

What is a mixed economy system and why is it used?



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Mixed economic system is a mixed economic system as a result of the capitalist system and the hardware he is a socialist system. Through this system, the government and the public or private partnership to create a fairer market. Government policies enacted comprehensive and include all parties, including private parties or private. Government as administrator, however, may intervene in the market and the economic and financial affairs when the situation warrants. mixed economic system is a unique economic system in which independent producers produce goods and services and the government to control and monitor manufacturers and the prices are so affordable to the community.

Government and private property rights will be mobilized for the benefit of the people. Although the government becomes the owner of certain bodies of certain utilities or the private sector but also allowed to engage in private business activities are great and the owner of the giant industries are important in this country and even the various incentives given to mobilizing private sector activity . Malaysia is among the countries that practice mixed economic system.

Price mechanism is a process that runs on the basis of tensile strength and pull between the consumer and the producer-consumer-producers who met in the market.

2.1 Mixed Economy

Mixed economic system is a unique economic system in which independent producers produce goods and services and the government to control and monitor manufacturers and the prices are so affordable to the public.

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Maintained to ensure the welfare of the people's purchasing power and manufacturer to produce products based on the price mechanism.

Between countries that adopted the economic system is Malaysia Singapore and Thailand.

Characteristics of mixed economy have seven type . First characteristics is resource allocation . Resource allocation is government decides on resource allocation of scarce commodities . Second characteristics is wealth ownership . Wealth ownership is there is a mixture of government and private ownership . Third characteristics is solution of economic problem . Solution of economic problem is government does intervene , especially to implement development policies. Fourth characteristics is economic efficiency . Economic efficiency is economic efficiency depends on both government and private sector efficiency . Fifth characteristics is consumer freedom. Consumer freedom is while consumers have some say , their voices are not strong . Sixth characteristics is distribution of income . Distribution of income is incomes of workers in some sectors are managed by government . Seventh characteristics is provision of services. Provision of services is while some services are privatized , government provides for basic services .

2. 2 Price mechanism

Price mechanism is the basic mechanism of the market mechanism. The so-called price mechanism, is in the process of competition, supply and demand interrelated constraints of the market price formation and operation mechanism. Price mechanism, including price formation mechanism and the price adjustment mechanism.

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Price mechanism is in the process of market competition, price changes and changes in demand and supply constraints between the link and role. Price mechanism is the most sensitive to market mechanisms, the most effective adjustment mechanism, the price changes on the socio-economic activities have an important impact. Changes in commodity prices will lead to changes in supply and demand of goods; and changes in supply and demand, in turn, lead to price changes.

Product of government have control price mechanism is flour , sugar , petrol and other . Price mechanism is very important in economic . For example If the flour and sugar, these are not the price mechanism will lead to many restaurants and cafes in the beverage prices often change.

First, the price mechanism is an important part of the market mechanism .

The formation of the market mechanism also forms the price mechanism. A prerequisite for the formation of the market mechanism, there must be a society of economically independent of the number of directly dependent on commodity production and market operators. At the same time, there have been many with ability to pay and the demand for the freedom to buy, as well as a more perfect market system, including the commodity markets, labor markets, capital markets, technology markets, information markets, real estate markets. In the role of these three, the formation of supply and demand mechanism, the price mechanism, incentive mechanism, the mechanism of competition, risk mechanism, composed of a unified market mechanism. Specific, the formation of these mechanisms is this: the production and consumption by the operators in order to achieve their

purpose, namely, the production operators in order to maximize profits, consumer demand are in order to achieve maximum utility, must in all markets exchange to meet their needs. In this way, supply and demand sides to form supply and demand in the market mechanism. Market supply and demand sides continue to exchange currency as a medium must be to conclude the transaction, the formation of the price mechanism. All transaction prices in the market after the formation, we will send a signal change in supply and demand, price increases that demand, that supply exceeds demand prices fall, which gives an incentive mechanism of supply and demand sides.

Second, the price mechanism is the core of the market mechanism .

There are bound to have a market price, such as commodity prices, labor prices, capital prices, the price of information technology prices, real estate prices and so on. At the same time, various forms of value, such as finance, taxation, currency, profit, wages, etc., from different aspects and different levels and prices on the occurrence of certain mutual constraints and dependencies. Revenue and Expenditure position directly to influence prices. Income greater than expenditure to stabilize prices and support will lead to price increases greater than the income. Price changes would affect the revenue and expenditure. Revenue, profits, interest and wages are part of the price of their direct impact on changes in the price level, but also in a certain price level 0, the prices will restrict the tax, interest, profits, wage changes, changes in prices depend directly changes in monetary value, such as the devaluation will lead to price increases, and vice versa to promote lower prices. Relatively stable prices, will restrict the circulation of money.

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Therefore, changes in prices, not only directly affect the value of other forms of change, but also other changes in the value of a comprehensive reflection of the form.

Price mechanism and other mechanisms from the relationship, although the mechanisms are in the market mechanism in a different position, but the price mechanism plays a role in promoting other mechanisms, the market mechanism is the core position.

Mechanism of supply and demand mechanism is the market assurance mechanisms. The market mechanism, first there must be supply and demand mechanism, in order to reflect supply and demand price and the internal relations in order to ensure the formation of the price mechanism to guarantee the normal operation of market mechanisms. But the price mechanism play a role in promoting the supply and demand mechanism, the price fluctuation operators to promote the production increase or decrease supply, and promote consumer demand to reduce or increase those requirements, and continuously adjust the supply and demand.

Competition is the key mechanism of the market mechanism. In a market economy, competitive, will promote social progress and economic development. Also on the price mechanism play a role in promoting competition, the price fluctuations for producers and traders to carry out all kinds of competition, product innovation, technological innovation, management innovation, in order to achieve greater profits.

Incentive mechanism is the dynamic mechanism of the market mechanism.

Enterprise production and management should stimulate interest and <https://assignbuster.com/what-is-a-mixed-economy-system-and-why-is-it-used/>

encourage enterprises to compete, and stress economic efficiency.

Incentives can influence the price mechanism, price changes signal, encouraging the production and operation enterprises decide what business does not produce anything.

Risk mechanism is the basic mechanism of market mechanisms. Operating in the market, any enterprise engaged in production and management will be faced with the profits, losses and bankruptcy. Mechanisms can affect the risk of the price mechanism, price fluctuations can promote the business take risks, to chase profits.

2.3 Method to resolve the price mechanism of fails

When something government will face problem in market some thing price government cannot control price . When this time government will reduce tax and subsidies to help control the price or give welfare to their citizenry .

2.4 Conclusion

Mixed economy is very important in one country . In intervening the government ,

public can get good price and services, merit goods , transfer payment and subsidized goods.

When I write this assignment I can get many new knowledge and mixed economy and price mechanism is very important .