

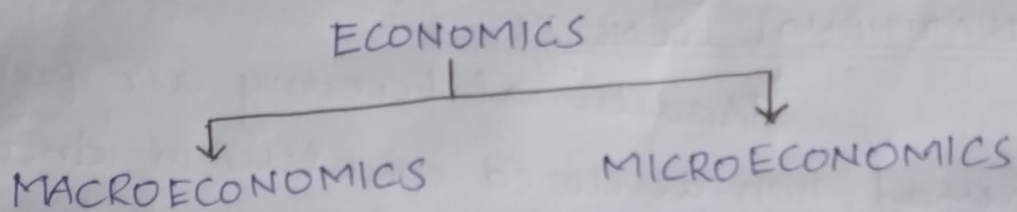
ECONOMICS ASPECTS OF DEFENCE

UNIT-I

INTRODUCTION

ECONOMICS:

Economics is a social science concerned with the production, distribution and consumption of goods and services. It studies how individuals, business, government, and nations make choices about how to allocate resources.



MACRO-ECONOMICS:

Macroeconomics is a branch of economics dealing with the performance, structure, behaviour and decision-making of an economy as a whole.

MICRO-ECONOMICS:

Microeconomics is a branch of economics that studies the behaviour of individuals and firms in making decisions regarding the allocation of scarce and the interaction among these individuals and firms.

TYPES OF ECONOMIC SYSTEM:

i) CAPITALIST ECONOMY:

In capitalist Economy, ease of Business is belong to private owners and not the government. In this system individuals own the means of production like resources, factories, business, etc. These people compete in the market selling their goods and services for a profit.

ii) TRADITIONAL ECONOMY:

Traditional Economy are found in rural, non-developed countries in Ancient times. It is a trading system of Bargain. It is a "subsistence economy" or "economy of the ingenious population."

iii) SOCIALIST ECONOMY:

Socialist Economy is also referred as centrally Governed Economy. Institutions are owned by government behalf of public. Government decides about establishment, location production, distribution and prices of goods & services. It mostly set up for the welfare of the Society.

iv) MIXED ECONOMY:

It is a mixture of capitalist and Socialist Economy. It is a place where there is coexistence of both private sector & Public Sector, where all the mechanism are monitored by the government. This system overcomes the disadvantages of both the market of capitalist and socialist economy.

MERITS

DEMERITS

1. CAPITALIST ECONOMY:

- * Consumers have a wide range of choices since there are more suppliers.
- * There is strong incentive to innovate.
- * There is a high level of competition.

- * There is inequality of income with the haves and the have-nots.
- * The wide range of choice is only available to those who can afford it.
- * Firms are driven by profit motive so they can influence the prices by restricting output.

2. TRADITIONAL ECONOMY:

- * It is a direct production so people provide what they want.
- * Crime is relatively low since individuals focus on survival.
- * There is very little environmental degradation. Production are sustainable.

- * There are fewer choices, becoz limited range of goods and services available.
- * Risk factor is high becoz, failure can lead to starvation if crops fail.
- * There is a use of primitive old method, inadequate use of skills.

3. SOCIALIST ECONOMY:

- * Government controlled prices do not fluctuate
- * vulnerable members of society (elderly, minority) are cared for.
- * Basic needs of society are met.
- * There is no wasteful competition.

- * There is limited choice for consumers.
- * There is little incentive for enterprise and innovation. No reward for producing extra.
- * Planning may be inaccurate since it is difficult to forecast the needs of the members of the society.

4. MIXED ECONOMY:

- * It ensures that citizens have a minimum standard of living.
- * Resources are allocated to both the sectors.
- * There is less environmental degradation than in the capitalist or socialist economic system.

- * Corruption may damage relation between public and private sector.
- * private sector may evade taxes & regulations.