

**“Mixed economy is that economy in which both government and private individuals exercise economic control.” –Murad.**

### **Meaning:**

It is a golden mixture of capitalism and socialism. Under this system there is freedom of economic activities and government interferences for the social welfare. Hence it is a blend of both the economies. The concept of mixed economy is of recent origin.

The developing countries like India have adopted mixed economy to accelerate the pace of economic development. Even the developed countries like UK, USA, etc. have also adopted ‘Mixed Capitalist System’. According to Prof. Samuelson, “Mixed economy is that economy in which both public and private sectors cooperate.” According to Murad, “Mixed economy is that economy in which both government and private individuals exercise economic control.”

### **Main Features of Mixed Economy:**

**Mixed economy has following main features:**

**(i) Co-existence of Private and Public Sector:**

Under this system there is co-existence of public and private sectors. In public sector, industries like defence, power, energy, basic industries etc., are set up. On the other hand, in private sector all the consumer goods industries, agriculture, small-scale industries are developed. The government encourages both the sectors to develop simultaneously.

**(ii) Personal Freedom:**



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Under mixed economy, there is full freedom of choice of occupation, although consumer does not get complete liberty but at the same time government can regulate prices in public interest through public distribution system.

**(iii) Private Property is allowed:**

In mixed economy, private property is allowed. However, here it must be remembered that there must be equal distribution of wealth and income. It must be ensured that the profit and property may not concentrate in a few pockets.

**(iv) Economic Planning:**



In a mixed economy, government always tries to promote economic development of the country. For this purpose, economic planning is adopted. Thus, economic planning is very essential under this system.

#### **(v) Price Mechanism and Controlled Price:**

Under this system, price mechanism and regulated price operate simultaneously. In consumer goods industries price mechanism is generally followed. However, at the time of big shortages or during national emergencies prices are controlled and public distribution system has to be made effective.

#### **(vi) Profit Motive and Social Welfare:**

In mixed economy system, there are both profit motive like capitalism and social welfare as in socialist economy.

#### **(vii) Check on Economic Inequalities:**

In this system, government takes several measures to reduce the gap between rich and poor through progressive taxation on income and wealth. The subsidies are given to the poor people and also job opportunities are provided to them. Other steps like concessions, old age pension, free medical facilities and free education are also taken to



**The mixed economy may be classified in two categories:**

**Capitalistic Mixed Economy:**

In this type of economy, ownership of various factors of production remains under private control. Government does not interfere in any manner. The main responsibility of the government in this system is to ensure rapid economic growth without allowing concentration of economic power in the few hands.

**Socialistic Mixed Economy:**

Under this system, means of production are in the hands of state. The forces of demand and supply are used for basic economic decisions. However, whenever and wherever demand is necessary, government takes actions so that basic idea of economic growth is not hampered.

**However, this system is again sub-divided into two parts:**

**(i) Liberal Socialistic Mixed Economy:**

Under this system, the government interferes to bring about timely changes in market forces so that the pace of rapid economic growth remains uninterrupted.



## **(ii) Centralised Socialistic Mixed Economy:**

In this economy, major decisions are taken by central agency according to the needs of the economy.

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