

PRINCIPLES OF ECONOMICS

B. Com Hons Part-I

TOPIC - Meaning And features of Socialist Economy

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* Meaning And Features of Socialist Economy :-

- Socialist Economy - is controlled and regulated by the government institution. It implies equality of incomes and equalist of opportunity for all. Socialist Economy implies social ownership of means of production. In a socialist Economy, not only there is a complete disregard for free enterprise and market mechanism but also these capitalist systems are abolished by law. All economic activities are centrally planned, controlled and regulated by state. The major instruments of production are under the control of state so that economy is run for social benefit rather than private profit.

• Features of Socialist Economy :-

- (1) Collective and social ownership as the factors of production -
In socialist economy ownership and control are to be vested in the state so that the state may provide work for everybody.
- (2) Government performs the activities of production and distribution - The decisions as 'what to produce', 'how to produce', 'how much to produce', 'how to distribute' are taken

by the central planning authority.

(3) Very limited ownership right of private property -
private ownership is allowed but it is not utilised for the creation of wealth.

(4) A central Planning authority -
The state is in charge of both production & distribution.

(5) Economic Planning - 1
In the process of economic planning, the central planning authority takes the decisions related to the production, consumption, distribution, investment, capital formation etc.

(6) Elimination of Exploitation -
All the productive resources are owned by the state, exploitation is eliminated.

(7) Elimination of Competition -
The government determines the allocation of resources amongst the various uses, whose sole aim is to eliminate wasteful competition.

(8) Passive Role of Price Mechanism -
The government fixes the prices of goods and services.