

Mixed Economy is a Mixture of Capitalism and Socialism-A Study

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Abstract: This paper presents an overview of Mixed Economy is a Mixture of Capitalism and Socialism-A Study.

Keywords: Capitalism, socialism, production, distribution, profit, public, private sectors.

1. Introduction

Economics is one of the important social sciences in the field of economy even in the national and global context. Economics has been transformed into a positive science. It is acknowledged that as a social science; the achievement of economic growth is main goal of almost all nations in the global context. Many modern economists like John Maynard Keynes, Benham and Henry Smith have contributed to the development of economic growth. Economics analyses how man depends upon the society for his living as a social being. Individual and society are correlated. Economic activities such as production, exchange, distribution and consumption take place with the cooperation of all individuals in the society. Hence, the combination of the above mentioned components are called economics as a social science. According to some economists, economics is both a positive and normative science, and it is also strongly approved by the renowned thinker J.S.Mill.

Socialism is an economic and political system under which the means of production are publicly owned. Production and consumer prices are controlled by the government to best meet the needs of the people. Capitalism is an economic system under which the means of production are privately owned. Capitalism is often thought of as an economic system in which private actors own and control property in accord with their interests, and demand and supply freely set prices in markets in a way that can serve the best interests of society. What is an example of socialism in economics? North Korea—the world's most totalitarian state—is another prominent example of a socialist economy. Like Cuba, North Korea has an almost entirely state-controlled economy, with similar social programs to those of Cuba. There is no stock exchange in North Korea either. Capitalism is based on individual initiative and favours market mechanisms over government intervention, while socialism is based on government planning and limitations on private control of resources. Socialism shaped the principal economic and social policies of the Indian government but

mostly followed Dirigism after independence until the early 1990s, when India moved towards a more market-based economy.

There are also different aims of the economic systems. Equality: Capitalism is unconcerned about equity. It is argued that inequality is essential to encourage innovation and economic development. Socialism is concerned with redistributing resources from the rich to the poor. This is to ensure everyone has both equal opportunities and in some forms of socialism – equal outcomes. Ownership: Capitalism – Private businesses will be owned by private individuals/companies. Socialism – The state will own and control the main means of production. In some models of socialism, ownership would not be by the government but worker co-operatives. Efficiency: Capitalism. It is argued that the profit incentive encourages firms to be more efficient, cut costs and innovate new products that people want. If firms fail to keep up, they will go out of business. But, this business failure allows resources to flow to new more efficient areas of the economy. Something known as 'creative destruction' Socialism. It is argued that state ownership often leads to inefficiency because workers and managers lack any real incentive to cut costs. One joke under Soviet Communism was 'They pretend to pay us. We pretend to work.' Unemployment: In capitalist economic systems, the state doesn't directly provide jobs. Therefore in times of recession, unemployment in capitalist economic systems can rise to very high levels, e.g. 20% + in Great Depression.

Employment is often directed by the state. Therefore, the state can provide full employment even if workers are not doing anything particularly essential. Socialism is sometimes associated with Keynesian demand-management – attempts to stimulate the economy in times of slump. Keynes himself was not a socialist. Price controls: Prices are determined by market forces. Firms with monopoly power may be able to exploit their position and charge much higher prices. In a state-managed economy, prices are usually set by the government this can lead to shortages and surpluses.

Mixed economy has some characteristics. Accordingly, both public and private sectors co-exist in the mixed economy, in other words all enterprises are divided into two as "Private" and "Public". Mixed economy is operated through price mechanism

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and government directives. Production, price, distribution and other economic related decisions are taken by the government authorities in the public sector. In the same way enterprises related decisions are taken by the private capitalists in accordance with profit maximisation. In a mixed economy government adopts measures to avoid exploitation of labour by capitalists; economic plans are designed and implemented by the government to achieve economic development in the interest of the public. There will be a lot of opportunities for establishment of social justice in the mixed economy. India too is a mixed economy and it has adopted this approach post-independence. The industrial policies implemented in the year 1948 and 1956 have helped the private and the public sector to co-exist. Under the influence of the first Prime Minister of India – Jawaharlal Nehru – the nation adopted the model of mixed economy, non-alignment in foreign policy, and secularism in state building as its guiding principle. Adam Smith was an 18th-century Scottish philosopher. He is considered the father of modern economics. Smith is most famous for his 1776 book, "The Wealth of Nations." As per Adam Smith who is considered as the Father of economics, the 3 laws of economics are: Law of self-interest. Law of Competition, Law of Supply and demand.

2. Conclusion

Thus, the important characteristics of mixed economy are that in this economy both private sector and public sector function together. The heavy industries such as defence equipment, atomic energy, heavy engineering industries etc., come under the control of public sector, on the other hand, the consumer goods, small and cottage industries, agriculture, etc., are assigned to the private sector. The government helps the private sector by providing several facilities; of their development. It is the most important criterion of the success of a mixed economy. Public Sector seeks to avoid regional inequalities, provides large employment opportunities and often its price policy is guided by considerations of economic welfare rather than by profit motive. Private activities are influenced through monetary and fiscal policies to make them contribute to economic welfare of the society at large level.

References

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