Business Agenda
<b>USDA</b>	United States Department of Agriculture
<b>STEM</b>	Science, Technology, Engineering and Mathematics
<b>USA</b>	United States of America
<b>R&amp;D</b>	Research and Development
<b>COVID</b>	Corona Virus Disease
<b>NCS</b>	National Citizen Service

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# **General Introduction**

## **1- Background of the Study**

The US economy developed throughout the American history and the United States was hailed as capitalist and it embraced a mixed economy that is consisted as private and public businesses. These two sectors shaped the US economy with the change of the economical policies through time. The roots of the US economy can be traced back to its founding.

The British colonies throughout the colonial time were governed by a mercantilist system where all trade benefited the mother country financially. Following the American Revolution, the young United States tried to adopt the Articles of Confederation, yet it is constrained economically imposed on the national government led to the failure of that economical system. At the Constitutional Convention, delegates reached a conclusion that the right to tax must belong to the federal government. Making the decision to just tax imports and not exports was essential for the growth of the home industry. Revenue tariffs, or import taxes, were enacted by Congress during the early years of the Republic; a change that occurred after the War of 1812 protective tariffs was imposed. When the Civil War broke out, these tariffs were at their highest level.(Northrup, 2003)

The government played an important role in achieving the infrastructure, land distribution and policies in order to characterize the American society. Furthermore, the government created regulations for public interests and goals. Nevertheless, the USA faces contemporary challenges including inequality, healthcare access and technological disruption. The US economy is unique within the global context as a contrast to the socialist economic systems.

## **2- Statement of the Problem**

Examining the consequences of the adoption of private and public businesses requires investigation and identification of the social and economic impact associated with these two sectors. The main objective of this research is to study in narrow each element and focus on the

financial performance and the services. Also, investigating the challenges such as inequality and limitations in the use of both sectors is one of the problematic of the study.

### **3- Research Questions and Research Hypotheses**

The objectives of this study are directed by the following questions:

1- What is the importance of the US strategy in adopting both public and private businesses?

2- What are the consequences of adopting the mixed economy system in the United States?

### **4- Aims of the Study**

In this work, we shall introduce the strategy of adopting the private and the public businesses in USA and their role in constructing the economy. After that, we will move to the policy application in the US focussing on the characteristics and the strategies with examples. We will also try to clarify the consequences of adopting the private and the public businesses depending on collected data.

### **5- Research Methodology**

In order to begin answering the questions of this research, it is necessary to go beyond USA as the area of study. To understand the basic principle in economic policy of USA, it is necessary to begin at its roots in the history of constructing the economy. The method adopted to conduct this research is both quantitative and qualitative method. The research intends to describe the United States' economic components. It also seeks to describe and analyze the political strategies and practices adopted by the US government and figures. This information is supported by data collected from authentic web pages and books.

### **6- Significance of the Study**

The US has one of the strongest economies in the world, and delving into the secret of its success will clarify and help other nations or individuals in improving businesses. This research

may contribute in developing thinking and ideas for businessmen around the world and taking the US economy as an experiment.

### **7- Structure of the Study**

This work is threefold. The first two chapters are theoretical, and the third one is practical. This dissertation is organized to explain this topic, starting with simplifying the key words and the expressions to understand their meanings and roles in the economic area. The second chapter delves into the US mixed economy and the ideological trends followed by collected data and analysis.

# **CHAPTER ONE :THE US ECONOMY**

## Chapter One: The US economy

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## **Introduction**

The economic system in the United States is a complex system with two dominant sectors. These sectors create a collaborative relationship for the benefit of the economy. The private and the public businesses play a unique contribution in the economic activity. The private and the public businesses are defined by their characteristics and their roots in history. This chapter discusses the foundation for the effective role in the context of the US economy. In addition, a comparison between both sectors will allow exploring the different features that set them apart.

In the history of the US, many events occurred and changed in the economy thus addresses tracing of the evolution of private and public businesses in the US. This voyage through history highlights the transformative shift in the nation's economic history. Lastly, in a reflection of this time, the COVID-19 pandemic primarily affected the economy not only in the US but in the whole world. This global crisis has reshaped the foundations of businesses. This pandemic experience should prepare the leaders of these countries for future solutions and expectations. The US economy applies the mixed economy system and it is one of the world's most successful economies. Also, it is worth studying and researching. In-depth explanation and clarification of its components will clarify and simplify ambiguities and make its study easy.

### **1.1. Private and Public Businesses**

#### **1.1.1. The Private Business**

##### **1.1.1.1. The Definition of the Private Business**

Private business is a vague and broad term that covers a variety of definitions that incorporate several intertwined terms that are used interchangeably. For instance, one can relate it to any private entity that seeks profit that is distinct from government enterprises. Private businesses are classified as the private sector according to MacGregor and Hodgkinson (2006). The private sector is a section of the national economy that the government does not own. The business under this sector is conducted by companies or entrepreneurs who focus on profit maximization and customer satisfaction. It is also sometimes called the citizen sector.

The private sector can be defined as those entities of the economy that are owned by the private sector. Many private sector entities—notably privately-owned enterprises incorporated under law (corporations)—are geared to making profits.(Lienert, 2009). This area of the economy can be difficult to define precisely because modern economic activity tends to be a continuum with many overlaps. Private firms take many shapes and forms such as: Sole proprietorships, Partnerships, Small and mid-sized businesses, Large corporations and multinationals, Professional and trade associations, Trade unions. Even though the state may control the private sector, the government legally regulates it. Any business or corporate entity operating in that country must operate under these laws.

#### **1.1.1.2. The Characteristics of the Private Business**

The characteristic features that distinguish private from public companies or government entities are associated with ownership, encouragement for employees, management, funding, more efficient and innovative, decision-making processes, and creation of more opportunities. Private businesses are owned by individuals, families, or small groups of investors. The ownership is not publicly traded on stock exchanges, meaning shares or ownership stakes are not available for purchase by the public.

In many developing countries, the government is the main provider of formal employment. However, the public sector can only offer a limited number of jobs, and as more young people enter the labour market, private companies become the primary source of future employment opportunities. For many poor men and women, getting a job is the way out of poverty. The World Bank's report, *Voices of the Poor*, surveyed around 60,000 poor people and asked them what they saw as their best escape route from poverty. The answer was unequivocal: wages or self-employment. Despite these aspirations, youth unemployment remains a major development challenge. According to the 2005 World Development Report, youths in developing countries are twice as likely to be unemployed as the average adult.(Foster, 2008)

For poor men and women, the private sector offers empowerment. In developing countries, most of the private sector is made up of small households or informal enterprises. The poor live in the private sector: buy and sell labour, goods and services in private informal markets. When poor people create or join an enterprise, they gain voice and dignity. When they earn higher incomes, they increase their ability to exercise choices and reduce their vulnerability. Creating wealth and achieving economic independence for the poor are at the heart of what we mean by 'development'. (Foster, 2008)

The private sector is not a 'sector' in the way we refer to transport or education. Private companies are part of the fabric of society and operate in all areas important to the lives of the poor. In addition, private companies can have a different performance culture from government agencies. They are often subject to competitive pressures in markets, and their owners, management, and staff are rewarded according to their ability to generate profit. Because profit is an easily measured indicator of performance, it can be used to make rapid adjustments to the deployment of resources in relation to achievements. Inevitably, companies that do not make profits go out of business. This simple feedback process is the reason why private companies are generally more efficient and innovative than their local counterparts in government services. Nevertheless, private sector approaches can be harnessed to traditional domains of government services such as infrastructure, health, and education, which can help make them more effective and oriented to the needs of consumers. (Foster, 2008)

Private businesses have greater flexibility in their organizational structure, governance, and management practices. They can adapt more quickly to changing market conditions and customer needs. Family-owned private businesses often involve succession planning, where ownership and management are passed down from one generation to the next. This can lead to a strong sense of tradition and continuity. Private businesses are generally subject to fewer government regulations and compliance requirements than publicly traded companies. This can

reduce administrative costs and bureaucratic burdens. Private business owners bear a higher level of personal financial risk, as their personal assets are often tied to the success or failure of the business. However, they also stand reaping greater rewards if the business succeeds. (Lienert, 2009)

It is important to note that the specific characteristics of private businesses can vary widely based on factors such as size, industry, and location. While private businesses offer certain advantages in terms of control and privacy, they also face unique challenges, such as limited access to capital and the need for effective succession planning.

## **1.1.2. The Public Business**

### **1.1.2.1. The Definition of the Public Business**

Public business refers to any matter over which the public body has supervision, control, jurisdiction, or advisory power. (Igliozzi et al., 2002)

However, public business is related to socialism in many aspects. With social ownership, the means of production may be owned and managed by public institutions, by workers, or through other cooperative or collective ownership arrangements. Using the sawmill example again, workers could form a cooperative where profits are distributed among all workers, and management decisions are made collectively, for example, through a democratic voting process. Expanding social ownership to a large scale is a significantly complex process. Socialists have long struggled with how to adequately share ownership of resources and means of production among thousands or even millions of people. Developing social ownership at that level requires finding satisfactory ways to make social decisions about managing resources. (Economics in Context Initiative. 2021, p 06). This example highlights the difficulties and the obstacles in controlling some of the characteristics of the public business through the perspective of the socialism.

A public company is a company that issues shares of stock to be traded on a public exchange or an unlisted securities market. Similar to other businesses, the structure of public companies and the rules under which they operate vary depending on the laws in place in the areas in which they are chartered or operate. However, in all cases, public companies list their shares on a public market. A public company is usually created when a private company decides to “go public” by transitioning to public ownership, generally to raise funds for business expenses. This leads to an initial public.(Public Company | Definition, Examples, Advantages, Disadvantages, Prevalence, & Facts | Britannica, 2023). That is to say, creating a public company could also be achieved by transforming a private company into a public company for the general benefit. Thus, the following lines identify the different points between the public and private sectors.

In general, the public sector means the company's ownership of the government with the assertion of the existence of an effective legal and regulatory framework. The public sector is somewhat reflective of the private sector in terms of characteristics, objectives, and modus operandi. In addition, there is sometimes indirect competition between the public and private sector in productivity and service delivery. As an example of an actual application, the United States of America relies in its economy on both the public and private sector.

The private sector of a country is made up of private citizens or individuals. Firms owned by private individuals such as sole traders, partnerships, and private limited companies belong to the private sector. The public sector, on the other hand, refers to the government, state, national/local government, or municipalities (Michael, 2011).

Freedom in rules making and application are exploited better in the private sector due to the routes of ownership in this entity. On the other hand, the government forces members to follow the traditional law that is mainly incorporated in the constitution.

The objective of private sector businesses is to make profits. They are set up to cater to the needs and wants of private individuals, whereas the public sector aims at providing essential goods and services to the country and caters to the needs of its citizens(Michael, 2011).

The objective of the businesses set by owners as it was mentioned under the law in the previous title. In the public sector, making profits is not as important as it is in the private sector, and this is visible because the supply, utility, and labour costs in the public sector are supported by the government.

Objectives and sources of capital are related by causes and consequences. However, they can be interrelated and complementary.

Firms in the private sector obtain capital from individuals who choose to buy shares in the enterprise. They also obtain capital from friends, family members, and personal savings or from financial institutions such as credit unions or commercial banks. However, the public sector obtains funding primarily from taxes, rates, levies, and statutory deductions, as well as loans from governments/institutions and funding from donor agencies (Michael, 2011).

#### **1.1.2.2. The Characteristics of the Public Business**

Public businesses, usually referred to as governmental-owned businesses or public enterprises, have unique qualities that set them different from privately owned businesses. According to (Ali, 2016), here is a basic overview of some essential traits of public business.

The characteristics of public enterprises are highly influenced by several factors such as ideology, politics, history, and level of economic development. For instance, in countries that operate socialist-type economies, the general characteristic of public enterprises is to stand against the private sector, and the trend appears to be the elimination or substantial reduction of the private sector. In some of these countries, governments have embarked on nationalization or public ownership of vital areas of production. On the other hand, in countries that operate a

mixed economy, public enterprises appear to be concentrated in the traditional and well-established fields of public utilities as well as the so-called "commanding heights" of the economy, leaving a substantial proportion of activities in other fields to private entrepreneurs.(Ali, 2016) .

#### **1.1.2.2.1. The Public Dimension**

There are four basic elements in this dimension; i.e. public ownership, public purpose, public control, and public accountability. The assumption is that ownership vests in a public authority, which could be a central government, state government, or municipal government. While there is no ambiguity when 100 percent of the ownership is vested in a public authority, there is also an increasing acceptance that if the public authority owns the majority shares (51 or above percent) the enterprise would be classified as public. (Ali, 2016)

In establishing a public enterprise, the government consider the attainment of some public policy goals. The aim and purpose of the organization should be fulfilment of the public interest, it should be meant for achieving the public interest. In addition to the corporate objectives implicit in its enterprise dimension, the nature and content of the public goals, that the enterprise is presumed to achieve should be identified. The net benefits of the activities undertaken by the enterprise do not go to the enrichment of a private group of individuals; rather they are directed towards fulfilling public purposes. However, it is clear that private groups and individuals will have their own shares from the net benefits of a public enterprise being part of the public. (Ali, 2016)

The government as the owner is likely to exercise managerial controls over the enterprise it created or over which it has the majority share. The substance and scope of control, however, must be free from ambiguity. The specific areas of control for which an enterprise will require government approval and the legitimate body that will exercise control on behalf of the government need to be clearly stipulated. The public enterprise must be accountable in some way

to a legitimate organ representing the public. The question of what matters and to whom the public enterprise is accountable will depend on the precision of goals that have been set for the enterprise, the agreed upon criteria of evaluation, and the clarity of who the evaluators are or to which agency is an enterprise reporting. All proceedings and records of activities of the organization must be available for public (government) scrutiny when demanded. Indeed, it is customary that the performance reports of public enterprises are regularly submitted to the government. (Ali, 2016)

#### **1.1.2.2.2. The Enterprise Dimension**

The enterprise dimension implies the notion of a business firm. The following points determine the enterprise character in general: (a) The organization is engaged in the production of goods or provision of services (b) The goods and services so produced are marketed at a price (c) The revenues so earned are adequate at least to cover costs (d) The activity is based on the entrepreneurial idea of investment and return, these being the general characteristics that describe the enterprise dimension, it also includes three concepts or manifestations, which are core so to speak as "enterprise".(Ali, 2016)

Financial viability implies conscious effort on the part of an enterprise to operate in the entrepreneurship idea to raise net revenue. To do so, the organization must continually engage itself in innovative endeavours in contrast to being complacent with routine operations and regular levels of returns. It must continually explore opportunities for the benefit of both the organization and its stakeholders. In theory, this would imply net revenue maximization, but in practice, several qualifications do exist and revenue maximization may not occur. In other words, such net revenue is sought only when it does not encourage powerful competitive threats, does not provoke labour unrest, does not cause consumer protests, and arouses public antipathy (opposition) towards the enterprise. Thus, a public enterprise aims at "optimum satisfaction

return" as distinct from a private enterprise that invariably has a tendency for net revenue maximization. (Ali, 2016)

The enterprise concept goes strictly beyond financial viability, although it is concerned with how financial viability is achieved. Financial viability is realized from sales activity, but the concept attaches significance to the relationship between prices and costs. Therefore, extreme caution is needed before a disproportionate excess of price over cost in the case of a given output is practised, as it is opened to be challenged by consumers. (Ali, 2016)

The organization regularly maintains a set of commercial accounts that indicate its financial progress or status, but two major accounting documents are needed; i.e. a balance sheet, which shows the assets and liabilities of the enterprise; and a profit and loss account, which defines or indicates the inflow of income and the outflow of expenditure resulting from surplus or deficit of a defined period respectively. It is the public dimension, that differentiates public enterprises from private enterprises, and it is the enterprise dimension, which differentiates it from other governmental agencies. In other words, if there is no public dimension, there is little rationale for creating public enterprises, and if there is no enterprise dimension, there would be little or no rationale to give it the name of "enterprise".(Ali, 2016)

The government intervenes directly in public companies from an economic point of view, while participating in the commercial field was identified to reach the general political goals. In addition, in many respects, it is influenced by ideology, politics, and economic development. In socialist economies, the private and public sectors oppose to what is known as nationalization. Also, the public sector has two important dimensions, the public dimension and the commercial dimension which constitute the most important and prominent points for the public sector to distinguish it in turn from the private sector, and this gives its name.

## **1.2. A Historical Background on the Private and the Public Businesses**

### **1.2.1. The Private Businesses in the US**

Business leaders, industrial magnates, and entrepreneurs of the late nineteenth century proposed that men like John D. Rockefeller, Andrew Carnegie, and John Pierpont (J. P.) Morgan, among many others, owned and coordinated large business enterprises such as oil production, steel manufacture, and investment banking. These industry captains introduced products and employed methods of organization that fostered national economic growth while allowing them to accumulate massive fortunes and wield tremendous power. Although they achieved great wealth, status, and power, these men routinely risked significant financial losses. Ironically, a primary motivation for their risk-taking included their desire to bring order to an environment of chaotic competition.(Northrup, 2003)

John D. Rockefeller manifested these skills at his company, Standard Oil. By eliminating competitors through horizontal integration (that is, merging with or controlling other organizations that produce the same product), Rockefeller mastered the use of the holding company, in which one company controls other companies by holding the majority of their stock. Rockefeller also achieved astounding success through vertical integration by controlling the sources of production and outlets of sale for a particular product. For instance, in addition to building his own tankers and pipelines, Rockefeller obtained railroad rebates that gave him a significant cost advantage over competitors.(Northrup, 2003)

The investor and the financier J. P. Morgan imposed a similar order on his business environment through investments and financial control. Morgan provided capital for the nation's rapidly expanding industries, thereby acquiring control of company management decisions and ultimately controlling the entire economic sectors. Believing that unfettered economic competition led to chaos, Morgan acquired partial or full control of such key economic concerns as railroads, the American Telephone and Telegraph, a host of financial and banking concerns, and Carnegie's steel empire.(Northrup, 2003)

Through horizontal or vertical integration or financial manoeuvring, Rockefeller, Carnegie, and Morgan imposed stability and predictability on the highly competitive business environment of the late nineteenth century.(Northrup, 2003)

In these historical events, involving business leaders in the late nineteenth century illustrates how the private sector methods were applied and transformed during that era. Rockefeller, Carnegie and, Morgan were leaders in business enterprises, including oil production and investing banking. Strategies such as horizontal and vertical integration involve controlling the distribution of products. Rockefeller used holding companies, allowing him to control companies and ensure dominance in the oil industry. J. P. Morgan has a financial dominance by providing capital to grow industries in a fast way. These leaders transformed the private sector by improving the stability and the productivity. They also created a competitive business environment. In addition, their actions played an important role in shaping modern private businesses.

### **1.2.2. The Public Businesses in the US**

Government commission created by the Securities and Exchange Act of 1934 to monitor and regulate the sale of securities. The Securities and Exchange Commission (SEC) consists of five members appointed by the president and confirmed by Congress who enforce several acts designed to protect investors and to bolster confidence in the financial markets. At the height of the Great Depression, Congress passed the Securities Act of 1933. As a consequence of the stock market crash of 1929 and the subsequent Great Depression, the act required the full disclosure of all information to the SEC before registration for the sale of securities. If the SEC found that the firm omitted information or did not disclose sufficient information, registration would be denied. (Northrup, 2003)

The following year, Congress passed the Securities Exchange Act of 1934, which required more disclosures from companies and was designed to prevent unfair practices in the U.S. stock

exchanges. It also placed all exchanges under the authority of the SEC. In 1935, Congress charged the SEC with responsibility for enforcing the Public Utility Holding Company Act of 1935. The SEC then monitored all financial practices of electric and gas utilities but did not determine utility rates. The SEC was also charged with enforcing the Trust Indenture Act of 1939, the Investment Company Act of 1940, and the Investment Advisers Act of 1940. Congress also required that the SEC act as a participant in bankruptcy cases under the National Bankruptcy Act. (Northrup, 2003)

The security and the exchange Act of 1934 was an essential step in improving the public businesses practices. The government responded to economic crisis by introducing regulatory measures in order to solve the catastrophic stock market crash of 1929. Public businesses in the US have benefitted from regulatory changes by agencies such as the Security and Exchange Commission (SEC) which aim to maintain an efficient market.

The SEC supported additional financial acts, including the Trust Indenture Act of 1939, Investment Company Act of 1940, and Investment Adviser Act of 1940. These acts helped in reinforcing and shaping the public businesses in the US during the era of the Great Depression.

### **1.2.3. The Impact of COVID-19 on the Economy**

Most major industries experienced large drops in the number of active business owners in April, with the only exception being agriculture. Construction, restaurants, hotels, transportation, and personal/laundry services all experienced large declines in the number of active business owners due to COVID-19. Simulations reveal that the concentrations of female, black, Latinx and, Asian businesses in industries hit hard by the pandemic contributed to why losses in business activity were higher for these groups than the national average loss in April. May and June brought a partial rebound for most industries.(Fairlie, 2020)

African-American businesses were especially hit hard, experiencing a 41 percent drop in business activity. Latinx business owner activity fell by 32 percent, and Asian business owner activity dropped by 26 percent. Simulations indicate that industry composition partly placed these groups at a higher risk of business activity losses. Immigrant business owners experienced substantial losses of 36 percent in business activity. Female business owners were also disproportionately affected (25 percent drop in business activity). Continuing the analysis in May and June, the number of active business owners remained low – down by 15 percent and 8 percent, respectively. The continued losses in May and June, and partial rebounds from April were felt across all demographic groups and most industries. These findings of early-stage losses to small business activity have important implications for policy, income losses, and future economic inequality.(Fairlie, 2020)

During this time, it is noted that most of the industries experienced a decline in business activity. Due to the pandemic, economies noted a severe decline in the outcome of the industries such as construction, hotels, transportation, and private services. In the other hand, agriculture was an exception due to its important nature. These data revealed stark disparities in effecting on different demographic groups such as the African-American businesses suffered the most with 41 percent drop. Moreover, industry composition played a role in increasing risk for businesses and higher losses.

This pandemic experience should prepare the responsible in the countries for future solutions and expectations. Thus, this issue highlights the importance of policy measures to support businesses during an economic crisis. The data reflect the amount of affection on the economy in any country, so it highlights the need for generated policies to promote economic resilience.

## **Conclusion**

The exploration of the private and the public businesses in the United States provided information about the rich tapestry of economic activities and how they were shaped through time. The private businesses characterized by the ownership and the objectives. The private businesses increase competition and innovation for more outcomes. The public sector plays an important role in regulating the economic policy and finding solutions during economic crises. The Covid-19 pandemic defined a moment in the contemporary history and examined the economy's strategies and strength. This pandemic has significantly affected some groups but had less impact on others. This result allows the experts to draw future images for some groups. The private and the public businesses in the US are essential partners in the pursuit of economic prosperity. The government guides better collaboration to deliver better public services.

## **CHAPTER TWO :THE US MIXED ECONOMY**

## **Chapter Two: The US Mixed Economy**

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## **Introduction**

The mixed economy has essential aspects, which are the government involvement and the private businesses. Understanding the mixed economy and how it is implicated may clarify its key features and special balance. Privatization and nationalization are crucial concepts which indicate the control and the translation of the property. In general, nationalization is the opposite of privatisation depending on their objectives. Furthermore, small businesses hold an essential role in communities even when it is the easiest to be affected by external factors. The issue of inequality is one of the challenges that the governments may face. The governments seek to understand, analyse, and investigate given data to control sources and maintain its distribution. The issue of inequality is one of the challenges that the governments may face. This chapter highlights the concepts and the foundations of decision-makers and policy regulators. For instance the governments seek to understand, analyse, and investigate given data to control sources and maintain its distribution. It also alters the behaviour of the private sector through a various regulations.

### **2.1. The Definition of the Mixed Economy**

A mixed economy is an economy which combines elements of the market economy with elements of a command economy; that is, it combines characteristics of capitalism and socialism. In a mixed economy, only some of the activities of production, distribution, and exchange are organized by the state, and the state generally plays a larger role in setting policy, rules, and objectives, and in controlling labour, than would occur in a purely market economy. The term is sometimes used more loosely to refer to an economy which includes any elements other than a pure market economy, for example pockets of subsistence farming in particular areas of the country. (Scott, 2014)

Simply put, it is an economic system that combines private and state (public) business.

A mixed economy is an economy in which part of the means of production is owned by the state and part of it is privately owned, combining aspects of planned economies and market economies. Strictly speaking, nearly all economies are mixed, but the balance can vary widely.

The mixed economy, in economics, is a market system of resource allocation, commerce, and trade in which free markets coexist with government intervention. A mixed economy may emerge when a government intervenes to disrupt free markets by introducing state-owned enterprises (such as public health or education systems), regulations, subsidies, tariffs, and tax policies. Alternatively, a mixed economy can emerge when a socialist government makes exceptions to the rule of state ownership to capture economic benefits from private ownership and free market incentives. A combination of free market principles of private contracting and socialist principles of state ownership or planning is common to all mixed economies. (“Mixed Economy | Definition, Characteristics, Examples, & Facts | Britannica,” 2023) . The mixed economy is an economic system which based on elements of the free market mechanisms and the government regulations. The government regulations can be founded as varieties such as rules, tariffs, and tax laws to manage and adjust particular parts of the exclusive economy. Moreover, there are many reasons that promote the mixed economy, such as tackling the market imperfection and failures or enhancing system-wide oversight.

The United States has what is called a mixed economy, and many economic activities are undertaken by private firms, while others are undertaken by the government. In addition, the government alters the behaviour of the private sector through a variety of regulations, taxes, and subsidies.

In contrast, in the former Soviet Union, most economic activities were undertaken by the central government. Today, only North Korea and Cuba give the government such primacy. In many Western European economies, national governments play a larger role in economic activity than in the United States. For instance, the government of France once participated in a

range of economic activities, including the production of cars, electricity, and airplanes.(Stiglitz, 2000)

The United States adopted a mix between private and public sectors and the government's contribution to the economy. Their main aim is to guarantee that everything is working on the behalf of the society. Also, it works on checking that decisions are established fairly and serve the people. The government's task is to impose regulations, offer support, and collect taxation.

The origins of the mixed economy of the United States lie in the origins of the country itself. In describing the United States Constitution, the founders of the republic had to explicitly address key issues concerning the economic role of the new government. The constitution assigned the federal government certain responsibilities, such as running the post office and printing money. It provided the foundations for what we now call "intellectual property rights" by giving the government the right to grant patents and issue copyrights to encourage innovation and creativity. It gave the federal government certain rights to levy taxes, though those did not include taxes on exports, income, or net wealth. Most importantly, for the future evolution of the country, under Article 1, Section 8, Clause 3, gave the federal government the right to regulate interstate commerce. Since so much of economic activity involves goods produced in one state and sold in another, this clause, interpreted broadly, has been used to justify much of the federal government's regulatory activities.(Stiglitz, 2000)

Stiglitz explained how the origins of the US mixed economy are related to the history of the country and highlighted the role of the founders in forming the constitution and leading particular governmental rights. Historically, there is an obvious relationship between the constitution's regulations and the expansion of the US mixed economy, which shows its influence on the US economy. By comparing the founder's achievements for economic powers in the constitution with the contemporary methods, conformity emerges. Furthermore, the adaptation in this economic system spawned a new complex economy that was not as expected.

Also, some decisions made during the formation of the constitution still affect the economic aspect in the USA.

## **2.2. The Characteristics of the US Mixed Economy**

### **2.2.1. Privatization and Nationalization**

Privatization is a fuzzy concept that evokes sharp political reactions. It covers a wide range of ideas and policies, varying from the eminently reasonable to the wildly impractical. Yet, however varied and at times unclear in its meaning, privatisation has unambiguous political origins and objectives. It emerges from the countermovement against the growth of government in the West and represents the most serious conservative effort of our time to develop a positive alternative. Privatization proposals do not merely aim to return services to their original location in the private sphere. Some proposals seek to create new types of market relations and promise results comparable or superior to conventional public programmes. Hence, it is a mistake to define and dismiss the movement as simply a replay of traditional opposition to state intervention and expenditure. The current wave of privatization initiatives opens a new chapter in the conflict over the public-private balance. ("The Meaning of Privatization," n. d.)

Privatization is a complex concept that triggers strong political reactions because it encompasses many ideas and policies, from reasonable to impractical. It has political origins and goals and is against the expansion of government in the Western world. Privatization is not just transforming services into the private sector; it also aims to create new market relations. Privatization is a more nuanced and comprehensive approach. Lastly, it is necessary to create a balance between the public and private sector in the country because both shape the public-private balance.

Nationalization is a special category of acquisition of property, distinguished in particular by the fact that the arguments underlying the interventions of nationalization and its purpose are quite different from those in the case of traditional forms of acquisition of property. Unlike expropriation and general restrictions on property the interventions of nationalization are not

motivated by the desire of the state to take over or restrict the use of the property for the benefit of a special purpose of the state different from the previous use; for example, expropriation of agricultural land for the purpose of laying railways and building hospitals or the restriction of building rights for the purpose of creating new roads; nationalization must seek its supporting arguments in the very circumstance that the state does not desire to let private individuals utilize the property for so called private economic purposes, and therefore desires to take over, and carry on the hitherto practiced utilization of the property.(Foighel, 1957)

Nationalization is unique due to reasons and objectives; thus, the interventions differ from the traditional property acquisition methods. Nationalization has a unique purpose such as exporting lands for projects. Furthermore, the government aims to take control and prevent individuals from using the property. Finally, this explanation about the concept of nationalization emphasizes its unique purpose and motivations.

### **2.2.2. The Ownership of Factors of Production**

In a mixed economy, the ownership of factors of production such as land, labour, capital, and entrepreneurship are shared by both private individuals and the government. The mix of private and public ownership can vary, with some mixed economies leaning more towards market-oriented approaches, while others lean more towards government intervention and control.(“Mixed Economy,” n.d.)

Private individuals and the government share the ownership of factors such as land, labour, and entrepreneurship. In addition, it differs from an economic system and another depending on the amount of control of government involvement and the private ownership. The balance between the private and the public ownership depends on some variations in the degree of market orientation or the government intervention.

### **2.2.3. The Small Businesses**

Small businesses are the engine of the American economy, having created 64 percent of new American private sector jobs generated in the past 15 years—that is 40 million net new jobs

according to the Council of Economic Advisers. Recognizing the critical role that small businesses play in the U.S. economy, President Obama is committed to ensuring that small businesses continue to receive the tools and resources they need to address the challenges they face. These initiatives offer support to small businesses so they are able to bring the power of their ideas to the marketplace in ways that can catalyze and transform our economy, creating jobs through new innovations in products and services.(National Economic Council, 2011)

The administration is committed to providing key support to small businesses through a series of tax breaks that combine increased capital, as well as providing key incentives for small business investment and growth. To date, the Administration has supported 17 direct tax breaks that support small business growth. (National Economic Council, 2011)

One of the most important parts of US mixed refining is small businesses. It is considered as the engine of the economy due its contribution to the private sector jobs. The president Obama's commitment supported small businesses by providing tools and resources. This support aims to encourage small business to be innovative in the marketplace.

#### **2.2.4. Improving Regulations for Small Businesses**

President Obama is committed to listening to and working with small businesses to better understand where the administration can improve regulations. In addition to the Startup America Initiative, the Office of Advocacy (Advocacy), at the SBA is responsible for overseeing Federal agency compliance with the Regulatory Flexibility Act (RFA). As part of this oversight, Advocacy works closely with regulatory agencies to ensure that they consider the impact of their regulations on small businesses before a rule becomes final. As part of this process, advocacy is able to help the agency craft regulatory alternatives that accomplish the agency's objective while reducing the economic burden on small businesses. In FY 2010, advocacy's involvement with agency rulemaking helped save small businesses nearly \$15 billion in forgone regulatory costs.(National Economic Council, 2011)

The present Obama's commitment works for small businesses to engage with. Moreover, his goal is to clarify how to improve a better support using the government regulations such as the Flexibility Act. In addition, they managed to collaborate with regulatory agencies, taking into account the effect of their regulations. However, crafting regulatory alternatives is an important part of this process by allowing small businesses to achieve their goals. Finally, there is a positive impact of advocacy's involvement and gaining real benefits in the practical environment of businesses.

### **2.2.5. Inequality**

It is widely agreed that inequality has become an increasingly serious problem inside countries and between countries. For example, the World Economic Forum views inequality as a major threat to the prosperity and sustainability of contemporary societies. It is not hard to see why. The contemporary figures on inequality are striking. For example, the 2019 Credit Suisse Global Wealth Report finds that the bottom half of the wealth holders collectively accounted for less than 1 percent of total global wealth in mid-2019, while the richest 10 percent owned 82 percent of the global wealth and the richest 1 percent owned 45 percent. A report from Oxfam finds that between 2009 and 2018, the number of billionaires required to equal the wealth of the world's poorest 50 percent fell from 380 to 26.)Economics in Context Initiative, 2021(

The issue of inequality is often tied to the structure of the economic system, since how decisions on the distribution of income are made directly affect inequality outcomes. While in principle, capitalist ideas are based on freedom and equality under the law, some scholars view inequality as a recurrent feature of capitalism.<sup>103</sup> Key aspects of capitalism, such as the accumulation of capital by a small group of capitalists, the elimination of weaker firms through competition, and the lower bargaining power of the majority of workers, all contribute to inequality. In addition, inherited wealth and differential access to education, healthcare, and economic power are all significant drivers of both wealth and income inequality.(Economics in Context Initiative, 2021)

Inequality is a serious problem within countries through threatening the sustainability in the contemporary society. These statistics show inequality in distributing wealth in the world. Inequality has a strong relation with the economic system and is connected to its structure. On the other hand, some scholars see inequality as a feature of capitalism because of its contribution and affection.

### **2.3. The US Mixed Economy**

According to the Nobel Laureate Joseph (2000), " Throughout the history of the United States, the economic role of the government has undergone important changes. For instance, one hundred years ago, some highways and all railroads were private; today, there are no major private roads and most interstate railroad passenger travel is by Am- trak, a publicly established and subsidized enterprise. It is because mixed economies constantly face the problem of defining the appropriate boundaries between government and private activities that the study of the economics of the public sector in these countries is both so important and so interesting" (p.05). A historical evolution emphasizes the role of the government in economic change between the government and the privatization issues in the mixed economy. However, this shift from private to public enterprise created many challenges that determined the limitations between them. Over a century, they applied economic strategies and activated the sector of the highways and the railroads as an example of the transformation, although it may include some difficulties.

#### **2.3.1. The Capitalist Economic System**

A capitalist system involving payment in accordance with the product can be, and in practice is, characterized by considerable inequality of income and wealth. This fact is frequently misinterpreted to mean that capitalism and free enterprise produce wider inequality than alternative systems and, as a corollary, that the extension and development of capitalism has increased inequality. This misinterpretation is fostered by the misleading character of most published figures on the distribution of income, in particular their failure to distinguish short-run from long-run inequality(Friedman & Friedman, 2002)

Based on Friedman's ideas, misconceptions were formed about the capitalist economy system of income and profit inequality, which is due to a misunderstanding. This also indicates that there is a close relationship between the capitalist system, wealth, income inequality, and the idea of misunderstanding the impact of this system. The capitalist system is one of the poles of the mixed economy in the United States of America, and its study and analysis solves all of the problems and clarifies the doubts around it. Comparing it with the socialist economic system will highlight several differences and objectives and contribute to the growth of the economy.

The First Fundamental Law of Capitalism:  $\alpha = r \times \beta$  which links the capital stock to the flow of income from capital. The capital/income ratio  $\beta$  is related in a simple way to the share of income from capital in national income, denoted  $\alpha$ . where  $r$  is the rate of return on capital. For example, if  $\beta = 600\%$  and  $r = 5\%$ , then  $\alpha = r \times \beta = 30\%$ . In other words, if national wealth represents the equivalent of six years of national income, and if the rate of return on capital is 5 percent per year, then capital's share in national income is 30 percent. The formula  $\alpha = r \times \beta$  is a pure accounting identity. It can be applied to all societies in all periods of history, by definition. Though tautological, it should nevertheless be regarded as the first fundamental law of capitalism, because it expresses a simple, transparent relationship among the three most important concepts for analyzing the capitalist system: the capital/income ratio, the share of capital in income, and the rate of return on capital. (Economics in Context Initiative, 2021)

Simply put, this law makes it clear that the higher the value of capital and the rate of return, the greater the income ratio and vice versa. These terms also play an important role in shaping this system and designing this law that has been applied. An example has been given, namely, a calculation to anticipate income ratios without resorting to risk or otherwise to promote and encourage risk in order to reach targets. Nevertheless, this law is not always effective, nor is it without an emergency. One element may be affected by any factor that might compromise the outcome's expectation.

### **2.3.2. The Socialist Economic System**

Socialism is a middle ground between capitalism and communism, stressing government ownership of the means of production, planning by the state, income redistribution, and peaceful transition to a more egalitarian world.(SAMUELSON & NORDHAUS, 2009)

As a doctrine, socialism developed from the ideas of Karl Marx and other radical thinkers of the nineteenth century. Socialism is a middle ground between laissez-faire capitalism and the central-planning model (SAMUELSON & NORDHAUS, 2009)

#### **2.3.2.1. The Characteristics of the Socialist Philosophy**

Socialists traditionally believed that the role of private property should be reduced. Key industries such as railroads and banking should be nationalized (that is, owned and operated by the state). In recent years, because of the poor performance of many state-owned enterprises, enthusiasm for nationalization has ebbed in most advanced democracies.(SAMUELSON & NORDHAUS, 2009)

Socialists are suspicious of the “chaos” of the marketplace and question the allocation efficiency of the invisible hand. They insist that a planning mechanism is needed to coordinate the different sectors. In recent years, planners have emphasized subsidies to promote the rapid development of high-technology industries, such as microelectronics, aircraft manufacturing, and biotechnology; these policies are sometimes called “industrial policies.”(SAMUELSON & NORDHAUS, 2009)

Inherited wealth and the highest incomes are to be reduced by the militant use of government taxing powers; in some Western European countries, marginal tax rates have reached 98 percent. Government social security benefits, free medical care, and cradle-to- grave welfare services paid for with progressive taxes increase the well-being of the less privileged and guarantee minimum standards of living for all.(SAMUELSON & NORDHAUS, 2009)

Socialists often advocate the peaceful and gradual extension of government ownership— evolution by ballot rather than revolution by bullet.(SAMUELSON & NORDHAUS, 2009)

Socialist approaches fell out of favour with the collapse of communism, the stagnation in Europe, and the success of market-oriented economies. Thoughtful socialists are combing through the wreckage to find a future role for this branch of economic thought.(SAMUELSON & NORDHAUS, 2009)

Karl Marx and other radical thinkers put the concept of socialism and influenced this idea through their thoughts. Laissez-faire capitalism and the central-planning model (communism) are served by socialism as a midpoint, which aims to strike a balance between public and private powers. Moreover, government involvement is of the mean of production and mostly the companies are controlled by the government, which explains a public influence among the etching activities, whereas it contrasts with the laissez-faire approach of capitalism. Socialism focuses on the redistribution of wealth and resources to enhance economic equality, or what they call it the egalitarianism. It shows a desire to improve the social justice.

The role of government in the capitalist and the socialist economic systems:

Although the market mechanism is an admirable way of producing and allocating goods, market failures sometimes lead to deficiencies in the economic outcomes. The government may step in to correct these failures. Its role in a modern economy is to ensure efficiency, correct an unfair distribution of income, and promote economic growth and stability.(SAMUELSON & NORDHAUS, 2009)

Drawing the right boundary between the market and government is an enduring problem for societies. Economics is indispensable in finding the golden mean between an efficient market and publicly decided regulation and redistribution. An efficient and humane society requires both halves of the mixed system market and government.(SAMUELSON & NORDHAUS, 2009)

The role of the government can be simply determined by intervention when a market failure occurs. This government intervention has many objectives for the modern economy. One of the most important objectives is ensuring efficiency; thus, the government is responsible for

maintaining economic efficiency and controlling resources without any waste. Furthermore, income equality is another role of the government which rectifies unfair income distribution. It is also expected to reinforce the economic growth and stability. In addition, the government may face some challenges with decisions, especially when determining the perfect boundaries between market forces and government intervention. The government plays an important economic role in identifying efficiency, regulations, and redistribution policies. Finally, a mixed system is necessary with both market and government components.

### **2.3.3. Communism**

The country that had already been the victim of one experiment—communism—was made the subject of a new experiment, that of putting into place the notion of a self-regulating market economy, before the government had had a chance to put into place the necessary legal and institutional infrastructure. Just as some seventy years earlier, the Bolsheviks had forced a rapid transformation of society; the neoliberals now forced another rapid transformation, with disastrous results. The people of the country had been promised that once market forces were unleashed, the economy would boom: the inefficient system of central planning, which distorted resource allocation, with its absence of incentives from social ownership, would be replaced with decentralization, liberalization, and privatization.(Karl, 2001)

Communism is self-regulating market economy without relying on legal preparation. The transformation in the society promised economical growth through replacing the decentralization and the privatization. Depending on this era, the country experienced communism by adopting new economic policies. However, the significance of the transformation from communism to self-regulating occurred in the country similar to the privatization concept. This shift promises more growth and enhances efficiency, but it has led to unexpected negative consequences. The impact of the neoliberal approach on country was taken from the ideological perspective in the critical form. The government should also take into account the consequences of the transition from one economic system to another through management and investigation.

## **Conclusion**

To conclude, the exploration of the US mixed economy highlighted many aspects of the economic system. A comprehensive understanding of its components led to discover the influence on a nation's economic structure. Nationalization and privatization affected productivity, equality, and the societal welfare. Moreover, small businesses are active as good contributors. On the other hand, the issue of inequality is noted by identifying the factors and wealth distribution. The mixed economy struggles with striking the balance and the equality in the community. Inequality is a continuous challenge with external factors such as the global economy and the development, which added more difficulty in solving this issue. Lastly, the US mixed economy provides a harmonious environment for workers by facilitating and understanding their needs for more outcomes.

**CHAPTER THREE: THE CONSEQUENCES OF**  
**ADOPTING PRIVATE AND PUBLIC BUSINESSES**

## **Chapter Three: The Consequences of Adopting Private and Public Businesses**

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**Introduction**

The private and the public businesses are characterized by positive and negative aspects. This exploration sheds light on the advantages such as retirement benefits, higher share of educators, unemployment insurance, and rising home ownership rates. On the other hand, both of the sectors suffer from some disadvantages such as time commitment, tracking inflation limited employee benefits, and the rise of the public debt.

Furthermore, analyzing the advantages, the disadvantages, and the challenges is an important step for the government to maintain a balance between both sectors. However, the private and the public businesses create strong partnership in the US economy. Agriculture is a major domain in any nation and it draws both sectors to enhance productivity in the US. In general, the advantages of the US mixed economy include the ability to foster innovation, promote competition through government program. In the other hand, economies continue to evolve, and the policymakers, businesses, and individuals should fill the gaps and face the evolved challenges while mitigating their drawbacks.

**3.1. The Positive and the Negative of the Private and Public Businesses in the US**

**3.1.1. The Private Businesses in the US**

**3.1.1.1. The Advantages of the Private Business**

**3.1.1.1.1. The Retirement Benefits**

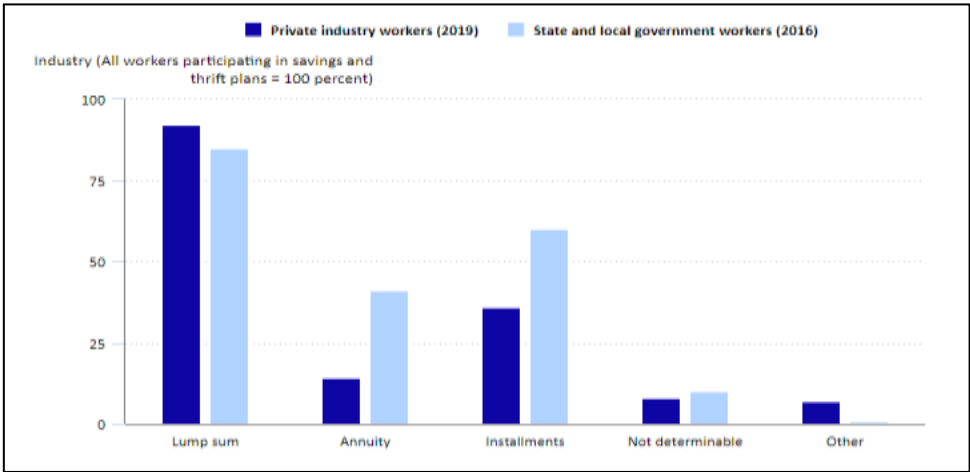


Fig3.1. Methods of retirement benefit distribution for savings and thrift plans, 2019 and 2016.

Source: U.S. Bureau of Labour Statistics.

Some employees had the option to receive their retirement savings in a combination with the methods of disbursement. However, employees can choose the disbursement method typically must choose only one method from the following:

Lump-sum option is where the retiree can receive all the assets in his or her savings and thrift plan that include both employee and employer contributions, plus interest and earnings, at one time. Among savings and thrift plan participants, 92 percent of private industry workers and 85 percent of state and local government workers had a lump sum distribution available.

Instalment plans provide retirees with regular payments from their savings and thrift plan until all savings have been depleted. If funds are still available after the death of the recipient, the remaining instalment payments go to designated beneficiaries. Thirty-six percent of private industry workers and 60 percent of state and local government workers had instalment distributions available. Annuity plans provide retirees with a stream of guaranteed periodic payments over their lifetime. Fourteen percent of private industry workers and 41 percent of state and local government workers had an annuity distribution available, in 2019 and 2016, respectively. Other plans can provide a combination of instalments and annuities. Seven percent of private industry workers had other distribution methods available. NCS did not find any state or local government workers with other distribution methods available in 2016. However, for 8 percent of private industry workers, the NCS programme could not determine the method of retirement benefit distribution. (Zook, n.d.)

The lump-sum distribution option is available to retirees that allow them to benefit from savings and a thrift plan. Depending on these statistics, this option is more prevalent with 92 percent while 85 percent of state and local government workers. However, these data highlight a higher amount of availability of lump-sum distribution in the private sector. Other plans in the

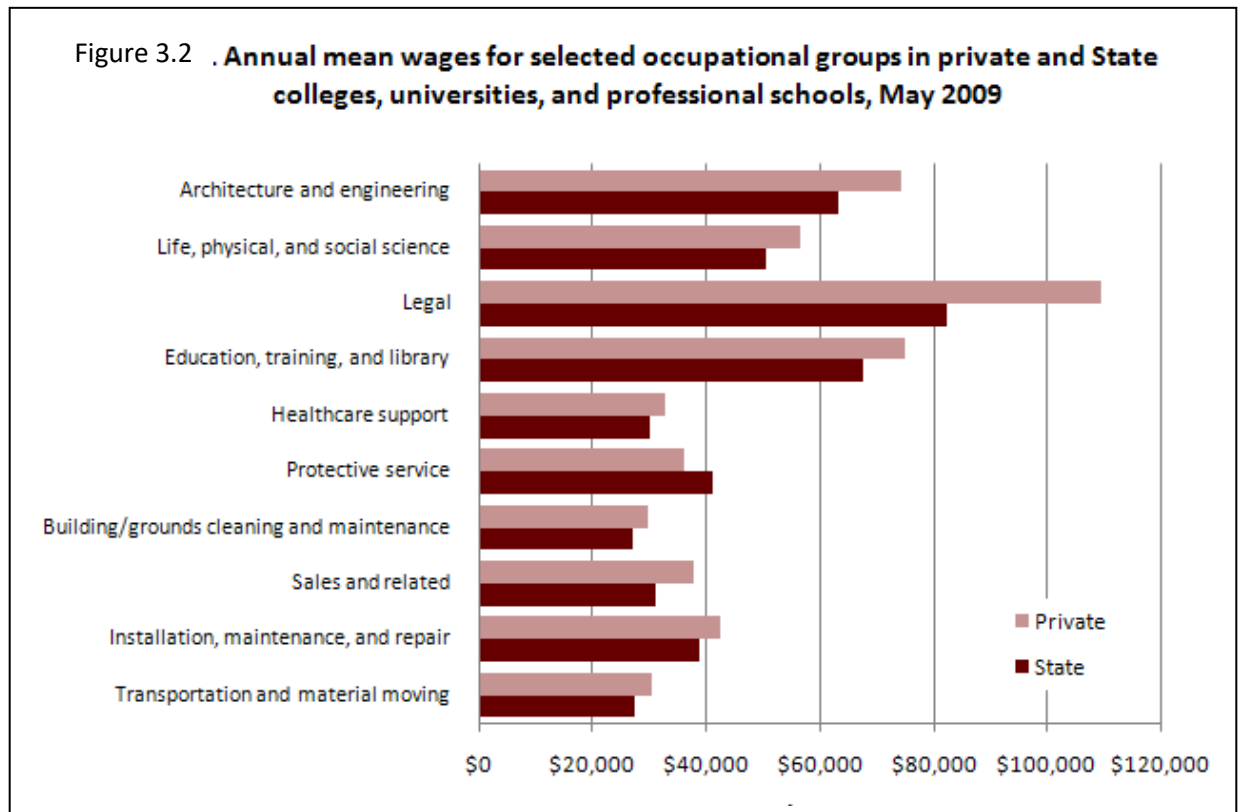
distribution methods show more availability for private industry workers with 7 percent, whereas in 2016, the NCS programme did not find any access to these alternatives for local government workers. The information highlighted the variations within the availability and the alternative distribution methods between both sectors. Other plans in the distribution methods show more availability for private industry workers with 7 percent whereas in 2016, the NCS programme did not find any access to these alternatives for the local government workers. The information highlighted the variations within the availability and the alternative distribution methods between both sectors.

#### **3.1.1.1.2. A Higher Share of Educators**

Private colleges employed a higher share of educators than state colleges did in May 2009—but also a higher share of managers. Education, training, and library occupations made up about 42 percent of employment in private sector colleges, universities, and professional schools, but 39 percent of employment in colleges owned by state government. The corresponding figures for management occupations were 8 and 6 percent, respectively. Overall, colleges, universities, and professional schools had employment of about 2.8 million in May 2009; approximately 41 percent of these jobs were found in the private sector and approximately 58 percent in state government.

After education, training, and library occupations, office and administrative support was the largest occupational group in this industry, accounting for 20 percent of employment in private colleges and a similar employment share of 19 percent in state colleges. In addition to education and management occupations, private colleges had a slightly higher share of arts, design, entertainment, sports, and media occupations than state colleges: 3 percent of total employment compared with 2 percent. State colleges had slightly higher shares of employment in computer and mathematical science; building and grounds cleaning and maintenance, and installation, maintenance, and repair occupations, although each of these occupational groups made up 4

percent or less of employment in both private and State colleges. (“OES Data Highlights - An Occupational Comparison of Private and State Colleges and Universities,” n.d.)



Private sector colleges had higher average wages in 12 of the 20 occupational groups for which both private and state college wages were available. Some groups with the largest wage differences between private and state colleges are shown in chart 1. Average wages for education, training, and library occupations were \$7,250, or nearly 11 percent, higher per year in private sector colleges than in state colleges. Other groups had even larger wage differences. For example, the annual mean wage for legal occupations was approximately one-third, or \$27,110, higher in private sector colleges, while average wages for architecture and engineering occupations were \$10,830 (17 percent) higher in private sector colleges. Sales and related occupations had an annual mean wage of \$37,640 in private sector colleges and \$30,990 in state colleges, a difference of \$6,650 or 21 percent. Protective service was one of only two occupational groups for which wages were significantly higher in state colleges than in private

colleges; the other was arts, design, entertainment, sports, and media occupations (not shown in the chart). Wage differences for the six occupational groups, including business and financial operations occupations and healthcare practitioner and technical occupations, were not statistically significant. (“OES Data Highlights - An Occupational Comparison of Private and State Colleges and Universities,” n.d.)

As a comparison using the given data, the private sector colleges had higher average wages. For instance, average wages for education and library occupations were 11 percent higher in the private sector. Similarly, it is higher with the architecture and engineering occupation at 17 percent. Finally, in most of these defined categories, it is highlighted that the opportunities are higher for private colleges as a comparison with the state colleges in terms of average wages across various occupational groups.

**3.1.1.2. The Disadvantages of the Private Business**

**3.1.1.2.1. Time Commitment**

People often start businesses so that they have more time to spend with their families. Unfortunately, running a business is extremely time-consuming. In theory, you have the freedom to take time off, but in reality, you may not be able to get away. In fact, you will probably have less free time than you would have working for someone else. For many entrepreneurs and small business owners, a forty-hour workweek is a myth; see Figure 3.3 “The Entrepreneur’s Workweek”. Vacations will be difficult to take and will often be interrupted. In recent years, the difficulty of getting away from the job has been compounded by cell phones, iPhones, Internet-connected laptops, and iPads, and many small business owners have come to regret that they are always reachable. (“5.4 Advantages and Disadvantages of Business Ownership – Exploring Business,” n.d.)

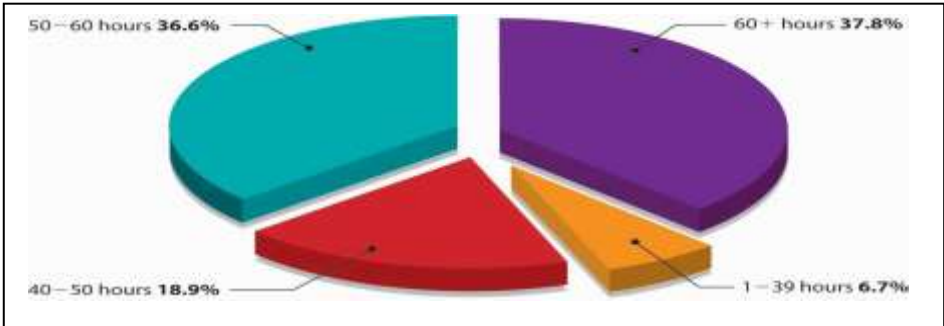


Figure 3.3. The Entrepreneur’s Workweek .Source:

[https://open.lib.umn.edu/exploringbusiness/chapter/5-4-advantages-and-disadvantages-of-business-ownership/#frank-ch05\\_s04\\_s02\\_f01](https://open.lib.umn.edu/exploringbusiness/chapter/5-4-advantages-and-disadvantages-of-business-ownership/#frank-ch05_s04_s02_f01)

Time commitment when running a business is extremely time-consuming. In fact, you will probably have less free time than you would have working for someone else. (“5.4 Advantages and Disadvantages of Business Ownership – Exploring Business,” n.d.)

These data emphasize the need for time commitment, which is significant while running a business. It also shows the difference between business ownership and working as an employee for someone else. However, business owners should have less free time than they would if they worked for others. To conclude, running a business can be time consuming and a challenge.

**3.1.1.2.2. Limited Employee Benefits**

The collected data by the U.S. Bureau OF Labor Statistics identifies the benefits, and paid sick leave statistics among workers in private industry and workers in state and local governments:

**Table 3.1**

*Access rates to selected benefits among workers in private industry, by full- and part-time status and occupational group, March 2012.*

Characteristic	Percentage of workers with access to		
	Retirement benefits	Medical care benefits	Paid sick leave
Full time	74	86	75

<b>Part-time</b>	38	24	23
<b>Occupational group</b>	-	-	-
<b>Management, professional, and related</b>	79	87	84
<b>Service</b>	40	41	40
<b>Sale and office</b>	69	72	65
<b>Natural resources, construction, and maintenance</b>	65	77	53
<b>Production, transportation, and material movement</b>	66	75	52

*Note.* Adapted from: [https://www.bls.gov/opub/ted/2012/ted\\_20120726.htm](https://www.bls.gov/opub/ted/2012/ted_20120726.htm)

In March 2012, among workers in private industry, medical care benefits were offered to 41 percent of workers in service occupations and 87 percent of workers in management, professional, and related occupations. (“Employee Benefits in Private Industry and State and Local Government, March 2012,” n.d.)

In the private industry, medical care benefits were offered to 24 percent of part-time workers and 86 percent of full-time workers. Twenty-three percent of part-time workers had access to paid sick leave, compared with 75 percent of full-time workers. (“Employee Benefits in Private Industry and State and Local Government, March 2012,” n.d.)

For workers in service occupations, access rates were higher in state and local governments than in private industries. For example, 83 percent of state and local government workers were

offered retirement benefits, compared with 40 percent of private industry workers. (“Employee Benefits in Private Industry and State and Local Government, March 2012,” n.d.)

**Table 3.2**

*Access rates to selected benefits among workers in state and local governments, by full- and part-time status and occupational group, March 2012*

<b>Characteristic</b>	<b>Percentage of workers with access to</b>		
	<b>Retirement benefits</b>	<b>Medical care benefits</b>	<b>Paid sick leave</b>
<b>Full time</b>	99	99	98
<b>Part-time</b>	39	24	40
<b>Occupational group</b>	-	-	-
<b>Management, professional, and related</b>	91	89	90
<b>Service</b>	83	81	85
<b>Sale and office</b>	89	87	89
<b>Natural resources, construction, and maintenance</b>	95	95	95
<b>Production, transportation, and materials</b>	87	83	87

*Note.* Adapted from: [https://www.bls.gov/opub/ted/2012/ted\\_20120726.htm](https://www.bls.gov/opub/ted/2012/ted_20120726.htm)

Among workers in state and local governments, retirement and medical benefits were offered to 99 percent of full-time workers and paid sick leave to 98 percent. (“Employee Benefits in Private Industry and State and Local Government, March 2012,” n.d.)

This data explains the availability of certain benefits such as medical care and paid sick leave. Medical care benefits are more official for full-time workers, whereas they are less for part-time workers. Moreover, 23 percent of part-time workers enjoy access to paid sick leave in private industry, whereas it is higher for full-time workers. It is noted that the highest benefits of retirement go for the state and local government with 83 percent of government workers, while only 40 percent for workers in private industry.

### **3.1.2. The Public Businesses in the US**

#### **3.1.2.1. The Advantages of the Public Business**

##### **3.1.2.1.1. Public Policy and Unemployment Insurance**

Unemployment insurance is a joint federal–state programme enacted by the federal government in 1935. While the federal government sets minimum standards for the program, state governments conduct most of the administration. Funding for the program is a federal tax collected from employers. The federal government requires tax collection on the first \$7,000 in wages paid to each worker; however, states can choose to collect the tax on a higher amount if they wish, and 41 states have set a higher limit. States can choose the length of time that they pay benefits although most states limit unemployment benefits to 26 weeks—with extensions possible in times of particularly high unemployment. The states then use the fund to pay benefits to those who become unemployed. Average unemployment benefits are equal to about one-third of the wage that the person earned in their previous job, but the level of unemployment benefits varies considerably across states.(SHAPIRO, MACDONALD, & GREENLAW, 2011)

### **Table 3.3**

*Maximum Weekly Unemployment Benefits by State in 2021*

<b>Bottom 10 States That Pay the Lowest Benefit per Week</b>		<b>Top 10 States That Pay the Highest Benefit per Week</b>	
<b>Michigan</b>	362 \$	<b>Washington</b>	929 \$
<b>North Carolina</b>	350 \$	<b>Massachusetts</b>	823 \$
<b>South Carolina</b>	326 \$	<b>Minnesota</b>	740 \$
<b>Missouri</b>	320 \$	<b>New Jersey</b>	713 \$
<b>Florida</b>	275 \$	<b>Connecticut</b>	649 \$
<b>Tennessee</b>	275 \$	<b>Oregon</b>	648 \$
<b>Alabama</b>	275 \$	<b>Hawaii</b>	648 \$
<b>Louisiana</b>	275 \$	<b>North Dakota</b>	618 \$
<b>Arizona</b>	240 \$	<b>Colorado</b>	618 \$
<b>Mississippi</b>	235 \$	<b>Rhode Island</b>	586 \$

*Note.* Adapted from: <http://www.savingtoinvest.com/maximum-weekly-unemployment-benefits-by-state>

Unemployment insurance is one of the advantages of public policy. It was established in 1935 and the funding for the program derived from the federal tax on employers. As noted in the collected data, it differs from one state to another and varies across states. The government

makes efforts with the collection of data about the unemployed people in order to distribute the benefits across the society. This project is clearly programmed to covers staffing shortcomings.

**3.1.2.1.2. Rising Home Ownership Rates**

The United States has experienced rising home ownership rates for most of the last two decades. Between 1990 and 2006, the U.S. housing market grew. Homeownership rates grew from 64% to over 69% between 2004 and 2005. For many people, this was a period in which they could either buy their first home or buy a larger and more expensive home. During this time, mortgage values tripled. Housing became more accessible to Americans and was considered a safe financial investment. The figure below shows how new single-family home sales peaked in 2005 at 1,279,000 units.(SHAPIRO et al., 2011)

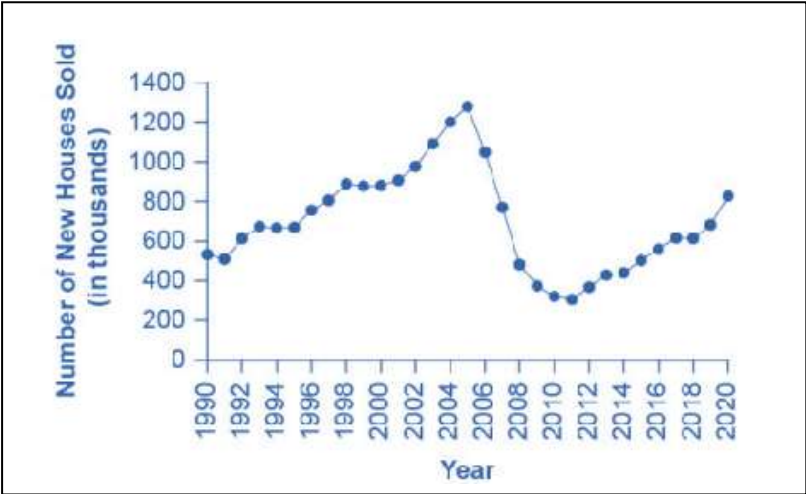


Figure 3.4. New Single Family Houses Sold From the early 1990s up through 2005, the number of new single family houses sold rose steadily. In 2006, the number dropped dramatically, and this dramatic decline continued through 2011. Beginning in 2012, the number of new houses sold began to climb back up. (Source: U.S. Census Bureau)

The housing bubble began to show signs of bursting in 2005, as delinquency and late payments began to grow and an oversupply of new homes on the market became clear. Dropping home values contributed to a decrease in the overall wealth of the household sector and caused homeowners to reduce spending. Several mortgage lenders were forced to file for bankruptcy because homeowners were not making their payments, and by 2008, the problem had spread throughout the financial markets. Lenders clamped down on credit and the housing bubble burst. Financial markets were now in crisis and unable or unwilling to even extend credit to creditworthy customers. The housing bubble and the crisis in the financial markets were major contributors to the Great Recession, which led to unemployment rates over 10% and falling GDP. While the United States is still recovering from the impact of the Great Recession, it has made substantial progress in restoring financial market stability by implementing aggressive fiscal and monetary policies. The economic history of the United States is cyclical in nature, with recessions and expansions. Some of these fluctuations are severe, such as the economic downturn that occurred during the Great Depression in the 1930s, which lasted several years. Why does the economy grow at different rates in different years? What are the causes of the cyclical behavior of the economy? This chapter introduces an important model, the aggregate demand–aggregate supply model, to begin our understanding of why economies expand and contract over time. (SHAPIRO et al., 2011)

Home ownership rates increased from 1990 to 2006, which explained the dynamics of the housing market. When people at that time were buying houses shows a beneficial economic system and have them the opportunity to invest in houses and affecting borrowing and housing purchases and accessibility. In 2005, the data point shows a robust period but also creates questions for the following year. The given data represent the positive aspects of the economy, which highlight a deep discussion about housing policy and economic factors.

### **3.1.2.2. The Disadvantages of the Public Business**

### 3.1.2.2.1. The Growth of the US Public Debt

In the global economy, trillions of dollars of financial investment cross national borders every year. In the early 2000s, financial investors from foreign countries were investing several hundred billion dollars per year more in the U.S. economy than U.S. financial investors were investing abroad. The following Work It Out discusses one of the macroeconomic concerns for the U.S. economy in recent years.(SHAPIRO et al., 2011)

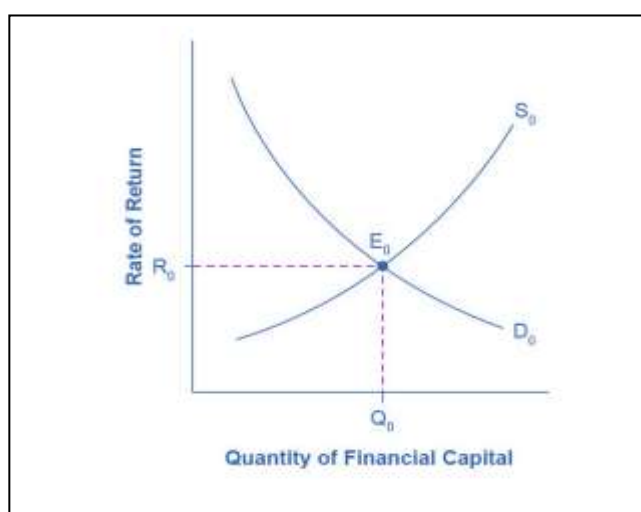


Figure 3.5. shows the supply curve shift from  $S_0$  to  $S_1$ . (SHAPIRO et al., 2011)

The Effect of Growing U.S. Debt Imagine that foreign investors viewed the U.S. economy as a less desirable place to put their money because of fears about the growth of the U.S. public debt. Using the four-step process for analyzing how changes in supply and demand affect equilibrium outcomes, how would increased U.S. public debt affect the equilibrium price and quantity of capital in U.S. financial markets? Draw a diagram showing demand and supply for financial capital representing the original scenario in which foreign investors are pouring money into the U.S. economy. (SHAPIRO et al., 2011)

The United States as a Global Borrower before U.S. Debt Uncertainty The graph shows the demand for financial capital from and supply of financial capital into the U.S. financial markets by the foreign sector before the increase in uncertainty regarding U.S. public debt. The original equilibrium ( $E_0$ ) occurs at an equilibrium rate of return ( $R_0$ ), and the equilibrium quantity is at  $Q_0$ . Will diminished confidence in the U.S. economy as a place to invest affect the demand or supply of financial capital? Yes, it will affect supply. Many foreign investors look to the U.S. financial markets to store their money in safe financial vehicles with low risk and stable returns. Diminished confidence means U.S. financial assets will be seen as riskier. Will supply increase or decrease? When the enthusiasm of foreign investors' for investing their money in the U.S. economy diminishes, the supply of financial capital shifts to the left. Figure 3.8 shows the supply curve shift from  $S_0$  to  $S_1$ . (SHAPIRO et al., 2011)

The given data highlights the connexions between economies and the significance of international financial transactions. The macroeconomic concern for the US economy provides the benefit of foreign investment, while there are also negative impacts on public debt. This raise of debt led to a question about the sustainability of the economy. It is important to bear in mind this observation when the 2000s was the period of economic growth, while 2008 was the period of financial crisis. Moreover, this issue highlights the global perspective, the stability of the economy, and the US position as a destination for foreign investors.

#### **3.1.2.2.2. Tracking Inflation as a Challenge**

The cost of living in New York City is much higher than that in Houston, Texas, for example. In addition, certain products have evolved over recent decades. A new car in 2021, loaded with antipollution equipment, safety gear, computerized engine controls, and many other technological advances, is a more advanced machine (and more fuel efficient) than a typical 1970s car. However, put details like these to one side for the moment, and look at the overall pattern. The primary reason behind the price rises in the table —and all the price increases for

the other products in the economy—is not specific to the market for housing, cars, gasoline, or movie tickets. Instead, it is part of a general rise in the level of all prices. At the beginning of 2021, \$1 had about the same purchasing power in overall terms of goods and services as 15 cents did in 1972, because of the amount of inflation that occurred over that time period.(SHAPIRO et al., 2011)

**Table 3.4**

*Price comparison, 1970 and 2021*

<b>Items</b>	<b>1970</b>	<b>2021</b>
<b>Pound of ground beef</b>	0.66\$	5.96\$
<b>Pound of better</b>	0.87\$	3.50\$
<b>Movie ticket</b>	1.55\$	13.70\$
<b>Sales price of new home</b>	22000\$	408800\$
<b>New car</b>	3000\$	42000\$
<b>Gallon of gasoline</b>	0.36\$	3.32\$
<b>Average hourly wage for a manufacturing worker</b>	3.23\$	30.11\$

*Note.* Adapted from: SHAPIRO et al., 2011

Moreover, the power of inflation does not affect just goods and services but also, wages and income level. The second-to-last row of the table shows that the average hourly wage for a manufacturing worker increased nearly ten-fold from 1970 to 2021. The average worker in 2021 is better educated and more productive than the average worker in 1970—but not six times more

productive. Per capita GDP increased substantially from 1970 to 2021, but is the average person in the U.S. economy really more than twelve times better off in just 51 years? Not likely. A modern economy has millions of goods and services whose prices continually quiver in the breezes of supply and demand. How can all these shifts in price be attributed to a single inflation rate? As with many problems in economic measurement, the conceptual answer is reasonably straightforward: economists combine prices of a variety of goods and services into a single price level. The inflation rate is simply the percentage change in the price level. Applying the concept, however, involves some practical difficulties.(SHAPIRO et al., 2011)

Depending on the given data, the comparison between the cost of living in New York City, Houston, and Texas gives a regional variation and creates a challenge to gauge inflation across the country. Moreover, the development of the products affected their features, prices, and the measure of inflation. Measuring inflation is a challenging issue due to the change and the development of the products, prices and, the qualities. It may require methods in data collection and statistics to be aware of changes in the surrounding environment. Policy implications play an important role in conducting and stabilizing the economy.

### **3.2. The Need for Private and Public Businesses in the US**

#### **3.2.1. The Strong Partnership Between Private and Public Businesses**

Private agricultural and food R&D includes R&D by business firms in food manufacturing and agricultural input supply. Private agricultural input industries research is more likely to have an impact on agricultural productivity than private food industry research; therefore, these components of private research are also reported separately.(“USDA ERS - Agricultural and Food Research and Development Expenditures in the United States,” n.d.)

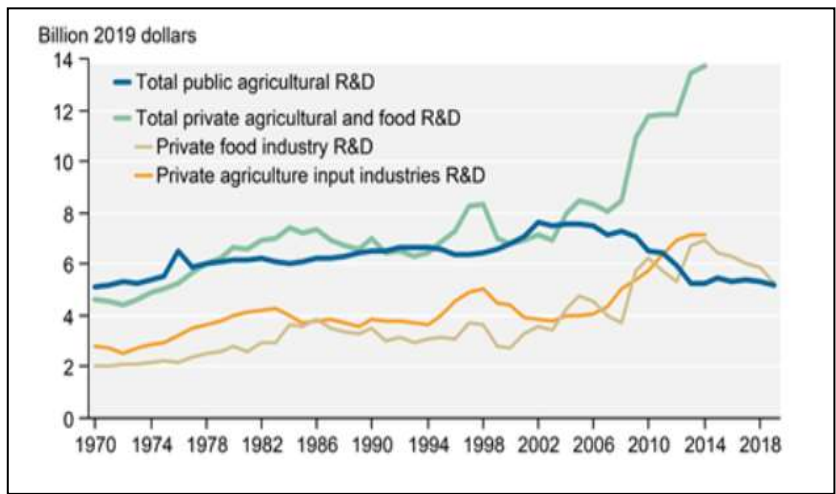


Figure 3.6. Public and private agricultural and food research and development (R&D) expenditures, real (inflation-adjusted) dollars, 1970-2019. Source: USDA, Economic Research Service using data from the National Science Foundation; USDA's Research, Education, and Economics Information System (REEIS) and Current Research Information System (CRIS); and various private sector data sources.

The private and the public partnerships play an important role in the domain of agriculture. As noted in the figure, the collaboration between the private and the public businesses in the agricultural sector is essential for the society and the economy. The private sector achievements often lead to positive impacts on productivity for greater sustainability. The importance of analyzing the involvement of both sectors in agriculture may help develop and evolving this important domain. Moreover, the government can be a sponsor with purposing aid and public funding. These aids may lead to more innovation and food sustainability. Agriculture is an important part of any society; thus, the partnership between private and public businesses must be strong.

**STEM employment as a percentage of total employment in the private sector, state government, and local government, May 2020**

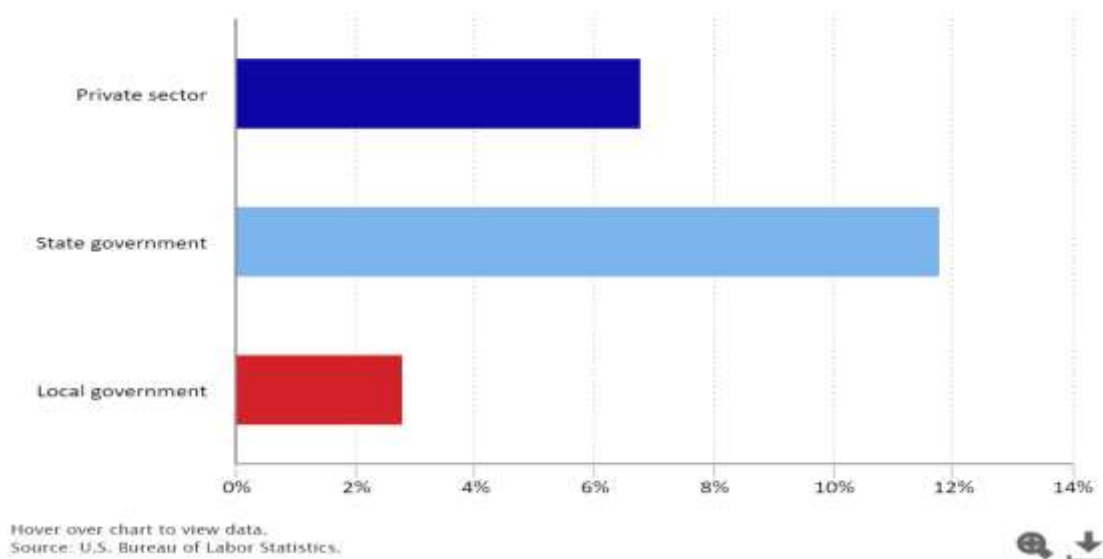


Figure 3.7. STEM employment as a percentage of total employment in the private sector, state government, and local government, May 2020. Source: U.S Bureau of Labor Statistics

The application of a mixed economy that includes both private and public businesses is very important. The noted data show the consistency of the mixed system and how it offers a diverse range of employment opportunities. Having a private and public sector with significant share is crucial for innovation and research. For instance, state government, as shown in the data, involves roles related to education, healthcare, technology, and infrastructure whereas the private sector provides more opportunities in other fields. The lower share goes with local government consideration, which indicates a potential area for growth and improvement. Moreover, it expands services and addresses community needs also it seems for balancing employments.

### **3.2.2. The Importance of Implicating Private and Public Businesses**

By March 2014, the private sector had already regained and surpassed the level of employment in the same month in 2008. As of March 2018, state and local governments had not fully regained 2008 employment levels.(Bureau, n.d.)

During the period of decline, several areas experienced a great impact on their level of government employment. Overall, state and local governments declined 3% from 2008 to 2013, losing more than 585,000 employees. Elementary and secondary education saw the largest decrease by far in the number of public employees, resulting in a 3.5% loss, nearly 279,000 employees, or almost half of all government jobs lost during this period. This was followed by a loss in law enforcement (down 5.7%, 58,000 jobs) and highways (down 8.8%, 50,000 jobs). (Bureau, n.d.)

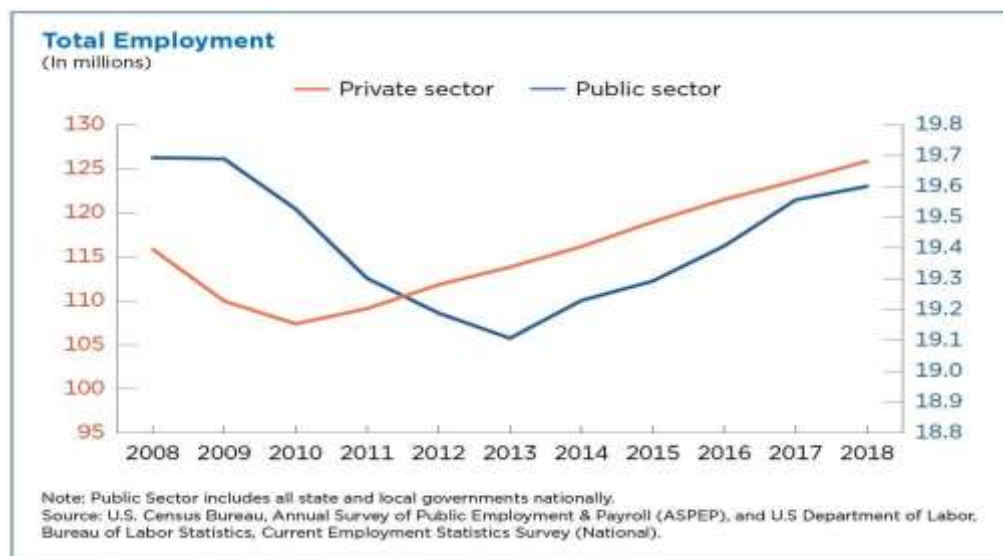


Figure 3.8. Effects of Economic Downturn on Private and Public Employment. (Bureau, n.d.)

Economic resilience highlights the recovery of the private sector in 2008, and by 2014, the employment level demonstrates the resilience and adoption of the private businesses. The resilience contributes in the stability of the economy and responds to the economical challenges. Furthermore, the government faced economic challenges, but after that it fixed the employment level after 2008, which clarifies the role of the public sector and its vulnerability to the economic fluctuations. The mixed economy works in a cooperative manner by balancing employment opportunities, so when one sector experiences decline in employment, the other sector can replace the job losses to provide stability in the labour market.

The purpose of the mixed economy is to provide services and support overall growth even during the economic downturns. In addition, at mixed economy with effective public and private sector encourages a diverse range of skill sets and expertise in the labour force, which improves the quality and services. On the other hand, it is essential to recognize the entwined public and private businesses when creating and crafting economic policies for the benefit of the social welfare and stability.

## Conclusion

The comprehensive analysis of the given data about the private and the public businesses in the United States revealed the weaknesses and the strengths. In the US case, citizens are experiencing the positive and the negative aspects of the US mixed economy while the government is seeking for solutions and compensation. The sustainability image is drawn due to the consequences of adopting both businesses in the US economy.

In addition, there are contributions to both sectors in all fields, and it gave more opportunities for workers and people in terms of services and quality. Even though, the modern economic environment is creating unprecedented challenges for both public and private sector organisations.

## **General Conclusion**

This dissertation embarked on a comprehensive study to understand the dynamics of the US mixed economy and delve into the consequences of adopting entwined private and public businesses. Two different methods were considered while investigating these topics, which are the theoretical and practical analysis. However, it took three chapters to explore this issue. This work sheds light on the key words starting with comprehending the concept, the role, and the roots of the private and the public businesses as well as the mixed economy in general. The theoretical chapters provided the groundwork for illustrating the basic concept of the foundations of the US mixed economy, delving into its characteristics, and defining its philosophical orientations of capitalism and socialism. These chapters built a theoretical framework to simplify the complicated relationship between the private and the public businesses. The third chapter was the final step in answering the dissertation's question. However, the collected data were the centre of its practical side and were used as evidence to support the chapter's theme. In addition, chapter three focuses on the effectiveness of the public and private sector and the enumeration of some of their disadvantages, as well as the extent of their relationship. Our findings revealed that the aim of the US mixed economy is to drive innovation and increase competition, while the public sector provides economic stability and regulation. The private sector promotes the quality of services and productivity.

Delving into the topic of the US mixed economy and the consequences of adopting the entwined private and public businesses answered the hypotheses and provided a result. They are shaped by creating an adaptive, innovative, and diverse economic environment. Interpreting and deciphering the collected information produced specific viewpoints on several topics. In other words, discovering the significance of the relationship between both sectors shapes the economic destiny and reduces the challenges that any government may face.

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## ملخص

الاقتصاد الأمريكي هو اقتصاد مختلط يتميز بوجود المؤسسات العامة والخاصة. ويتناول هذا البحث خصائص هذين القطاعين ويناقش العلاقة المعقدة بينهما، كما يغوص في خصائص ومزايا وعيوب كلا القطاعين مع إعطاء الأحداث التاريخية التي شكلت النظام الاقتصادي. الهدف الرئيسي من هذا البحث هو تسليط الضوء على خصوصيات الاقتصاد الأمريكي المختلط وعواقب القطاعات التعاونية مع تأثيرها على استقرار الاقتصاد. ومن الناحية المنهجية، يستخدم هذا البحث النهج الكمي والنوعي مع التحليلات. بالإضافة إلى ذلك، تم استخدام مزيج من البيانات التاريخية والمؤشرات الاقتصادية لتعزيز المعلومات المقدمة. توضح نتيجة هذا البحث أدوار الشركات الخاصة والعامة في الولايات المتحدة. على سبيل المثال، حقق القطاع الخاص الحاجة إلى الابتكار والمنافسة. القطاع العام هو خدمة أساسية للحفاظ على الاستقرار خلال فترة الانكماش الاقتصادي. وفي الختام، تسلط هذه الدراسة الضوء على أهمية الاقتصاد المختلط في الولايات المتحدة. إنه يعطي صورة واضحة عن كيفية عمل الاقتصاد الأساسي ونموه في حين توفر النتائج آثارًا مهمة لصانعي السياسات حيث يقومون ببناء تعاون قوي بين القطاعين الخاص والعام. إن اعتماد كلا القطاعين يمكن أن يعزز استقرار ونمو الاقتصادات وكذلك توفير الرعاية الاجتماعية.

**الكلمات المفتاحية:** الاقتصاد المختلط، القطاع الخاص، القطاع العام.

