

Centrally planned economy system economics essay

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An economic system is such a system that aids the production of goods and services in an economy, along with its distribution and consumption. It also includes various other entities, people, institutes, governing bodies, etc. that define a specific society. The flow of information between those ingredients mentioned above is also part of an economic system, also how are they related, what are their purposes, etc. It mostly focuses on utilizing all the available resources effectively and efficiently, and giving out most possible output. There are three main types of economic system which are mostly used by various countries.

Free Market Economic System:

In free market, the government intervention is almost denied or kept at a mere minimum level, and the private sectors hold all the economic resources available. The quantity of goods and services that is to be supplied into the market is to be determined by their prices while focusing on their demand. But with low government intervention, few problems occur when the country requires public work for their people, it becomes a matter to decide as to who is going to do it among those private sectors.

Centrally Planned Economy System:

In a centrally planned economy system, the government holds all the available economic resources, and also holds all the authority to take necessary decisions about those resources. Private sectors are not involved in any such entertainments. What is good about this system is that with government in the driving seat, a lot of issues such as unemployment is reduced as the government works for the betterment of the people.

Mixed Economy System:

In this system, we can see a mixture of all other systems. A mixed economy mostly demonstrates a combination of capitalism and socialism economic systems. In this system, all the available economic systems are divided between the government and the private sector. So government can work for the welfare of the people, while those private organizations that can work for themselves, utilize those resources to generate maximum profits. This system is quite successful as it maintains a good economic balance.

P5: Assess the impact of fiscal and monetary policy on business organisations and their activities

Fiscal policy is a government policy that is made to deal with budget through taxation and expenditure, so as to aid the economy. While Monetary policy is a government policy that is used to control the flow of money and eventually enhance economic growth. Both these policies are made for the betterment of the economy. Fiscal policies mostly affects businesses by taxes. In such a case, a business will less likely be to hire employees or invest for expansion, and the most common reaction of businesses to this situation is to transfer the tax burden to the consumers. Monetary policy mostly reduces the money flow in an economy, which troubles the businesses while getting credit, this is known as 'Contractionary Policy'. And in 'Expansionary Policy', the government lowers the interest rate, making it easier to borrow money. These are the most basic impacts of fiscal and monetary policy on business organizations. We could only further discuss the possible impacts if we know the extent of the policy and if its expansionary or contractionary. But if we

talk on the overall and general implications, then it is what we have discussed above.

P6: Evaluate the impact of competition policy and other regulatory mechanisms on the activities of a selected organisation.

The main purpose of a competition policy is to promote competition among businesses so that they provide the best goods and services in the most reasonable prices (because the consumers would have choice to select the substitute company), and so that in the end the consumer comes out as the successor. If we talk of how competition policy affected Emirates Airlines (with its competitor being Etihad Airlines), we would come to know the following points: The competition policy restricts companies from having a non-competent agreement, so Emirates could never do a deal with Etihad to stop the brand fight. The policy restricts a dominant position, so even if Emirates gets ahead of Etihad, it is not allowed to go too far in the lead. The policy restricts mergers, so Emirates can never merge with Etihad. The policy does not allow unfair advantage, so for example Emirates cannot use any unique/unfair methods of transportation, energy, etc. The policy restricts financial support or aid to competing companies, so Emirates can never think of getting any such help while they have Etihad as their rivals. These are some of the impacts in the light of the competition policy's rules. Apart from this Emirates gets to deal with tons of other impacts just because of the competition they have with Etihad. As a matter of fact the same can be said for Etihad. But generally evaluated were the above points.

P10 Discuss the significance of international trade to UK business organisations.

'International Trade' is the trade of goods and services between different countries. International trade plays a vital role in boosting a country's Gross Domestic Product (GDP). Now talking about UK, we all know that it is a small country. It has great potential when it comes to manufacturing goods and services, but since the domestic market there is so small, even if in full consumption, the economy cannot flourish. UK can only boost its economy if it trades its goods and services to other countries. There is a whole world lying with possible consumers for them, and as stated before UK sure has the quality and competency to create and manufacture internationally tradeable goods and services. The last time UK's economy was at boom was also mainly because they were exporting hugely in colonies. They used to make raw materials at low cost which helped them sell their final goods at a competitive price. If we talk about the current situations, UK has very low shares in the international trade. Their famous successful brands such as Philips and BSA have been out classed by cheap and low cost goods manufactured by Japan and China mostly. So in order for them to get back in the international trade game they need to help and motivate their domestic brands, find ways to make them produce cheaply and hence sell at competitive rates and challenge the current trade leaders. And it only this way that UK's economy can start climbing up. So we can clearly estimate the significance that international trade has to UK's business organizations. Not only is it good for them, but also a big hope for UK's economy.

P11: Analyse the impact of global factors on UK business organisations.

Global factors are such factors that single handedly influence and affect the whole world. When we talk about global factors in business world, many things come in to consideration. Lets discuss each of them and see how they impact on UK's business organizations.

Social Factors:

Social factors are related to the worldwide change in the social behaviour, lifestyle, population, etc. It is basically a change in the social structures. These sort of changes highly impact on businesses. Speaking of UK, many famous fashion designers are established here. Say if the fashion change around the world (Social change), this would greatly affect the designers in UK as well.

Legal Factors:

Legal factors, we can pretty much understand by the sound of it that it is related to rules, laws, and regulations, and here specially the ones which affect the whole world. For an organization to properly run, it must have stable trade laws and must not change too rapidly. The same goes for the country to whom you are exporting. UK does have good trade rules, which support the domestic traders to trade internationally.

Economic Factors:

Economic factors are very simply related to world economy. The changes in the overall living standards and money value in all parts of the world is an important factors when it comes to doing business. If the world's overall

economy is good, the businesses in UK also would have benefits of higher demand and greater money value.

Political Factors:

Political factors are somehow close to Legal factors, but political factors are only related to the policies generated by the government. For a business to run well the governments must establish good and helpful policies so that more organizations are motivated. The same would go for the businesses in UK, the better policies they have the more output and trade they will give.

Technological Factors:

Technological factors are related to the current technologies that are available for use. Technology plays a vital role in businesses these days. The more advanced technology a business has access to, the more productivity it will have. UK is a well modernized country with highly equipped technologies, so it is safe to say that UK businesses have this advantage on their side.

P12: Evaluate the impact of policies of the European Union on UK business organisations.

The European Union (EU) is an economic and political union of 27 member states that are located primarily in Europe (" Basic information on the

European Union". European Union. europa. eu. Retrieved 4 October 2012).

What the European Union did was that they created a single market through various laws and policies for all the neighbouring countries within the

Schengen Area. This greatly aided the European organizations in their trade and manufacturing and also helped the overall European economy to grow.

Now because of this Single Market Policy, most of the domestic UK

businesses now has access to the markets of more than 26 countries without any legal hassles or requirements. Those countries also have access to UK which means it is a two way beneficiary process, the level of import and export both are being motivated to the most possible within Europe. With UK's businesses having bigger markets, they are also getting higher demands on quantity and variety. This opens up a whole new opportunity window for investors to invest in current organizations or establish new industries, according to the demand. Also with this huge market and all the organizations running at its optimum, getting low waged skilled labours also becomes easy as in that situation labours are hired in masses keeping in mind that they are to meet the high demands in time.