

SUBJECT- PRINCIPLES OF ECONOMICS

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SOCIALISM : DEFINITION AND FEATURES

* MEANING & DEFINITION

Socialism is an alternative to capitalism, but the widest appeal. A Swedish king once said to his Council of ministers that - "If one is not a socialist up to the age of twenty five, it shows that he has no heart; but if he continues to be a socialist after the age of 25, he has no head."

At present socialism seems to have caught the imagination of the youth all over the world.

* DEFINITION:-

1. The word socialism has been defined as "such type of socialist economy under which economic system is not only regulated by the government to ensure, welfare equity of opportunity and social justice to the people."
2. According to Mr. Webb:
"A socialised industry is one in which the national instruments of production are owned by public authority or voluntary association and operated not with a view to profiting by sale to

other people but for the direct service of those whom the authority or association represents."

This definition does not correspond to the present notion of socialism, because it does not imply any idea of planning.

3. Prof. Dickinson has defined socialism as such:

"Socialism is an economic organisation of society in which the material means of production are owned by the whole community and operated by representatives of the people, who are responsible to the community according to a general plan, all the members of community being entitled to the benefits from results of such socialised, planned production, on the basis of equal rights."

There is no complete agreement as to what exactly socialism is. But the definition given by Prof. Dickinson seems to be better.

Economists have compared socialism as a hat which has lost its shape because every body wears it. It has been aptly remarked that, "Socialism has been called many things and many things have been called socialism."

* MAIN FEATURES OF SOCIALISM:

A socialist economy has the following features:

1. Socialism is social or collective ownership of resources:

In such an economy, all the means of production are owned and operated by the state in the interest of society as a

whole. This is to ensure equality of opportunity to all the citizens with regard to earning of income. This is also aimed at full and efficient utilisation of the country's resources.

2. It is a Fully Planned Economy:

A socialist economy is necessarily a fully planned economy otherwise the economic system cannot run. There is a choice between centralised and decentralised planning. All socialist economies were fully planned economies.

3. It is the Responsibility of the central planning Authority:

Planning is the responsibility of an authority at the centre. It may be known as the planning Commission in India or the Gosplan in the U.S.S.R. The main task given to this body is to formulate long-term and short-term plans for the economy.

4. It has Definite Aims and Objectives:

Socialist economy has specified aims or objectives. Generally, they are included in the constitution itself but ^{these are} given specific shape by the planners. As far as possible the objectives are clearly and quantitatively defined. The complementarity or complementary among these objectives is explicitly noted. This is meant to bring planning nearer to reality.

5. Specific Long-Term Plans:

The central planning authority is given the responsibility to chalk out specific long-term plans for the country. These long-term plans are called "Perspective Plans". These may range from

twenty to thirty years. These are in the nature of a blueprint of the path the economies have to follow in the near future. These perspective plans may be modified with changes in basic structure and objectives of the economy. This requires the use of input and output and activity analysis.

6. Central Control and ownership:-

A fully planned economy is by implication a controlled economy. Government controls the main aspects of all economic activity. There are controls on production through licensing. Consumption is also controlled indirectly through controlled production. There are existing controls generally operated through the central bank of the economy. Then there are controls on distribution. Government may have a public distribution system. It may have direct procurement and sale of essential commodities through fair price shops. However, the nature of controls and their intensity shall depend upon the economic conditions in the economy.

7. Much Less Importance of price mechanism:-

A socialist economy gives much less importance to market forces and therefore, the price mechanism is given a minor role in resource allocation. A specific plan based on social needs guides the process of resource allocation. Private

Profit is not allowed. Public interest is given more importance. The means of production are directed by the Government and are used in promoting the general welfare of the people.

8. People's Co-operation is Essential:

A socialist economy is run with the active co-operation of the people in the fulfillment of Plan targets. No plan can possibly succeed without people's participation. The plan is prepared and implemented by the government but the main targets of the different activities in the plan are fixed by taking into account the resources which people will be able to mobilise. To encourage the people to participate in plan implementation, the government may provide special incentives.

In short, a socialist economy is not run by the impersonal forces of supply and demand. It is a scientifically planned economy. At such its main features are quite different from those of Capitalistic economy.