

PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC -

Meaning And feature of Capitalist
Economy

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* Meaning And Features of Capitalist Economy :-

• Meaning of Capitalist Economy :-

This concept is propounded by classical or traditional Economist i.e., Adam Smith, J.S. Mill.

Capitalist Economy is related to private ownership and the use of private profit of man-made and the nature-made capital or in other words, capitalist economy is that economy in which means of production are controlled and regulated by private organisation. In capitalist Economy there is not interference of government organisation.

• Features of Capitalist Economy :-

(1) Right of Private Property -

Existence of private property and the system of inheritance i.e., it also ensures to transfer the property of dead person to its heir.

(2) Economic freedom -

Economic freedom to individual i.e., freedom of consumption, freedom of work, freedom of choice and freedom of saving and investment.

(3) Competition -

Equilibrium between market forces i.e., demand and supply takes place due to competition appearing in the economy.

(4) Price Mechanism -

In this price is determined by automatic adjustment of price mechanism, price determined where demand and supply force become equal.

(5) Absence of social welfare -

In capitalist economy social welfare is the secondary object so social welfare is ignored altogether, Profit motive is the primary objective.

(6) Laissez faire & free trade -

Market economy works under laissez faire i.e., there is no state intervention in economic activities of the society.

(7) Existence of trade cycle -

Occurrence of trade cycle is the prominent feature of the capitalist economy.

(8) Important Role of Entrepreneur -

A prominent feature of this economic order is the vital role which the entrepreneur plays under this system.