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T.D.C. - II

By, Subject Sir
R.N.C.

Q. No. → what is Capitalism economy? Point out the merits and demerits of capitalism economy?

Ans

Under capitalism, all firms, factories and other means of production are the property of private individuals and firms.

According to Prof. R.T. Bye - "Capitalism is that system of economic organisation in which free enterprise, competition and private ownership of property generally prevail."

Prof. Loucks - "Capitalism is a system of economic organisation featured by the private ownership and the use for private profit of man-made and nature-made capital."

* Main features of capitalism economy

- (a) Private property and freedom of ownership
- (b) Right to private property
- (c) Price mechanism
- (d) Profit motive
- (e) Competition and co-operation goes side by side
- (f) Freedom to enterprise, occupation and control
- (g) Consumer's sovereignty
- (h) It arises class conflict
- (i) Leading Role of joint stock companies

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Merits of Capitalism Economy:—

- (B) Economic freedom → The firm of advantage of this system is that everybody enjoy economic freedom as one can spend one's income according to one's wishes. Producer have complete freedom to invest in any business and trade.
- (B) Automatic working → According to classical economist is an automatic system. Equilibrium point is automatically come with the force of demand and supply.
- (C) Variety of goods and services:— In the basic decision of what to produce, how to produce and for whom to produce are taken by producer. Every producer gives attention to consumer taste and preference.
- (B) Optimum use of resources:— All natural resources are use to their optimum level as production is under taken with a sole purpose of earning profit and scope for wastage is all.
- (K) Efficient producer → There is a very tough competition among entrepreneurs. They always incourage to produce waste quality of products, does technical development will leade to increase in higher productivity as well as efficiency.
- (E) Higher standard of living → Varieties of goods at cheap rates makes it easy to be within the rich or poor and weaker section of society this result arises in their standard of living.

(Gr) Incentive to efficient → In this system incentives are given to the efficient works in cash or time. This means

every work should get reward according to his ability. (H) New Inventions → In this type of economy, there are able scope of new inventions to get more profit every producer take initiative to developed new technics in production.

→ Demerits of capitalism economy:—

According to Prof. 'Karl Marks' 'Capitalism to contents the seeds of its old disastations. There are the main demerits of capitalism economy.

(a) Labour exploitation → The main defect of capitalism is the exploitation of labour. Labours get less wages in comparison to their working hours.

(b) Class struggle → A share of income and resources is control by the upper section of the society why others remain deprived of the basic amenities of life does the entire society is divided between haves and have not.

(c) Waste full competition → Capitalism is a wasteful competition. A lot of money is spend on advertisement and publicity for to making the sale of commodity.

(d) Threat of over production → The production is made on a large scale which can not be change a short period therefore under capitalism fear to over production always exists.

(e) Economic fluctuations → Being automatic in nature in capitalist economy always faces the problem of economic fluctuations and unemployment. This means the state instability and instability.

(f) Unbalanced growth → All the resources are put only to those channels where, there is maximum profit. Other sectors of the economy neglected the growth is unbalanced in nature.

(g) No welfare activities → In Capitalism the sole motive is maximum profit but not the public welfare variety of goods produced according to market demand. Not for any welfare activities.

(h) Monopoly Practices → This economy system has been criticized on fact that it develops monopoly activities within the country.



10/10/15

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Q. Point out the merits and demerits of mixed economy!

Ans. Mixed economy is an economic system in which both the state and private sector direct the economy, reflecting characteristics of both market economies and planned economies.

* Characteristics of mixed economy:—

market economy	planned economy
(i) Having Problems	Having solutions to solve problems
(ii) Producers always want the highest price	The government sets price
(iii) Salary mostly depends on the demand for work	Salary depends on the services provide to the society
(iv) Big Industries grow slowly	Big Industries grow quickly

Merits of mixed economy:— There are the several advantages of mixed economy, which are as below:—

- (A) Encouragement to private sector → The mixed important advantage of mixed economy is that it provides encouragement to private sector and it gets proper opportunity to grow. It leads to increase capital formation in the country.
- (B) Freedom → In a mixed economy there is both economy and occupational freedom as toward a capitalism system. Every individuals as a liberty to choose any occupation to his choice.

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(e) Optimum use of Resources:— Under this system, both the private and public sector work for the efficient use of resources. Public sector works for social benefit why private sector makes optimum use of these resources for minimization for profit.

(d) Advantage of economic planning → There are all advantages of economic planning. Government takes major to control economic fluctuation to meet other economic evils.

(c) Lesser Economic Inequalities → Capitalism in chance economy in equilibria but under mixed economics inequalities are equalized by the efforts of government.

(f) Competition and efficient production → Due to competition between both private and public sector the level efficiency remain high all factor of production work efficiently in the hope of the profit.

(g) Social welfare → The main priority is given to social welfare through effective economic planning ~~welfare~~ the private sector is control by the government. Production and price policies of private sector are determined to achieve maximum social welfare.

(h) Economic Development → Both private and public government sector join their hands for the development and socio economic in infrastructure moreover government in acts many legislative majors to shape guard the inefficiency of the poor and weaker section of the society.

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* Demerits of mixed economy:

(i) Un stability → Some economist claimed that mixed economy is most unstable in nature the public sector gets maximum benefits where private sector remain control.

(ii) Ineffectiveness of sector → Under this system both the sector are ineffective in nature the private sector does not get full freedom, hence, it becomes ineffective. This leads to inefficiency among the public sector.

(c) Inefficient Planning → There are no such comprehensive planning in mixed economy. As a result, a large sector of the economy remains out side the control of the government. There are no such comprehensive.

(d) Lack of efficiency → In this system, both sector suffer due to lack of efficiency. In public sector it is SO government employees don't perform their duty with responsibility while in private sector efficiency goes down.

(e) Delay in economic decision → In a mixed economy, there is always delay in making certain decisions, specially in case of public sector. This type of delay always leads to a great hindrance in path of smooth functioning of economy.

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(7) More wastage → other problem of the mixed economy system is resources. A part of a localised to different projects in public sector goes into the pocket of intermediaries.

(8) Corruption & black marketing → There is always corruption & black marketing in the system. Political parties and self interested people take under advantages from public sector. Hence, this leads to emergence of several evils like black money, tax evasion & other illegal activities.

(9) Threat of Nationalism → There is a certain fear of nationalism of private sector. For this reason private sector does not put into use their resources for the common benefit.