

Market and mixed economy

[Finance](#), [Market](#)



Debating on the benefits and drawbacks of the market and the mixed economies offers a deeper insight into the two systems. While the market economy uses the market forces such as supply and demand as the sole basis for the economic decisions rarely engaging the government, the mixed economy incorporates the material prosperity of capitalism along with the stability lent by the minimal government intervention (Ikeda, 1997). The biggest advantage of the market oriented economy is the determination of the unique price which is determined on the basis of market demand and supply (economywatch. com, 2010).

The decision regarding what to produce, how much to produce and for whom to produce is solely the sellers decision in a competitive marketenvironment. The optimal allocation and distribution of the country's resources is also based on the principle of price. According to Lee and McKenzie (1993), while the proponents of market economy see this freedom about individual objectives in corporate exchange as a harbinger for economic prosperity, there is always a fear about dispensing freedom to self policing businesses.

The biggest drawback of the market economy is the widened gap between the rich and the poor. A fall in demand of a commodity in such an economy might result in the prices becoming unaffordable for those below thepovertyline. Without the due government involvement, the social costs and the public goods might get ignored and economic instability may creep in. The mixed economy considers the welfare role of the state, putting a check on the wastage of resources and values the social cost which is generally ignored in the market economy.

The mixed economy aims towards betterment of all economic sections of the society unlike the market economy which is normally aimed towards the middle or upper class of a community. The individuals can help guide the economy not only through the choices they make as consumers but also by the way of voting for the officials who shape the economic policy. The government intervention lends stability to the system while the economy reaps the material prosperity of capitalism. The ratio of capitalistic to socialistic elements in the mixed economy often decides the degree of advantages it reaps.

The taxes that are paid to the government in turn help the businesses through social programs, infrastructure and other government services. The supporters of the market economy believe that since the government relies on tax revenue, it is far less likely to feel the discipline imposed by the market forces. The ownership and bureaucratic control issues might erupt between the private and public sectors. The high tax ratio, development of state monopolies, corrupt regulatory practices are also some problems linked with the mixed economy. ?