

Mixed economy

Mixed economy is not pure capitalism not pure socialism but the mixture of the two. In this system we find the characteristic of both capitalism and socialism. In the modern world what we find mostly are mixed economy. It is normal that it is operated by both private enterprise and public enterprises. Private enterprise is permitted to function freely and uncontrolled through price mechanism, on the other hand the government interventions to control and regulate private enterprise in several way.

There are two type of mixed economy, in one type, the means of production are owned by the private entrepreneur but the government direct control and regulate the working of the economy through its monetary and fiscal policy for example licensing system, import control ,exchange control etc . The government does not take part in to the production itself or take a very little production such as defence etc.

Another type of mixed economy is one in which the government does not merely control and regulate the private enterprises system by means of direct control and appropriate fiscal and monetary policy but it also plays a vital role in the actual production of commodities .In such a mixed economy several basic and strategic industries are owned by the state and their operation and management is in the hand of the government. Government also control and direct private sector. Indian economy is the example of this type of mixed economy.

In Indian economy both public sector and private sector are in operation. The foundation of mixed economy in India was led by the industrial policy resolution of 1948 which was

modified by the industrial policy resolution of 1956. According to this policy the various industries are divided into two sector public and private sector. All the regulatory matter has been decided by the state and rest was left to the private sector even the private sector is controlled and influenced by the government of India by means of direct control.

Main features of mixed economy

Co existence of public and private sector Private sector industries are free to develop them and start new enterprises but they are controlled by the state. But in case of public sector industries development of these industries are on the hand of state and state owned and manage these industries. Generally basic and heavy industries are developed and governed by the state.

Role of price system and government directives. Mixed economy is operated with the help of both price system and government directives in case of public enterprises all decisions including development, investment prices are made by the government but in case of private sector, it is operated by price mechanism.

Government regulation and control of private sector. In mixed economy government regulate and influence the private sector to protect the interest of nation by introducing fiscal policies and monetary policies.

Economic Planning In a mixed economy we have a central planning authority. All sectors of the economy follow the

economic plan of the state to achieve various targets and goals. The plan is not rigid but more of a general guideline for economic growth and prosperity of the nation.

Social Welfare One of the main aims of a mixed economy is social welfare. It aims to reduce the wealth gap in the country and fight the inequalities of our society. The aim is to reduce poverty and unemployment. And at the same time also improve social security, public health care, public education system, etc.

control of monopoly In mixed economy the government tries to control and regulate monopolies. In Monopoly they reduce output and raise price in order to get maximum profit. the monopolies fixed price which is above its marginal cost of production such price out policy result in misallocation of resources. Government tries to control and regulate monopolies in order to remove the evils of monopolies and make them function in public interest.

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