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Chapter 1 : Traditional Economy Pros and Cons | blog.quintoapp.com

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Kang Ouyang for his clear and concise summary of the main tendencies in Marxist philosophy in China, a country whose development is becoming ever more important to the fate of the entire world. It is an impressive list. For this I can come up with no better criterion than the test of practice advanced by Kang himself and also by Deng Xiaoping whose writings are so influential in China today. On the basis of this criterion, what is decisive is not what someone says or how well they say it, but what they do, what it gets them to do, and how "successful" that is. My choice can also be justified on the grounds that this is the subject on which the new generation of Chinese scholars have made their most distinctive contribution and for which they are best known outside China. Let me suggest what the main arguments both for and against the market socialist as well as capitalist market look like, and sketch how using the market has effected China, both for good and for bad. A market economy has seven main characteristics: Whether the society is developed or underdeveloped, a market economy has several important advantages and several major disadvantages: Among the advantages, we find the following: These are the main advantages of the market economy, and in his article Professor Kang gives a good account of them. But, as I said, there are also major disadvantages, and these Kang neglects. Among the disadvantages, we find the following: As part of this, people no longer believe in a future that could be qualitatively different or in their ability, either individually or collectively, to help bring it about. In short, what Marx called "ideological thinking" becomes general ; The same market experiences develop a set of anti-social attitudes and emotions people become egotistical, concerned only with themselves. They also become very anxious and economically insecure, afraid of losing their job, their home, their sale, etc. Exaggerating the positive achievements of society and seldom if ever mentioning its negative features is also the best means of attracting foreign investment. But if a crisis does away with most of the important advantages associated with the market, this is no longer possible. It simply makes no sense to continue arguing that we must give priority to the advantages of the market when they are in the process of disappearing. Once we have recognized all the main advantages and disadvantages of the market economy, and once we have had a chance to examine and compare them, there are three major questions that remain to be answered. First, is it possible to have the advantages of the market economy without the disadvantages? Both theory and empirical evidence argue strongly that the answer is "no". For example, market experiences produce, of necessity, market personalities in people, and market personalities become a necessary precondition for people of all classes to engage in market relations effectively, and hence for the market to work as well as it does. And the same glue holds together all the economic, social and psychological aspects of a market economy. The Chinese government would have liked nothing better than to avoid these crippling disadvantages. It simply was not possible. The answer is that they are constantly changing, and if changes sometimes favor the advantages not by making the disadvantages disappear, which is impossible, but by making them appear smaller , the movement toward economic crisis that is taking place in all market economies today makes it clear that it is the disadvantages associated with the market that are becoming its most prominent features. They do so all the time, moving from "against" to "in favor" or from "in favor" to "against". If the answers I have given to these three questions are correct, then the central problem facing China today might be posed as follows: It is, of course, not for me but for the Chinese people to say what should be done. Anything less, any recourse to one-sidedness in confronting this situation, is bad economics and bad philosophy, Marxist or otherwise.

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Chapter 2 : The 4 Types Of Economic Systems Explained

Traditional economy is a type of economy wherein customs and even beliefs of the people in every generation is highly emphasized. This is an economic system wherein all the resources are effectively and completely allocated based on its inheritance.

Tweet on Twitter Of the four primary economies in the world, the most basic and simplest type is traditional economy. As the name implies, this economic system places importance on beliefs and traditions. There are still countries with traditional economies such as those belonging to third world countries where agriculture is the main industry. With the technological advancements in the world today and the diversity of economic systems existing, there are advantages and disadvantages that remain noticeable in this simple economic system.

List of Pros of Traditional Economy

1. Minimal Waste With the limited resources and simple ways traditional economies have, there is lesser or no surplus in products unlike in First World countries where there is too much wastage of commodities and supplies from over-production. In a traditional economy, surplus is evenly distributed in times where there is surplus in production.

Preservation of Customs and Tradition Countries that follow traditional economies use old customs and traditions in making products like in farming, weaving and construction. Although this practice does not have advanced equipment and can result to slow production, the rich culture and beauty of the practices of a certain community or nation are maintained and preserved. Unlike advanced countries where some traditions have died, countries with traditional economies have old customs that still exist.

Closer Communities Competition among members of the community is non-existent since every individual has a role to play in the economy. This brings families closet together and the community existing as one big family, so to speak. Work is shared and divided almost equally among members of the community and there is more harmony than envy and conflicts.

List of Cons of Traditional Economy

1. Slow Development One of the setbacks of a traditional economic system is the use of basic tools and equipment as well as traditional ways to produce products and commodities. This also refers to a slower if not non-existent mode of motorized transportation. Since production and harvests are not that high compared to those of advanced nations and logistics can be a problem, the people and communities in this form of economy are not as rich as those in mixed and command economies.

Insufficient Health Care and Education Since countries with traditional economies are more focused on the basic necessities like food and water, health care and education are mostly neglected if not ignored. This is also because they do not have the resources for advanced medical equipment and higher education. If people get sick, there are no hospitals within the area and medical attention may not be given right away. As for schools, students have to study elsewhere to get a higher degree of education. Consequently, education and health suffer. This can lead to flooding and destruction of crops. Since most of the source of livelihood of people in traditional economies is agriculture, natural disasters are a threat not only to their livelihood but also to their lives. There are numerous benefits of having a traditional economy because of its simplicity. However, people should also consider what they are missing from adopting this economic system. By weighing its advantages and disadvantages, they can determine if they are content with what they have or need to make some adjustments on their economic system.

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Chapter 3 : Advantages and Disadvantages of Market Economy

Traditional economy can be defined as an economy which is based on customs and beliefs which people get from generation to generation. In simple words it is the economic system in which resources are allocated by inheritance.

What are the advantages and disadvantages of a command economy? A command economy is one in which a centralized government controls the means of production. The government determines what is produced, how it is produced and how it is distributed. Private enterprise does not exist in a command economy. The government employs all workers and unilaterally determines their wages and job duties. There are advantages and disadvantages of command economy structures. Command economy advantages include low levels of inequality and unemployment and the common good replacing profit as the primary incentive of production. Command economy disadvantages include lack of competition and lack of efficiency. Because the government controls the means of production in a command economy, it determines who works where and for how much pay. This power structure contrasts sharply with a free market economy, in which private companies control the means of production and hire workers based on business needs, paying them wages set by invisible market forces. Unlike the invisible hand of the free market, which cannot be manipulated by a single company or individual, a command economy government can set wages and job openings to create an unemployment rate and wage distribution that it sees fit. Whereas the motivation for profit drives most business decisions in a free market economy, it is a non-factor in a command economy. A command economy government, therefore, can tailor products and services to benefit the common good without regard to profits and losses. For example, most true command economy governments, such as Cuba, offer free, universal health care coverage to their citizens. Command economies sit at a disadvantage as their inherent lack of competition hinders innovation and keeps prices from resting at an optimal level for consumers. Although those who favor government control criticize private firms that esteem profit above all else, it is undeniable that profit is a great motivator and drives innovation. For this reason, most advancements in medicine and technology have come from countries with free market economies, such as the United States and Japan. The nature of competition forces private companies in a free market economy to minimize red tape and keep operating and administrative costs to a minimum. If they get too bogged down with these expenses, they achieve lower profits or have to raise prices to meet expenses; ultimately, they are driven out of the market by competitors capable of operating more efficiently. Production in command economies is notoriously inefficient as the government feels no pressure from competitors or price-conscious consumers to cut costs or streamline operations.

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Chapter 4 : Advantages & Disadvantages of the Capitalist System | Bizfluent

Advantages of a traditional economy include knowing people's role in the economy and producing goods to help people survive; disadvantages include a lower standard of living and an increased vulnerability of all concerned.

This is the opposite of free market economy. Just like with free market economy, there are advantages and disadvantages of command economy. These decisions are implemented through directives, laws and regulations. Supply and demand no longer dictate the production and hiring of businesses and entrepreneurship is discouraged. The advantages and disadvantages of command economy are listed below. You can also read our article on market economy here. Advantages of Command Economy Command economy does have several advantages including getting resources quickly and execute massive projects. The command economy is centered on the government regulating the economy through laws and regulations and this helps regulate the frenzy around supply and demand. Advantages of command economy include: Resources are quickly and effectively mobilized on a large scale. Industrial power is created and massive projects completed while attaining imperative social goals. Individual self-gain is no longer the driving force of success among businesses. The greater good of the society is the focus of the economy. The society as a whole benefit from the success and not just a select few individuals. This form of economy discourages entrepreneurs from pursuing business ventures. The government holds a monopoly over the economy and keeps individuals from becoming overly successful. Other disadvantages of command economy include: The needs of the society are often ignored for the betterment of the economy. Workers are not given options on where they can be employed or where they can move. The black market explodes in a command economy. Due to the governmental restrictions, good and services that are not offered in the command economy begin being offered on the black market. The amounts of goods being produced are not balanced. One item will be mass produced whereas another will not have enough to support the economic needs. The government entity that controls the economy has difficulty obtaining up-to-date information about the needs of the consumers. Many times rationing becomes a way of life within a command economy. Exporting goods becomes problematic because it is difficult for the controlling entity to determine which products and prices will be most successful within the global market. Five Characteristics of Command Economy The central plan is closely adhered to and is created by a central government through rules, regulations and laws. The government is responsible for creating a central economic plan for the country. To implement a command economy, short-term goals are set in order to quickly mobilize and shape the economy. All goods and services production is set through the central plan. The main goal is to ensure employment and see that all basic needs are met for every person within the society. There is a monopoly owned by the government in industries that are the most important in meeting the needs of the society. The regulations and laws created are for the good of the economy and regulate wage and price controls.

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Chapter 5 : What are the advantages and disadvantages of a command economy? | Investopedia

7 Predominant Advantages and Disadvantages of a Traditional Economy navajocodetalkersadmin on June 8, - pm in Pros and Cons A traditional economy is one that is fueled by the local agriculture of the area that it is in.

Market economies are based on consumers and their buying decisions rather than government control. Market trends and product popularity generate what businesses produce. The producers choose how to make products based on the most economically sound decision: The buyers decide who gets which products by what they are willing to pay for what they want. Complete market economies do not utilize price controls or subsidies and prefer less regulation of industry and production. Market decisions rely on supply and demand for pricing. The market system relies on many factors to ensure its success. The profit motive or incentive for a financial reward for enterprise stimulates production. Information regarding available products and services needs to be available to producers and consumers. Producers use the information to set accurate prices and procure supplies at the lowest cost. Price relates directly to the costs and benefits of product creation and use and required profit. Market In recent years, market economies have been coming more and more popular. There are many advantages to a market economy: One major advantage is that market economies can adjust to change easily. If there is a demand for one thing, companies have the ability to change what they produce instead of having to go through too much government protocol first. Rational self interest in market economies are also encouraged. People have the ability to make as much money as they can and do what is in their best interest. Another positive to market economies is that the government tries to stay out of the way of businesses. Although the government sets certain standards businesses must follow, for the most part businesses can do as they please, allowing them to produce what they want, how they want. A fourth advantage to the market economy is that there is a great variety of goods and services for consumers. If there is a demand for a good or service, the demand will almost always be met in a market economy. Although there are a lot of positives to market economies, there are also many negatives that go along with it too. The weak, sick, disabled, and old sometimes have trouble providing for themselves and often slip into poverty. Another problem is that it becomes hard for a government with so many private businesses to provide adequate defense, education, and health care to its people. A third disadvantage to this type of economy is that there is uncertainty in the business world. One company could easily be forced out of business causing all of its employees to become unemployed and lose their means of income. The final major disadvantage is that occasionally there are market failures. This can cause some companies to become way too powerful and become a monopoly.

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Chapter 6 : Economic systems | Economic Activity

Disadvantages The main drawback of the traditional economy is that it tends to discourage new ideas and new ways of doing things. The strict roles in a traditional society have the effect of punishing people who act differently or break rules.

Salary 8 Advantages and Disadvantages of the Mixed Economy As the name implies, a mixed economy is a form of system where all activities in production, as well as those performed by private and government entities, blends capitalism with various kinds of regulations. However, more and more people these days are wondering what this type of economy is all about, causing them to study it and discover its advantages and disadvantages. It is best to look into these things to be able to know where we stand on this matter. List of Advantages of Mixed Economy 1. It promotes a quick economic development. In this type of economic system, both the public and private sectors can operate equally, which means that economic development will be quicker. This is especially true considering that economic resources will be utilized efficiently. Also, depletion of resources will be slowed down. It creates a balance in regional developments. The planning commission of a country will be able to create policies for the improvement of every region. In addition, the government would also try to develop each sector of the population. It encourages lesser income inequality. With a mixed economy, there will be lesser inequality when it comes to income, where the inheritance law is applied to enable members of society to become richer. As for the public sector, it would try to provide economic utility to the general public, leading to further reduction of inequality in income. It provides the freedom to own a private property. People are free to obtain property in a mixed economy, which means that the idea to work even more will be encouraged. Again, this will help in the fast economic development, especially in the areas of industries and agriculture. List of Disadvantages of Mixed Economy 1. It brings about the fear of nationalization. As the private and public sectors coexists, the government would have the ability to own and nationalize any industry. This means that private entities will have to stay on the psychological apprehension that their business would be nationalized or taken over by the government. It could risk the government to go too far. In a mixed economy, determining the exact role of the government in the private sector would sometimes become a guessing game that would result to unfair practices in both sides. It is believed that the government would manage the economy poorly, so its involvement is usually regarded as inappropriate. It observes lesser use of resources. While the interest of the society is important in this system, it also hinders maximum use of available resources. This is primarily because of the government trying to mobilize resources to produce products and services that are generally beneficial for society, rather than doing it for the betterment of the economy. It can lead to higher taxes. With more state intervention in the economy, it would mean that the government would invest more and would get their funds largely from tax revenues. More taxes would be required from the people, which can lead to negative consequences. Basically, the success or failure of a mixed economy would still depend on how it is managed. However, based on the advantages and disadvantages listed above, we will be able to know whether it will do our country any good or just make situations even worse.

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Chapter 7 : Traditional Economy Advantages and Disadvantages | OccupyTheory

Traditional economic system disadvantages discourages new ideas and new ways of doing things, lower standard of living due to economic stagnation, tendency to punish those who are different Command economic system advantages.

Quaternary sector Economic systems What is an economic system? An economic system is a way of producing, consuming and distributing goods and services. This includes the relationships between different institutions and agents and defines the economic and social structure of a society. Components of economic systems Coordination mechanisms: They may be material or moral rewards. Origins of economic systems Economic systems emerge as a response to the problem of scarcity, the fundamental economic challenge all societies throughout history face as a consequence of the seemingly unlimited human needs in a world of finite resources. Facing this problem, each society develops different economic systems. The solution lies on one fundamental question: What is the role of the state or a central authority in the economy? What is more important, liberty or justice? Types of economic systems Usually, production systems are identified as capitalism, socialism or communism. But in the academy, they are named differently. The capitalist system is associated with the market or mixed economy while the communist or socialist system with the planned or mixed economy. There are four economic systems: Market economy In the market economy system, also called "laissez-faire capitalism", economic decisions are made by individuals. They are free to make their economic decisions investments, savings, workload, consumption, production, etc. In a pure market economy, there is no central authority influencing the economic decisions made by individual agents. Also, the means of production are owned by private individuals and all goods and services are privately provided. Supply and demand determine the prices, there are no fixed prices. The relationships between individuals and firms in the market regulate the allocation of factors of production and the distribution of goods. Advantages and disadvantages of market economy In market economies people are freer and there are more opportunities of social mobility, but there is more inequality among people with disadvantages or simply with bad luck. Also there are less rules in production and work and there is no redistribution of goods. The United States in the nineteenth century was the closest of a market economy. Today, most economies are considered to be market economies but influenced by traditions and a central authority. Command economy Command economy is an old economic system like the traditional one. Under this structure, a central authority controls the economy: There is regulation in prices, wages, production, consumption, etc. The supply of goods and services in the market are determined by exogenous variables ignoring the market forces. Some examples of planned economies are Communist Russia, China, and Cuba. Mixed economy This economic system combines elements of the market and command economic system. Most of the economic decisions are made autonomously by individuals, but the central authority can create policies that influence these decisions. Governments can create new laws or regulations that shift the production levels, can restrict the distribution of goods, incentivize the buy of services, restrict the exhortations, etc. Today, most economies operate under this economic system and for many this is what they refer as when they talk about capitalist economic system. Traditional economy The traditional system of production depends on family and community relations. The decisions of production, consumption, and distribution are consequences of long-standing beliefs and customs, that is, the economy runs according to established patterns. The main problem of this economic system is its static nature. A society based on traditions to regulate economic affairs discourages large-scale social and economic changes. In the past, this was the predominant economic system. Some examples of this system are medieval European kingdoms and ancient empires. Adam Smith wrote about Ancient Egypt: Nowadays this type of economy can be found between Australian Aborigines and some indigenous Amazon tribes. Some traditions survive from this system of production. Command economy The system of market economy and planned economy are quite opposite. The main difference between both forms of production lies in the importance they give to freedom and justice. For the promoters of the market economy, freedom is the most

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important; while in the planned economy justice comes first. Theoretically, in a market economy markets are efficient ignoring market failures and people have the freedom to choose what, how much and how to produce, whether to buy or not, selling price, etc. But the outcome is not always fair. Most likely some individuals will have a lot and others will have very little. Although it would still be efficient and free. In a planned economy, the state makes the economic decisions of the society. There is no market, the central authority tries to do a fair distribution of goods among people at the expense of efficiency and freedom. In a mixed economy, the state seeks a fairer distribution of goods but maintaining freedoms. Best economic system There is no consensus about which is the best economic system. However, through the mixed economy system; many countries have developed immensely and reached greater levels of economic prosperity. This would have been impossible without the freedom of economic agents to make economic decisions and the correct regulation from the government. United States economic System In the nineteenth century, US economic system was close to a true market economy. There were almost no regulations and business had more liberties to maximize their profits. This also led to the consolidation of huge monopolies, most significant being Standard Oil. Nowadays the United States is a mixed economy. There is a private sector that makes decisions about consumption, production, work, savings, investments, etc. But also the government provides many public goods and services like roads, military, parks, water, etc. It also regulates the production of most of the industries, sets fixed prices, prohibits certain activities, distributes the wealth, etc. Compared with other countries, US economy is closer to a free market economy. America is ranked 8th among economies in the Ease of Doing Business Index. Which means that the country has simpler regulations for businesses and stronger protection of property rights than most of the countries of the world.

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Chapter 8 : Pros and Cons of the Traditional Economy - Vision Launch

List of Cons of Traditional Economy. 1. Slow Development One of the setbacks of a traditional economic system is the use of basic tools and equipment as well as traditional ways to produce products and commodities.

Check new design of our homepage! Just like most economies, a command economy too possesses its fair share of advantages and disadvantages. OpinionFront gives you a list of pros and cons of a command economy in this article. OpinionFront Staff The theory of communism may be summed up in one single sentence: It is true, without careful economic planning, there can be no progress and no development of a country. Every country follows a specific type of economic system that influences its planning, and a command economic system is one of them. Today, we find the command economic system implemented mostly in communist countries such as Cuba and North Korea, and as was observed in the former Soviet Union. A command economy is an economy where only the government is responsible for regulation of supply and prices, and not the market forces. It is the government who decides what goods and services are to be produced, when they are to be produced, how they are to be produced, as well as how they are to be distributed. In a command economy, economic decisions regarding production and distribution are taken through laws, directives, and regulations that specify what is to be done, how and when. A command economy is the opposite of a free-market economy, where the market forces are responsible for regulating the price and the supply of goods and services. This type of economy has its share of pros and cons, just like every other type of economic system that prevails in the world today. The next sections will cover the advantages and disadvantages of the command economy system. Strengths of a Command Economy A command economy is favored by several people, as the government is seen as the ideal authority to take care of the country in the best possible way as well as lead to economic growth and development along with social welfare. These are the strengths of a command economy, as pointed out by advocates. Effective mobilization of resources Since it is the central authority that decides the course and manner of production, resources are effectively and quickly mobilized on a larger scale as compared to other economic systems. The government implements short-term goals that help to effectively and quickly design the economy and its progress. Prevention of monopoly Monopolistic competition and monopoly both have the capacity to exist and rule an economy where production and price are regulated by market forces. As it is a central authority who regulates the supply and price of goods and services in a command economy, it is possible to prevent the power that is otherwise abused by different industries in the market. Easy adjustment of the production rate Since it is not market forces that govern production and distribution, the rate and availability of production can be controlled easily by the government, depending on the needs of the population of that country, so as to meet the exact demands of the people. This ensures that there is no excess production in the economy, and production costs are restricted to only what is absolutely necessary. Focuses more on social welfare Achieving maximum social welfare is one of the primary objectives of a command economy. Since there is no chance of striving only for individual benefit or profit, production is undertaken with the view that society as a whole should be able to reap the success of a business, and not just a few select individuals. This fosters a sense of community in society, as well as encourages a reduction in income inequality. Capable of handling major problems Since all the important economic decisions are in the hands of the government, the command type of economic system has the ability to handle any major problems that may befall that country. The central authority can easily increase the rate of production in the sectors that are not hit by the disaster or are comparatively less affected, and reduce the production load on the sectors that are affected. This ensures that the flow of goods and services in the market remains more or less stable even during the tough times. Ensures a stable economy A unique feature of the command economy is that since it is not controlled by the forces of demand and supply, it is not prone to sudden depressions or inflation like many other economic systems. Supply and price are always strictly controlled in a command economy, and are never left to the forces of demand for any good or service. Thus,

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the economy remains stable. Uses production to control the economy In a command economy, the government uses production to control the economic situation of the country. Production in certain areas can be increased or decreased according to the needs and wants of the population. This leads to a rise in the overall standard of living in the country, as production is used as an advantage, and different communities can benefit according to their separate wants and needs, which then the government is aware of. Strives for high employment levels Since the government is aware of the wants and needs of the population of that country, the rate and manner of production is also structured so as to adhere to these needs, a primary one being employment. A command economy strives to ensure maximum employment in the country so that the basic needs of every individual can be met. Weaknesses of a Command Economy Though the structure and functioning of a command economy seems very attractive, simple, and effective in theory, it is not always so. This very structure and functioning results in quite a few cons of a command economy, as was pointed out by critics. Lack of coordination Though on paper it seems very easy to ensure perfect coordination between industries, in practice, it is quite hard to do so. Often, there is an imbalance in the goods produced in the economy, and the government cannot possibly keep itself constantly updated about the demand for each and every good and service that is required in a country. This results in excess production of one good, and a lack of another. It is not humanly possible to ensure perfect coordination between industries as well as between demand and supply for balanced production. Discourages Innovation Another problem with a command economy is that the government does not encourage any entrepreneurship or innovation from the population, as it is the sole authority to decide what has to be produced when, how, and why. This results in very little motivation for hard work, and for good quality work that can otherwise benefit the economy. Restricts Freedom A command economy decides the career of individuals based upon what the government feels is needed more in the economy. Individual choices are overlooked and citizens, for a large part, do not have the opportunity to choose their own job or career according to their personal likes and dislikes. Rather, they have to pick an occupation that is aligned with the production demands of the country at that time. This is unfair, as it restricts individual freedom and is a serious threat to liberty. Results in the growth of the black market Command economies produce only those goods and services which the government feels are required by the country as a whole for effective development. Hence, not all goods and services which are otherwise produced freely in other economic systems may be available in a command economy. This gives an unintentional but very powerful boost to the black market, which offers the population those goods and services that are not produced in the domestic market. Discourages competition Since it is the government who owns all the industries and production units in a command economy, it highly discourages competition among workers. No firm tries to top the other in an industry, as workers are aware that in the end, the price is going to be regulated by the government and not by the demand for their products or services. Hence, this discouraged competition leads to a serious lack of motivation for workers to strive to do better. Competition at some level is actually required in an economy, which ensures good quality production. Problems regarding exports A command economy often faces problems regarding exports as it does not allow market forces to govern the supply and prices of its goods and services. Since the government fixes these prices as well as supply levels, it can be difficult to determine which goods and services should be exported, at what price, and in what quantity so as to get maximum returns. It can get very hard for a command economy to assess and handle competition at the global level. Less focus on consumer wants The central authorities in a command economy tend to focus more on consumer needs and not consumer wants. Consumer needs are basic and common to every section and community in that country, while consumer wants may differ from person to person. There is less focus on consumer wants, which leads to an overall lowering of the standard of living as compared to a free-market economy. Cannot use price as a measure of demand Economists tend to use price as a very common and popular measure of demand for goods and services by a country from a macroeconomic point of view. In a command economy, the government fixes the price of all goods and services available in the market, not according to demand but according to its own rules and regulations. Hence, price cannot be used as a tool to

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measure demand for any good or service. Every economic system is prone to its advantages and disadvantages, as what seems perfect in theory may be very difficult to implement in practice. Today, many countries in the world who had earlier adapted to a command economic system are slowly moving towards the mixed type of economic system. Though we cannot crown any particular economic system as the best, we can safely conclude that it requires precise planning and proper implementation of those plans for an economy to function smoothly.

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Chapter 9 : Explain the Advantages & Disadvantages of Free Market Economies | blog.quintoapp.com

A traditional economy is a system that relies on customs, history, and time-honored beliefs. Tradition guides economic decisions such as production and distribution. Traditional economies depend on agriculture, fishing, hunting, gathering, or some combination of the above.

Over the centuries, an economic system based on capitalism has allowed people to prosper and improve their standards of living better than economies based on socialism or communism. Not everyone wins under this system, however. Capitalism is based on freedom of choice. Consumers have the right to buy whatever products they want, and companies have the opportunity to find innovative ways to produce those products and make a profit. What are the Advantages of Capitalism? Everyone is entitled to own assets. People have the right to own their houses, cars and television sets. They can even own stocks and bonds. People are free to pursue their own good. They can do whatever they want without regard to pressure from politicians or consideration for what their neighbors think of their actions. People are the most productive when they can earn money that gives them financial and political freedom. Since people have the right to own assets, companies will see this demand and start making products to satisfy consumers. This should be a good thing; more competitors mean better quality products and lower prices. At the same time, these companies will have to hire more workers and pay them better wages. Now, the consumer can choose among an offering of different products from several companies. No one can tell them that they have to buy a specific product from a specific company. Workers have the freedom to work for whichever company they choose. They can demand higher wages and better benefits. Among the many capitalism advantages is the idea that capitalism encourages efficiency in the marketplace. Companies must find profitable ways to produce high-quality products that consumers want to buy. Efficient allocation of resources: Companies produce goods per the demands of consumers. Businesses do not make products that no one wants to buy. Firms have incentives to be productive; inefficient firms will go out of business. In a capitalistic society, the government has a smaller role. Taxes are lower, and there is less government intervention in the free market. The role of government is to protect the rights of private individuals, not to intrude on their personal liberties. What are the Disadvantages of Capitalism? The obsessive focus on profits leads to social and economic inequality. The population that controls the means of production tends to accumulate more wealth than the workers who helped to create those riches for the wealthy. Since rich families can pass on their wealth to their heirs, the rich get richer and the workers stay poor. Financial markets go through periods of irrational exuberance, causing boom and bust cycles. During a long recession, people can lose their jobs, have their houses foreclosed and suffer a decline in their living standards. Because capitalism is a free market, it is possible for a single firm to become all-powerful and dominate a market. When this happens, a company can charge whatever price they want, and consumers have no choice but to pay higher prices. In theory, the factors of production should be able to move from an unprofitable use to a profitable business. A farmer who just lost his job cannot hop on a plane and fly to a big city to take a job as a waiter. Neglect of social benefits: None of these areas make a profit. So, the government has to step in to provide these services. Most countries have adopted modified versions of capitalism that require limited participation by governments.