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"BASIC TERMS"

"Economy"

An Economy is a System in which goods & services are produced and allocated among individuals of a country, say India. It involves the interaction of two sets of decisions made respectively by:

I Consumer (the public or household)

II Producers

There are different types of Economies

I 'Subsistence Economy' A Subsistence Economy is a simple, non-monetary (barter) Economy which relies on natural resources to produce for basic needs. Through hunting, gathering and subsistence agriculture, "Subsistence" means supporting oneself at a minimum level. In a Subsistence

II Market Economy

It is an Economic System in which production and price are determined by the unrestricted competition between privately owned business. In a Market Economy the decisions regarding investment, production & distribution are guided by price signals created by the forces of supply and demand.

In a Market Economy, all Economic activities are organised through the market,

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A market, as studied in Economics, is an institution which organises the free interaction of individuals pursuing their respective economic activities.

In this market is a set of arrangements

III "Capitalist Economy" Capitalism is an economic system in which capital goods are owned by private individuals or businesses. The production of goods & services is based on supply and demand.

In a Capitalist Market Economy decision-making and investment are determined by every owner of wealth, property or production ability in financial and capital markets.

Whereas prices and the distribution of goods & services are mainly determined by competition in goods and services markets.

Example: USA, Canada, France, etc.

IV "Socialist Economy"

A Socialist Economy system is characterised by social ownership and operation of the means of production. In a Socialist Economy the setup is exactly opposite to that of a Capitalist Economy. In such an Economy the factors of production are all state-owned. All the factories, machinery, plants, capital etc are owned by a community in control of the state.

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all citizens get the benefits from the production of goods and services on the basis of equal rights. Hence, this type of Economy is also known as the Command Economy, So, basically in a Socialist Economy, private companies or individuals are not allowed to freely manufacture the goods and services.

Sometimes Under Socialism, we end up creating state monopolies which can get very dangerous with time the market and the forces of supply and demand.

V "Mixed Economy"

As the name suggests a mixed economy is the golden combination of a Command Economy and Market Economy, so it follows both price mechanism and central economic planning and oversight.

The means of production are held by both private companies and public or state ownership and while, market forces decide the price, demand & supply,

VI "Underdeveloped Economy"

The term Underdevelopment refers to that of an Economy, where levels of living of masses are extremely low due to very low levels of per-capita income resulting from low level of productivity & high growth of population on several occasions.

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We hear Economic experts referring to India as an underdeveloped or less-developed economy, India is still battling a lot of problems like illiteracy, poverty, child mortality, etc.

As per the world developing indicators, if the per-capita Income of a developing country is

: Less than \$ 1025 - it is a Low Income Developing Country

: Greater than \$ 1025 but less than \$ 4035 - it is a Low Middle Income Developing Country.

: Greater than \$ 4035 but less than \$ 12400 it is an Upper Middle Income Developing country

VII

9 "Developed Economy"

Developed Economy are the countries that enjoy certain high standards, such countries generally, have a good infrastructure, stable economy with a very high per capita standard of living for its citizens a very high.

In developed economies, the service sector generally, generates more wealth than the core industrial sector, Exports is very high Human development Index is also very high
Example: United States of America, Canada, France