

Comparative economic systems essay

[Economics](#)



**ASSIGN
BUSTER**

Comparative Economic Systems Student Name: Samara Registration

Number: 304-0911010 Program: Thesis topic: Bachelor of Business

Administration-Finance Submission Date: Signature Thesis Supervisor

Approval: Name: Designation: Signature: Uninominal Khan Lecturer/Thesis

Supervisor Department Approval: Head of Department: Abstract Mural

Amassed Nazi This research is done based on the secondary data. The major source of information for the research work has been internet. Further information has been extracted from text books, magazines and Journals.

The research topic is belonging to the field of Macroeconomics and is a broad issue for discussion. This research will identify the major arguments and definitions on each of the economic systems and will finally conclude what system is more advantageous. The research will also discuss sub- systems and combinations in the economic systems and will compare the pros and cons of different economic systems. Acknowledgement I feel proud in expressing my deepest sense of gratitude to the Jordan University where I learned a lot and received a lot of kindness and professional behavior from all the lecturers and the academic members.

I am thankful to the leadership of Jordan University and the head of faculty of management sciences who really supported the students throughout the course. Special thanks goes to Sir Uninominal Khan, my supervisor for Thesis project and one of the very professional senior lecturers of Jordan University; His scholastic, consistent advice, encouraging behavior, valuable suggestion, personal interest and dynamic supervision enabled me to complete the present project. This research work was hard to be accomplished without his

cooperation. I am extremely thankful to my parents whose help and good wishes made this project a success.

Comparative economic systems analysis has become consolidated as a discipline which compares the different economic systems, using and integrating theoretical, institutional, and empirical analyses. However, since socialist economies collapsed in the U. S. S. R and Eastern Europe, a new research agenda has been added to this area: theoretical and empirical analysis of transition economies. Also, the advanced capitalist economies have witnessed different trajectories of development, reflecting diversified institutional evolution of corporate governance and employer-employee relationships.

Although the socialist regimes have all collapsed, it remains to be seen in which direction the capitalist regimes, and the economies in transition, will develop. Given this situation, the research section on comparative economic systems seeks to analyze difference between capitalist, socialist, feudalism and transitional economies, to highlight the diversity of capitalist economies, and to understand economic thoughts which underlie those different economic systems and their development. [Http://www. Ire. Hit-u. AC.](http://www.ire.hit-u.ac.jp/english/introduction/ices.html)

[Jp/English/introduction/ices. HTML](http://www.ire.hit-u.ac.jp/english/introduction/ices.html) Capitalism is an economic system in which capital assets are privately owned and teams are brought to market for profit. In a capitalist economy, the parties to a transaction determine the prices at which assets, goods, and services are exchanged. Central elements of capitalism include capital accumulation, competitive markets and wage

labor. Capitalism has existed under many forms of government, in many different times, places, and cultures.

Following the demise of feudalism, capitalism became the dominant economic system in the Western world. Capitalism successfully overcame a challenge by communism and is now the dominant system worldwide.

Economists, political economists, and historians have taken different perspectives in their analysis of capitalism and recognized various forms of it in practice. These include laissez-fairer capitalism, welfare capitalism and state capitalism, all characterizing varying levels of state power and public capital control.

A pejorative characterization, crony capitalism, refers to a state of affairs in which insider corruption, nepotism and cartels dominate the system. This is considered to be the normal state of mature capitalism in Marxian economics but as an aberrant state by advocates of capitalism. All such characterizations are subjective and tend to mark out a point of view either more or less sympathetic to attempts by voters to regulate business.

Laissez-fairer economists emphasize the degree to which government does not have control over markets and the importance of property rights.

Others emphasize the need for government regulation, to prevent monopolies and to soften the effects of the boom and bust cycle. Most political economists emphasize private property as well, in addition to power relations, wage labor, class, and the uniqueness of capitalism as a historical formation. The extent to which different markets are free, as well as the rules defining private property, is a matter of politics and policy. Many states have

what are termed mixed economies, referring to the varying degree of planned and market-driven elements in an economic system.

Proponents of capitalism use historical precedent to claim that it is the greatest wealth-producing system known to man, and that its benefits are mainly to the ordinary person. Critics of capitalism associate it with economic instability and an inability to provide for the well-being of all people. The term capitalism, in its modern sense, is often attributed to Karl Marx. However, Marx was far more concerned with characterizing the sociological effects of capital economics.

The "ism" was used only twice in the more political interpretations of Mar's work, which were primarily authored by Frederica Engel's. In the 20th century defenders of the capitalist system often replaced the term capitalism with phrases such as free enterprise and private enterprise and replaced capitalist with reenter and investor in reaction to the negative connotations sometimes associated Witt capitalism. The author Any Rand attempted a positive moral defense of capitalism as such but in highly romantic or literary terms that did to stand logical or historical scrutiny.

By contrast modern welfare economics has produced a number of detailed defenses of the mixed capitalist economy based on public ownership of infrastructure and defense of positivehuman rightssuch as housing oreducation. Mammary Seen in particular, in Development as Freedom, his Nobel Prize winning work, outlined the reasoning by which many human societies have reached the common conclusion that mixed democratic

capitalist economies with welfare systems were optimal to support human life.

Capitalism and capitalist economics is generally considered to be the opposite of socialism, which contrasts with all forms of capitalism in the following ways: social ownership of the means of production, where returns on the means of production accrue to society at large, and goods and services are produced directly for their utility (as opposed to being produced by profit-seeking businesses). Money, capital, and accumulation; Money is primarily a standardized medium of exchange, and final means of payment, that serves to measure the value of all goods and commodities in a standard of value.

It is an abstraction of economic value and medium of exchange that eliminates the cumbersome system of barter by separating the transactions involved in the exchange of products, thus greatly facilitating specialization and trade through encouraging the exchange of commodities. Capitalism involves the further abstraction of money into other exchangeable assets and the accumulation of money through ownership, exchange, interest and various other financial instruments. Capital in this sense refers to money used to buy something only in order to sell it again to realize a financial profit.

Capitalism is the system of raising, conserving and spending a set monetary value in a specified market. There are three main markets in a basic capitalistic economy: labor, goods and services, and financial. Labor markets (people) make products and get paid for work by the goods and services

market (companies, firms, or corporations, etc.) which then sells the products back to the laborers. However, both of the first two markets pay into and receive benefits from the financial market, which handles and regulates the actual money in the economic system. This includes banks, credit-unions, stock exchanges, etc.

From a monetary standpoint, governments control just how much money is in circulation worldwide, which can play a role on how money is spent in one's own country. Types of capitalism: There are many variants of capitalism in existence that differ according to country and region. They vary in their institutional makeup and by their economic policies. The common threads among all the different forms of capitalism is that they are based on the production of goods and services for profit, predominately market-based allocation of resources, and they are structured upon the accumulation of capital.

The major forms of capitalism are listed below: Mercantilism and Protectionism Mercantilism is a nationalist form of early capitalism that came into existence approximately in the late 16th century. It is characterized by the intertwining of national business interests to state-interest and imperialism, and consequently, the state apparatus is utilized to advance national business interests abroad. An example of this is colonists living in America who were only allowed to trade with and purchase goods from their respective mother countries (Britain, France, etc.).

Mercantilism holds that the wealth of a nation is increased through a positive balance of trade with other nations, and corresponds to the phase of

capitalist development called the Primitive accumulation of capital. Free-market capitalism Free-market capitalism refers to an economic system where prices for goods and services are set freely by the forces of supply and demand and are allowed to reach their point of equilibrium without intervention by government policy. It typically entails support for highly competitive markets, private ownership of productive enterprises.

Laissez-fairer is a more extensive form of free-market capitalism where the role of the state is limited to protecting property rights. Social market and Nordic model A social-market economy is a nominally free-market system where government intervention in price formation is kept to a minimum but the state provides significant services in the area of social security, unemployment benefits and recognition of labor rights through national collective bargaining arrangements. This model is prominent in Western and Northern European countries, albeit in slightly different configurations.

The vast majority of enterprises are privately owned in this economic model. Rhine capitalism refers to the contemporary model of capitalism and adaptation of the social market model that exists in continental Western Europe today. State capitalism State capitalism consists of state ownership of the means of production within a state, and the organization of state enterprises as commercial, profit-seeking businesses. The debate between proponents of private versus state capitalism is centered around questions of managerial efficacy, productive efficiency, and fair distribution of wealth.

Corporate capitalism Corporate capitalism is a free or mixed-market economy characterized by the dominance to hierarchical, bureaucratic

corporations. State-monopoly capitalism was originally a Marxist concept referring to a form of corporate capitalism in which state logic is utilized to benefit and promote the interests of dominant or established corporations by shielding them from competitive pressures or by providing them with subsidies. According to the Oxford English Dictionary (ODE), the term capitalism was first used by novelist William Namespace Thacker in 1854 in *The Newcomers*, where he meant "having ownership of capital".

Also according to the ODE, Carl Adolph Doodad, a German-American socialist and abolitionist, used the term private capitalism in 1863. **SOCIALISM**

Socialism is an economic system characterized by social ownership of the means of production and co-operative management of the economy. "Social ownership" may refer to cooperative enterprises, common ownership, state ownership, citizen ownership of equity, or any combination of these. There are many varieties of socialism and there is no single definition encapsulating all of them.

They differ in the type of social ownership they advocate, the degree to which they rely on markets or planning, how management is to be organized within productive institutions, and the role of the state in constructing socialism. A socialist economic system consists of a system of production and distribution organized to directly satisfy economic demands and human needs, so that goods and services are produced directly for use instead of for private profit driven by the accumulation of capital. Accounting is based on physical quantities, a common physical magnitude, or a direct measure of labor-time in place of financial calculation.

Distribution is based on the principle to each according to his contribution. Marxist theory holds that the development of the socialist mode of production will give rise to a communist society, in which classes and the state are no longer present, there is access abundance to final goods, and thus distribution is eased on to each according to his need. As a political movement, socialism includes a diverse array of political philosophies, ranging from reformism to revolutionary socialism. Proponents of state socialism advocate the nationalization of the means of production, distribution and exchange as a strategy for implementing socialism.

In contrast, libertarian socialism opposes the use of state power to achieve such an arrangement, opposing both parliamentary politics and state ownership. Democratic socialism seeks to establish socialism through democratic processes and propagate its ideals within the context of a emigration political system. Modern socialism originated from an 18th-century intellectual and working class political movement that criticized the effects of industrialization and private property on society. In the early 19th-century, " socialism" referred to any concern for the social problems of capitalism irrespective of the solutions to those problems.

However, by e a e TNT-century, " socialism" and come to signing opposition to capitalism and advocacy for an alternative system based on some form of social ownership. Marxist expanded further on this, attributing scientific assessment and democraticPhilosophySocialists adhere to a diverse range of philosophical views. Marxian socialism is philosophically materialist as well as having at its centre a commitment to historical materialism. Many forms

of socialist theory hold that human behavior is largely shaped by the social environment.

In particular, Marxism and socialists inspired by Marxist theory, holds that social mores, values, cultural traits and economic practices are social creations, and are not the result of an immutable natural law. The ultimate goal for Marxist socialists is the emancipation of labor from alienating work. Marxist argue that freeing the individual from the necessity of performing alienating work in order to receive goods would allow people to pursue their own interests and develop their own talents without being coerced into performing labor for others.

For Marxist, the stage of economic development in which this is possible, sometimes called full communism, is contingent upon advances in the productive capabilities of society. Socialists generally argue that capitalism concentrates power and wealth within a small segment of society that controls the means of production and derives TTS wealth through economic exploitation. This creates unequal social relations which fail to provide opportunities for every individual to maximize their potential, and does not utilize available technology and resources to their maximum potential in the interests of the public.

Socialist economy is that publicly owned, worker-run institutions produce goods and services in at least the commanding heights of the economy. Management and control over the activities of enterprises are based on self-management and self-governance, with equal power-relations in the workplace to maximize occupational autonomy. A socialist form of

organization would eliminate controlling hierarchies so that only a hierarchy based on technical knowledge in the workplace remains. Every member would have decision-making power in the firm and would be able to participate in establishing its overall policy objectives.

The policies/goals would be carried out by the technical specialists that form the coordinating hierarchy of the firm, who would establish plans or directives for the work community to accomplish these goals. The role and use of money in a hypothetical socialist economy is a contested issue.

Socialists including Karl Marx, Robert Owen, Pierre-Joseph Prudhoe and John Stuart Mill advocated various forms of labor vouchers or labor-credits, which like money would be used to acquire articles of consumption, but unlike money, they are unable to become capital and would not be used to allocate resources within the production process.

Bolshevik revolutionary Leon Trotsky argued that, following a socialist revolution, money could not be arbitrarily abolished. Money had to exhaust its "historic mission" (continue to be used until it became redundant), and then would be transformed into keeping receipts for statisticians, and only in the more distant future would it might not be required even for that role.

Self-managed economy
Decentralized planning and Workers' self-management
A self-managed, decentralized economy is based upon autonomous self-regulating economic units and a decentralized mechanism of resource allocation and decision-making.

This model has found support in notable classical and neoclassical economists including Alfred Marshall, John Stuart Mill and Corollas Vane.

There are numerous variations of self-management, including labor-managed firms and worker-managed firms. The goals of self-management are to eliminate exploitation and reduce alienation. State socialism State socialism can be used to classify any variety of socialist philosophies that advocates the ownership of the means of production by the state apparatus, either as a transitional stage between capitalism and socialism, or as an end-goal in itself.

Typically it refers to a form of technocratic management, whereby technical specialists administer or manage economic enterprises on behalf of society (and the public interest) instead of workers' councils or workplace democracy. A state-directed economy may refer to a type of mixed economy consisting of public ownership over large industries, as promoted by various Social democratic political parties during the 20th century. This ideology influenced the policies of the British Labor Party during Clement Attlee's administration.

In the biography of the 1945 UK Labor Party Prime Minister Clement Attlee, Francis Becket states: " the government... Wanted what would become known as a mixed economy". Market socialism Market socialism consists of publicly owned or cooperatively owned enterprises operating in a market economy. It is a system that utilizes the market and monetary prices for the allocation and accounting of the means of production, thereby retaining the process of capital accumulation. The profit generated would be used to directly remunerate employees or finance public institutions.

In state-oriented forms of market socialism, in which state enterprises attempt to maximize profit, the profits can be used to fund government programs and services through a social dividend, eliminating or greatly diminishing the need for various forms of taxation that exist in capitalist systems. The neoclassical economist Léon Walrus believed that a socialist economy based on state ownership of land and natural resources would provide a means of public finance to make income taxes unnecessary. Yugoslavia implemented a market socialist economy based on cooperatives and worker self-management.

Libertarian socialism Libertarian socialism is a group of political philosophies that promote a non-hierarchical, non-bureaucratic society without private property in the means of production. Libertarian socialists believe in converting present-day private productive property into common or public goods, while retaining respect for personal property. Libertarian socialism is opposed to coercive forms of social organization. It promotes free association in place of government and opposes the social relations of capitalism, such as wage labor.

The term libertarian socialism is used by some socialists to differentiate their philosophy from state socialism, and by some as a synonym for left anarchism. Currents within libertarian socialism include Marxist tendencies such as left communism, council communism and autonomous, as well as non-Marxist movements such as social anarchism, Communism, Participial, and Inclusive Democracy. Democratic socialism Democratic socialism generally refers to any political movement that seeks to establish an economy based on economic democracy by and for the working class.

<https://assignbuster.com/comparative-economic-systems-essay/>

Democratic socialists oppose authoritarian "socialists" as Stalinist and Maoist. Democratic socialism is difficult to define, and groups of scholars have radically different definitions for the term. Some definitions simply refer to all forms of socialism that follow an electoral, reformist or evolutionary path to socialism, rather than a revolutionary one. MIXED ECONOMY Mixed economy is an economic system in which both the state and private sector erect the economy, reflecting characteristics of both market economies and planned economies.

Most mixed economies can be described as market economies with strong regulatory oversight, and many mixed economies feature a variety of government-run enterprises and governmental provision of public goods. The basic idea of the mixed economy is that the means of production are mainly under private ownership; that markets remain the dominant form of economic coordination; and that profit-seeking enterprises and the accumulation of capital remain the fundamental driving force behind economic activity.

However, unlike a free-market economy, the government would wield considerable indirect influence over the economy through fiscal and monetary policies designed to counteract economic downturns and capitalism's tendency toward financial crises and unemployment, along with playing a role in interventions that promote social welfare. Subsequently, some mixed economies have expanded in scope to include a role for indicative economic planning and/or large public enterprise sectors.

There is not one single definition for a mixed economy, but the definitions always involve a degree of private economic freedom mixed with a degree of government coagulation of markets. The relative strength or weakness of each component in the national economy can vary greatly between countries. Economies ranging from the United States to Cuba have been termed mixed economies. The term is also used to describe the economies of countries which are referred to as welfare states, such as the Nordic countries.

Governments in mixed economies often provide environmental protection, maintenance of employment standards, a standardized welfare system, and maintenance of competition. As an economic ideal, mixed economies are supported by people of various political recursions, typically centre-left and centre-right, such as social democrats or Christian democrats. Supporters view mixed economies as a compromise between state socialism and free-market capitalism that is superior in net effect to either of those.

Philosophy; The term " mixed economy" is used to describe economic systems which stray from the ideals of either the market, or various planned economies, and " mix" with elements of each other. As most political-economic ideologies are defined in an idealized sense, what is described rarely? if ever? exists in practice. Most would not consider it unreasonable to label an economy that, while not being a perfect representation, very closely resembles an ideal by applying the rubric that denominates that idea.

When a system in question, however, diverges to a significant extent from an idealized economic model or ideology, the task of identifying it can

become problematic. Hence, the term "mixed economy" was coined. As it is unlikely that an economy will contain a perfectly even mix, mixed economies are usually noted as being skewed towards either private ownership or public ownership, toward fatalism or socialism, or toward a market economy or command economy in varying degrees. CHAPTER 3 METHODOLOGY This Chapter defines the methods chosen to conduct research on different economic systems.

The chapter will define the sources and the procedures for extracting information and the way the data is analyzed. It will further describe the limitations and shortages involved in this research. Procedure The data for this research has been mainly collected from the secondary source. The majority of data was extracted from reliable internet resources and was analyzed. The secondary data was used for the literature review of the research. The discussions were reviewed, summarized and rearranged in shorter and comprehensive sentences that comply with the level of this Thesis.

Scope of the study This research discusses a broad area of Macroeconomics. The boundaries are limited to all the economic systems. The research presents a comparative view of different economic systems and sub-systems, their advantages and disadvantages and it recommends the best system for Afghanistan scenario with sufficient reasons and justifications. Data collection tools The data was primarily extracted from internet sources. Extra information, quotes and moments have been extracted from the test books, magazines and Journals belonging to Macroeconomics.