

Communist economy

Business



China, India and Japan. The South Korea country is operated in a mixed economy. A mixed economy is one which borrows slightly from socialist economies and as well as from a capitalistic economy. This is clearly shown in the case study presented by the kind of activities it does.

In a mixed economy as this, the private property rights are protected hence the establishment of several companies such as Hyundai, Daewoo and Samsung in the country. These are not government-owned and so operate under private property rights. Consequently, the prices of goods are generally free from the government control hence the more reason why South Korea was affected by the Asian crisis. The firms could not be regulated and so their performance began to deteriorate, there were large wage rises as well as low labor productivity. Additionally, the running into bankruptcy by the banks is a clear indication of the country operating in a mixed economy with no strict government regulations.

Different economic systems and societies produce different types of economic goods. There could be several reasons from an economic perspective why firms which produce low quality products goods survive in a collectivist economy. However, a more outstanding reason is that the system may be faulty and generalized and so produce poor quality goods.

Consequently, a collectivist economy is mostly concerned with the final goods and so qualities of the intermediate goods are not major concerns. Additionally, in this economy, the means of production are publicly owned and so no one bothers about quality much. As well this kind of economy gives money to the people and so people spend it whichever way they like without regard to quality of the products.

Since production is publicly owned, no much is done to curtail the quality of goods produced. This scenario is quite different from a market economy in which the forces of the market are the ones which determine the demand and supply of goods. Firms are also very competitive and so for a firm that produces low quality goods, then it will mean that they will loose out of business and not be able to make any gains or profits. Innovation is the act or process by which new products are made and brought into the market. For a country such as South Korea innovation should be much encouraged due to the nature of its economy.

South Korea operates in a miixed kind of economy which allows for the forces of to as well operating freely. In such an economy, the government even provides for protectionist measures which are favorable to the new entrepreneurs who have new ideas and wish to use the same to grow the economy. Additionally, in a mixed economy the firms possess the means of production and this when supplemented with those of the government are useful in ensuring that new innovative ways are created in the economy. The major advantage of a mixed economy is that it promotes coexistence of both the public and private sectors. This system encourages entrepreneurship because it provides incentives for private investors.

A mixed economy is both capitalistic and communist in nature. In this regard, it takes care of the interests of both the haves and have-nots. This is exemplified by South Korea's high expenditure in the provision of services and investment in agriculture- a sector in which majority of the citizens depend. At the same time, a mixed economy allows the government to regulate important sectors of the economy. This prevents the emergence of

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monopolies, which can exploit people with high prices or substandard commodities.