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SUBJECT- PRINCIPLES OF ECONOMICS

SOCIALISM: MERITS AND DEMERITS - I

### \* MERITS

A socialist economy has many alternative features. These have made socialism more and more popular.

The main merits of the socialist economy are as under:

#### 1. Social Justice is Assured:

The chief merit of socialism is that it assures of social justice. Under socialism the inequalities of income are reduced to the minimum and the national income is more equitably and evenly distributed. The socialist principle provides for a fair share for all. No one is permitted to have unearned income. Exploitation of man by man is put an end to. Every individual is assured of equal opportunities, irrespective of caste, creed and religion. Every child whether he is born in a poor family or in a rich family is given an equal opportunity to develop his talent faculties through proper education and training.

#### 2. Rapid Economic Development:

A socialist economy is likely to grow much faster than a capitalist economy. The experience of the U.S.S.R and other

Socialist countries amply proved this. The main factors making for the fast growth rate is the full use of resources, scientific planning and quick decisions.

### 3. Production According to Basic Needs:

In this economy the production is directed to satisfy the basic needs of the people first. As far as possible, the production of food, clothing or building materials is guided by the basic needs of the people and is not according to the purchasing power of the rich section of the society. Therefore, the phenomenon of the poor going hungry while the rich feast cannot be seen in the socialist economy.

### 4. Balanced Economic Development:

Economic planning is meant to carry out balanced development of the economy. All the regions of the country are taken care of. Development of the backward areas is also given a priority. Similarly, agriculture and industry, heavy and small industry develops side by side. As a result there is no top-sided development of the economy.

### 5. It has Economic Stability:

Another important merit is the economic stability which a socialist economy has. A capitalist economy is often suffering from economic fluctuations resulting in lot of unemployment and wastage of resources. There is a good deal of misery among the working class in periods of depression in a socialist

economy.

A socialist economy is able to control economic instability due to the planned nature of the economy. Price changes are taken care of under a perspective plan. Private investment is given a minor role. Therefore, there are no economic fluctuations.

#### 6. It has more Flexibility:

A socialist economy is much more flexible than a capitalist economy because of the control on market forces. The socialist economy can be geared to war times as early as it is operated during peace-time. Rather the state having ownership of means of production can meet the needed changes much better than the slow moving market mechanism of the capitalist economy.

#### 7. Conservation of Natural Resources:

A socialist economy has a great advantage of planning for the future. Wasteful use of the country's natural resources is a common problem in all the capitalistic economies. Private enterprise does not care for the future. A planning authority can take the interest of future generations into account by preparing plans for conservation of the country's non-renewable resources like coal, petroleum, forests and soil.

#### 8. Equitable Distribution of wealth and Income:

A socialist economy is operated with the aim of providing equal opportunity for all citizens in earning income. Generally, private

property is restricted to some basic needs. There is no amassing of wealth by a few. wealth is also equitably distributed because private enterprise is given a limited role.

### 9. No Exploitation and class struggle:

A socialist economy can also get rid of the basic maladies of the capitalist economy. There is no question of exploitation in it as much as the state determines the distribution pattern of country's income. Further the whole society is the common aim of all planning. No sections are discriminated against. There is not special favour at any class. Therefore, there is no scope for anything like the class struggle which is a characteristic of the capitalist economy.

### 10. Social welfare Activities:

A socialist Economy is oriented to the social needs. The government provides for full security. There is automatic care for the children of those who meet accidents while performing their duties. There is provision for old age pension for all. The slogan is "to each according to his needs, from each according to his capacity."

Therefore, the employees in state enterprises can work without much worry. Their productivity is higher. There are no labour disputes and no wastage of resources resulting there from as is the case in a capitalist economy.

## 11. There is no wastage of competitive Advertising:

A capitalist economy is not always able to achieve productive efficiency through competition. There is a good deal of wastage through competitive advertisement of different varieties. The consumer has to pay the price of the useless advertising. Prof. Chamberlin has tried "to show that capitalism leads to excess capacity when there is differentiation of the products."

In a socialist economy, there is no such wastage. In the first place only those goods and services are produced which are preferred by the consumers. Secondly, if at all there is any advertising, it is only meant for information about different products to consumers.

## 12. Forethoughtness:

A socialist economy can prepare for the future much better than a capitalist economy. Future is always uncertain. The planner takes full note of the uncertainties while formulating the plan. Flexibility in planning is meant to provide for immediate changes in the plan as conditions change. Planners can anticipate some of the future changes and prepare for them so that the nation is not suddenly caught unawares.