

Comparison of Different Economic Systems

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Abstract: An financial gadget method societies or governments arrange and distribute to be had resources, services, and items throughout a geographic area or Nation. It's form of social gadget. Production is a associated idea of all form of financial gadget. All distinct form of financial structures have 3 simple inquiries to ask here: what to produce, a way to produce, how a whole lot portions and whom to produce. Nowadays an economic system focused on the comparison between capitalism, socialism and mixed economy. This paper aimed to identify various economic systems, to understand the components of economic system and to analyse the merits and demerits between different economic systems. The study is mainly based on secondary data. The secondary data was obtained from published journal, articles, newspapers, magazines, books and e-books.

Keywords: Economic System, Capitalism and Socialism.

I. INTRODUCTION

Different sciences use the concept of a system in their own way. The science of biology views 'human body' as a 'system'; the science of astronomy views the entire universe with the sun, the stars and planets as a system. In politics, we come across democracy as a political system. In the same way, when man tries to satisfy his numerous wants by producing various types of commodities and services with the help of various productive resources, he builds a number of institutions. Together all such institutions constitute 'an economic system.

II. DEFINITION OF AN ECONOMIC SYSTEM

Mrs. Joan Robinson writes: "Any economics machine calls for a hard and fast of rules, an ideology to justify them, and a moral sense withinside the man or woman which makes him try to hold it out."

Carl Landauer defines an economic system as, "An economic system may be defined as the sum total of the devices by which preferences among alternative purposed of economic activity is determined and by which individual activities are co-ordinate for the achievement of these purposes."

Each and every economic system have a set of principles by which problems of economics are addressed, the main economic problem is scarcity resources, these scarcity resources how can we allocate the societies.

The fundamental and most important trouble is shortage trouble, for example, calls for solutions to fundamental questions,

- What to produce?
- How to Produce?
- Whom to Produce?

III. IMPORTANCE OF THE ECONOMIC SYSTEM

- By studying different economic studying different economic systems, we gain a better understanding or knowledge of our own economic system
- It helps us to understand in a better or more comprehensive way certain theoretical questions and institutional arrangements.
- It helps us to acquaint ourselves with economic systems which are different from ours. If we are objective enough, we can learn much by understanding defects of our economic system and merits of the other or rival economic system and

improve our own economic system by trying to incorporate good features of the rival economic system into our own if such features can be properly absorbed into the system.

- In the real world, with fierce competition and rivalry raging between the United States and capitalist countries on the one hand and the communist and socialist countries on the other, it is essential to know what others think about our economic systems.
- It gives a warning to us all not to take our economic system for granted or that we can easily substitute our economic system by another system with all its advantages or that we can introduce an economic system by borrowing good features of both socialism and capitalism getting rid at the same time of the demerits of both the economic systems.

III. TYPES OF ECONOMIC SYSTEM

There are many kinds of economic system but, mainly four types of economic system is very important. They are:

- A. Traditional Economy
- B. Capitalism
- C. Socialism
- D. Mixed Economy

A. *Traditional Economy*

Traditional economy is shaped by tradition, beliefs and custom. Custom and tradition determine WHAT to Produce, HOW to Produce and WHOM to produce. This system is mainly found in rural and non-developed countries. Mostly modern technologies are not used in such kind of economic system. The economy mainly works through barter system that is goods are exchanged for goods and there is very little surplus produced.

Traditional economic system is based on subsistence-based agriculture. The economic system is family centre produced for the living.

a. *Characteristics of a Traditional Economy*

Traditional economic system is built by beliefs customs and traditions.

- It is basically based on gathering nuts and fruits etc. Fishing, hunting and agriculture.
- In the place of money, they are using barter and trade often
- Mostly they are fully used the commodities and services, rarely they are produced surplus.
- People live in families or tribes.

b. *Example of Traditional Economy*

- Central Africa - Mbuti
- Australia - Aborigines, and
- Northern Canada.

c. *Advantages of Traditional Economic System*

This economic system is based on centers around the family.

- This System allows for movement and freedom.
- This System produce what they require.
- It relies on the bartering system.
- This economy can be friendly to the environment.
- People isolates from the outside world.
- Traditional economy to give importance on the skills of the individual.

d. *Disadvantage of Traditional Economic System*

- High level of competition there in this system.
- This economy can be destroy by natural events.
- People suffer or die if they are harvest or hunting is poor
- This type of economic system places people at-risk for infectious diseases.
- There are few options to expand personal horizons.

- Traditional economies can limit medical access.
- It can devastate the environment.
- Fewer choices available in this system.
- Limits the genetic variability.

B. Capitalism

An economic and political system in which a country's trade and industry are controlled by private owners for profit motivation, rather than by the Government.

Capitalism, additionally known as unfastened marketplace or unfastened business enterprise economy, dominant within side the Western global because the breakup of feudalism, wherein maximum manner of manufacturing are privately owned and manufacturing is guided and earnings dispensed in large part via the operation of markets.

The Market economic system is a laissez-fair system, with minimal government regulation and state enterprise. Entrepreneurs as well as people employed are free to pursue their own self-interest in seeking maximum gain from the market. Finally, consumers are free to spend their incomes in ways that will yield their greatest wants.

a. The Salient features of capitalism are:

- Profit Motivation only and not yet to social welfare motivation
- Private Property Rights
- Market force and not centrally planning
- Freedom of choice
- Minimum of government role

C. Planned Economic System Socialism

In easy time period socialism is an financial and political device in which people very own the overall approach of production (i.e. farms, factories, tools, and uncooked materials.)

Government controls all of society's functions, it can make better use of resources, labors and lands and mainly all types of production and distribution. Socialism reduces inequalities in wealth in whole countries or nations.

In general, there are many brand of socialism. There is the orthodox socialism; there is democratic or liberal socialism.

a. H.D. Dickson defines socialism as follows:

“Socialism is an financial business enterprise of society wherein the cloth manner of manufacturing are owned with the aid of using the complete network and applied in line with a fashionable financial plan, all individuals being entitled to enjoy the effects of such socialized deliberate manufacturing on the premise of same rights.”

b. Basic Characteristic Features of Socialism

- Social welfare motive and not profit motive
- Limited right to private property and not to property rights
- Central planning economy
- No market force and it's a centrally planning economy

c. Example of Socialism

- China and
- Cuba.

D. Mixed Economy

In a mixed economy, co-existence of Public sector (public sector means government sector) and Private Sectors (private sector means individual or small/big organization). The maximum strategically and nationally critical sectors of the economic system could be reserved for the authorities' quarter and relaxation could be left for personal operations. The authorities could have social welfare because the top purpose and the personal quarter will characteristic with income purpose.

a. Main Features of Mixed Economy

- Resources are mainly owned by both the government and private individuals
- Market forces prevails in the private sector but are closely watched by the government.
- Monopolies may be existing but under close administration of the government.
- Government functioning social welfare as the prime motive.
- The private sector will function or work only profit motive.

Table 1: Comparison Between Different Economic Systems

Traditional Economic System	Market Economic System	Planned Economic System	Mixed Economic System
Economic system is shaped by custom and tradition	Laissez faire policy with least interference by government in the economic activities of people, government undertaking only functions like defence, law and order, dispensation of justice and some public work	Government is all powerful and decides all economic matters concerning production, distribution and consumption of goods.	Public and private both or capitalism and socialism.
Objectives are set by customs and tradition	Objectives set by individual producer is to maximise personal profit and by consumers to maximise their satisfaction or welfare	Central government or State fixes all objectives of the economic activities of the people and of the economic systems of the country.	Government take attention of social activities for people and private concern run by profit motivation
Resource allocation are made by customs and families	Resource allocation are each individual consumer and producer decides how to allocate his own resources. it is decided at the individual and firm level.	Rigid central planning setting both goals and allocation of resource among various Sectors of the economy by the State	Both
All factors of production like land capital ect are Customs owned	All the factors of production like land, capital etc are privately owned	State owns all productive resource of the community	Both

IV. CONCLUSION

In conclusion, there are various economic system followed by different countries. Each country follow different economic system, USA following Market Economic System, Cuba and China following Planned Economic System and India following Mixed Economic System. In these four economic systems socialism and mixed economic system is suitable for peoples, capitalism is suitable for producers not consumers even though socialism and mixed economics systems have some demerits but compare to capitalism these two economic system is suitable for societies.

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