

Mixed Economy

A mixed economy is an economic system in which both the state and private sector direct the economy, reflecting characteristics of both market economies and planned economies. Most mixed economies can be described as market economies with strong regulatory oversight, in addition to having a variety of government-sponsored aspects.

While there is not one single definition for a mixed economy, the definitions always involve a degree of private economic freedom mixed with a degree of government regulation of markets.

The Plan Behind a Mixed Economy

The basic plan of the mixed economy is that:

- The means of production are mainly under private ownership;
- Markets remain the dominant form of economic coordination; and
- Profit-seeking enterprises and the accumulation of capital would remain the fundamental driving force behind economic activity. However, 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.

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 Norway and Sweden

Governments in mixed economies often provide:

- Environmental protection,
- Maintenance of employment standards,
- A standardized welfare system,
- Maintenance of competit

As an economic ideal, mixed economies are supported by people of various political persuasions, typically center-left and center-right, such as social democrats or Christian democrats. Supporters view mixed economies as a compromise between state socialism and laissez-faire capitalism that is superior in net effect to either of those.

Keynesian economics advocates a mixed economy — predominantly private sector, but with a significant role of government and public sector. It also served as the economic model during the later part of the Great Depression, World War II, and the post-war economic expansion (1945–1973), though it lost some influence following the tax surcharge in 1968 and the stagflation of the 1970s. The advent of the global financial crisis in 2008 has caused a resurgence in Keynesian thought.

The Benefits of Mixed Economies

A mixed economy allows private participation in production while ensuring that society is protected from the full swings of the market.

Three factors affecting Business environment

1. Geographical and Ecological or Natural Factors.
2. Demographic Factors.
3. Economic Factors.
4. Political and Legal Factors.
5. Social and Cultural Factors.
6. Physical and Technological Factors.

1. Geographical and Ecological or Natural Factors

Geographical conditions exert influence on the decisions as to the type of industries and business to be carried on in a region. This is because the people of a particular geographical region will have similar tastes, preferences and requirements.

Generally, goods, which are largely preferred by people in one region, may not be liked in another region. For instance, tastes, likes etc. as to consumption of goods in the people of South India may not be similar to that of in North India. Even in South India, people in different states may not have similar tastes, likes etc.

The geographical situation, the physical feature, the climate, rainfall, humidity, the vegetation etc. decide the type of living in a particular region. Hence those industries, which could cater to the needs of the people, could develop.

In India, cotton textile industries are located in Mumbai and Coimbatore regions due to favorable climate. Jute industry is located at Kolkatta due to the favorable geographical and climatic conditions to grow the raw material. The particular type of industry develops, only where its raw materials are available.

Ecological factors consist of natural resources like farmland, fisheries, forests, minerals like coal, metals, oils etc., energy, air and water. The supply of the resources is very much limited. A decade ago, we were all under an impression that natural resources like air and water are not exhaustible and their supply is unlimited. But now the situation is changed and we came to know that such resources are also very much limited in supply.

P.J. Deoras, well-known environmental specialist, in his article in “Economic Times”, says as follows.

If this is the case of water, it is needless to highlight the importance of other scarce resources. The rate of economic growth in any country depends mainly upon the availability of the natural resources there. Hence the Governments all over the world prevent the businessmen and industrialists from recklessly exploiting the scarce resources for their immediate gains.

Further, more emphasis is being laid for the promotion of sanitation, health, forestry, soil conservation, housing etc. The Western countries have already recognized the menace of the environmental pollution. Now, the Third World countries are also increasingly realizing its importance. In India also, its importance is now well recognized by the Government.

Various legislative measures are also being taken to protect the ecological environment. All these factors directly limit the scope of performance of the business firms. They should look for the Government's sanction at each stage.

We shall now briefly analyze how the ecological factors and the Government's intervention influence business.

1. Supply of Natural Resources

The Government exercises tight control over the extraction and exploitation of certain natural resources, which are essential for industrial performance. In India, almost all the coal mines are nationalized and barring a few production of steel is also under state monopoly. O.N.G.C. enjoys a virtual monopoly over extraction of oil and mineral gas. Hence, most of the industrial units are at the mercy of the Government to get adequate and timely supply of these materials to carry on their production schedule.

2. Pollution Control Measures

Ecological environment can be defined as the complex aggregate of all external conditions, which affect the life, development and survival of all organisms. Any unfavorable alteration of this natural environment is called environmental pollution. Rapid industrialization has drastically damaged the quality of our natural environment.

The disposal of wastes, emission of gas from factory chimneys has also created severe problems of air and water pollution. The Government under the banner of rapid industrialization drive, had allowed industrialists to start new factories anywhere and everywhere in the country.

Though pollution control laws were there in the statute book, they were not enforced with any seriousness. Therefore, the industrial units cared very little about the pollution prevention norms prescribed, and polluted water and air recklessly.

The impact of the menace came into lime light only in 1984 when the Bhopal episode took 2,000 lives. Thereafter, the Government began to take serious steps to prevent this damage done to the ecological environment. Of the various measures the following are noteworthy.

1. Environment (Protection) Act

The Government passed the Environment (Protection) Act in 1986, which gives wide powers to the Government to take punitive action against erring industrialists. Even Government organizations and departments (Public Sector Units) are not exempted from the purview of the punishment.

2. Amendments to Air (Prevention and Control of Pollution) Act, 1981

The Government has introduced certain amendments in the Air (Prevention and Control of Pollution) Act in 1987 with a view to make the law more effective and severe.

3. Amendments to Water (Prevention and Control of Pollution) Act, 1974

The Government has also introduced certain amendments in the Water (Prevention and Control of Pollution) Act in 1988 to remove administrative and practical difficulties that emerged over the years after the enforcement of the Act.

4. Ministry of Environment

The then Prime Minister Mrs. Indira Gandhi appointed a High Power Committee to advise Government on this important issue. On the basis