

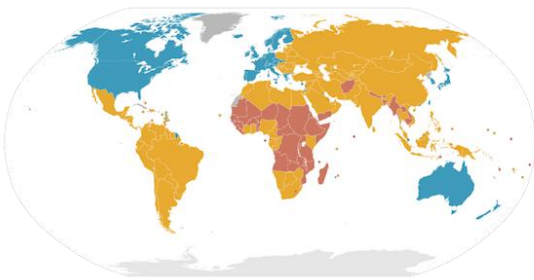
Capitalistic and Socialistic Economy

Developed Economy

A developed economy is an economy (country) with a high level of economic activity characterized by high per capita income or per capita gross domestic product (GDP), high level of industrialization, developed infrastructure, technological advancement, a relatively high rank in human development, health and education

Developing Economy

I have running water and access to electricity in my house. Does that make my own economy developed? How about if I have several major industries working within twenty miles of me? No one really has a definition for what a developing economy is. The United Nations, for instance, has stated there is no objective way of defining the term.



As a rule, though, a **developing economy** is one where people have a lower standard of living and less developed industries than other countries. However, it's all relative. Nineteenth-century Britain was the most developed country in the world, but if you put it into the modern world it might be considered a developing economy.

What is capitalism

Capitalism or capitalist economy is referred to as the economic system where the factors of production such as capital goods, labour, natural resources, and entrepreneurship are controlled and regulated by private businesses.

In a capitalist economy, the production of all the goods and services is dependent on the demand and supply in the market that is also known as a market economy. It is different from the central planning system that is also known as a command economy or a planned economy.

The main characteristic of a capitalist economy is the motive of earning profit. The capitalist economy is also characterised by the presence of free markets and lack of participation by the government in regulating the business.

The origin of capitalism can be traced back to 18th century England that was undergoing the industrial revolution at that time. As there is no government intervention in this type of economy, it is also known as a free market economy.

Socialist Economy

In a socialist economy, the setup is exactly opposite to that of a capitalist economy. In such an economy the factors of production are all state-owned. So all the factories, machinery, plants, capital, etc. is owned by a community in control of the State.

All citizens get the benefits from the production of goods and services on the basis of equal rights. Hence this type of economy is also known as the Command Economy.

So basically in a socialist economy, private companies or individuals are not allowed to freely manufacture the goods and services. And the production occurs according to the needs of the society and at the command of the State or the Planning Authorities. The market and the factors of supply and demand will play no role here.

The ultimate aim of a socialist economy is to ensure the maximization of wealth of a whole community, a whole country. It aims to have an equal distribution of wealth amongst all its citizens, not just the welfare of its richest companies and individuals.

Mixed Economy and Per Capita Income

Mixed Economy

Economies all across the globe are nothing but mixed economies. The two end factors of the spectrum are Capitalism and Socialism. When the features of both these ends are combined, we get a mixed economy. Now, we will explore what is a mixed economy with its features and merits. As denoted by the name, a mixed economy combines both the command and market economy. Therefore, it follows the price mechanism alongside central economic planning. The production means are decided by private and public ownership. However, it is the market forces that set the price, demand and supply. The government intervenes to eliminate the possibilities of monopolization and discrimination.

A mixed economy definition exists to handle the cons of a capitalist or socialist economy. The mixed economy system aims to come up with a unique solution. It

supports the concept of liberty towards private ownership. The mixed economy also notes the demerits of capitalism. It comes up with proposals to the government to avoid any discrimination among the citizens.

Open Economy

An open economy is one which deals with other countries through distinct methods. Till now, we had not contemplated this feature and just restricted to a closed economy in which there are no connections with the rest of the world in order to ease our analysis and elucidate the basic macroeconomic systems.

Closed Economy

A closed economy is one that has no trading activity with outside economies. The closed economy is therefore entirely self-sufficient, which means no imports come into the country and no exports leave the country. The goal of a closed economy is to provide domestic consumers with everything they need from within the country's borders.

World Bank Per Capita Income

The World Bank classifies economies for analytical purposes into four income groups: low, lower-middle, upper-middle, and high income. For this purpose it uses gross national income (GNI) per capita data in U.S. dollars, converted from local currency using the World Bank Atlas method, which is applied to smooth exchange rate fluctuations.

Estimates of GNI are obtained from economists in World Bank country units who rely primarily on official data published by the countries; the size of the population is estimated by World Bank demographers from a variety of sources, including the UN's biennial World Population Prospects.

Countries are classified each year on July 1, based on the estimate of their GNI per capita for the previous calendar year. Income groupings remain fixed for the entire World Bank fiscal year (i.e., until July 1 of the following year), even if GNI per capita estimates are revised in the meantime.

Prior to FY19, the income category of a country was not one of the factors which influenced lending decisions. Starting in FY19, there will be surcharges in IBRD loan pricing for High income countries as described in the Development Committee Paper "Sustainable Finance for Sustainable Development"

Economic Growth

Economic growth means an increase in real GDP – which means an increase in the value of national output/national expenditure.

Economic growth is an important macro-economic objective because it enables increased living standards, improved tax revenues and helps to create new jobs.

Aspects of economic growth

- Causes of economic growth
- Costs/benefits of economic growth
- Policies to improve economic growth
- Different types of economic growth
- Recessions (negative economic growth)

What Is Economic Development?

You most likely help fund economic development every time you purchase something at the store and pay local or state sales tax. That cup of coffee, those new shoes you bought, or the real estate taxes you may pay, all usually have a percentage of the sales going towards economic development projects or initiatives.

In general, **economic development** is usually the focus of federal, state, and local governments to improve our standard of living through the creation of jobs, the support of innovation and new ideas, the creation of higher wealth, and the creation of an overall better quality of life. Economic development is often defined by others based on what it is trying to accomplish. Many times these objectives include building or improving infrastructure such as roads, bridges, etc.; improving our education system through new schools; enhancing our public safety through fire and police service; or incentivizing new businesses to open a location in a community.

Maharatna and Navratna Company

Concept of Per Capita Income

Income from Domestic Product Accruing to Private Sector:

This refers to that part of the domestic product at factor cost which accrues to the private sector of the economy. It is estimated as follows:

NDP_FC - Income from domestic product accruing to Government – savings of non departmental enterprises.

Private Income:

It refers to the income earned by the individuals from whatever source within the domestic territory of the country and abroad. It is obtained as follows;

Private Income = Income from domestic sources accruing to private sector - NFIA + Net Current transfers from the rest of the world + Current Transfers from the Government + Interest on National Debt.

Personal Income:

This is the aggregate money payments actually received by the individuals or households within the domestic territory of the country during an accounting year.

Some part of the national income is actually not received by individual. For example corporate income taxes are a part of national income but they are not received by the individuals. So to arrive at personal income corporate taxes must be subtracted from National Income. Similarly social security contributions, undistributed corporate profits etc. are reduced from the national Income.

Then, there are some incomes received which are not currently earned (e.g., transfer payments, which include old-age pensions, unemployment relief, other relief payments, interest payment on the public debt, etc.)

So we arrive at Personal Income with following formula:

Personal Income = National Income – Social Security Contributions – Corporate Income Taxes – Undistributed Corporate Profits + Transfer Payments

Disposable Income DI

The Personal income is the income of an individual. He / she pays personal taxes , property taxes etc. and after that whatever left to him or her is Disposable Income.

Personal Income – Personal taxes = Disposable Income

There is another formula:

Disposable Income = Consumption + saving

Defining Human Development

Human development refers to the physical, cognitive, and psychosocial development of humans throughout the lifespan. What types of development are involved in each of these three domains, or areas, of life? Physical development involves growth and changes in the body and brain, the senses, motor skills, and health and wellness. Cognitive development involves learning, attention, memory, language, thinking, reasoning, and creativity. Psychosocial development involves emotions, personality, and social relationships.

Maharatna, Navratna, and Miniratna

- Miniratna, Navratna and Maharatna Status are given to PSUs depending on their success.
- Department of Public Enterprises under Ministry of Heavy Industries & Public Enterprises grants these status.

Navratna Status:

- The Government had introduced Navratna scheme, in 1997, to identify CPSEs that had comparative advantages and to support them in their drive to become global giants.
- The Boards of Navratna CPSEs have been delegated powers in following areas:
 - Capital expenditure,
 - Investment in joint ventures / subsidiaries,
 - Mergers & acquisition and
 - Human resources management, etc.

At present there are 16 Navratna companies:

- Bharat Electronics Limited (BEL)

- Container Corporation of India Limited
- Engineers India Limited
- Hindustan Aeronautics Limited
- Hindustan Petroleum Corporation Limited
- Mahanagar Telephone Nigam Limited
- National Aluminium Company Limited
- National Buildings Construction Corporation Limited
- NMDC Limited
- Neyveli Lignite Corporation Limited
- Oil India Limited
- Power Finance Corporation Limited
- Power Grid Corporation of India Limited
- Rashtriya Ispat Nigam Limited
- Rural Electrification Corporation Limited
- Shipping Corporation of India Limited

Maharatna Status:

- The “Maharatna” category for CPSEs was introduced in 2009 with objective to empower mega CPSEs to expand their operations and emerge as global giants or become Indian Multinational Companies (MNCs).
- At present, there are **Eight** Maharatna companies:
 - Bharat Heavy Electricals (BHEL),
 - Coal India (CIL),
 - GAIL (India),
 - Indian Oil Corporation Limited,
 - NTPC,
 - Oil and Natural Gas Corporation (ONGC)
 - Steel Authority of India (SAIL)
 - Bharat Petroleum Corporation Limited
- Maharatna and Navaratna state-owned units operate in strategic fields such as coal, petroleum, steel, heavy engineering, telecommunications, power supply and transportation services.

Criteria for Maharatna status

Under government rules, Central Public Sector Enterprises (CPSEs) must fulfill following criteria for grant of Maharatna status.

- Having Navratna status.
- Average annual turnover of more than Rs. 25,000 crore, during last 3 years.
- Average annual net worth of more than Rs. 15,000 crore, during last 3 years.
- Average annual net profit after tax of more than Rs. 5,000 crore, during last 3 years.
- Should have significant global presence and international operations.

- Listed on Indian stock exchange with minimum prescribed public shareholding limit under SEBI regulations.

List of Maharatna Companies in India

1. Bharat Heavy Electricals Limited
2. Bharat Petroleum Corporation Limited
3. Coal India Limited
4. GAIL (India) Limited
5. Hindustan Petroleum Corporation Limited
6. Indian Oil Corporation Limited
7. NTPC Limited
8. Oil & Natural Gas Corporation Limited
9. Power Grid Corporation of India Limited
10. Steel Authority of India Limited

List of Navratna Companies in India

1. Bharat Electronics Limited
2. Container Corporation of India Limited
3. Engineers India Limited
4. Hindustan Aeronautics Limited
5. Mahanagar Telephone Nigam Limited
6. National Aluminium Company Limited
7. NBCC (India) Limited
8. NMDC Limited
9. NLC India Limited
10. Oil India Limited
11. Power Finance Corporation Limited
12. Rashtriya Ispat Nigam Limited
13. Rural Electrification Corporation Limited
14. Shipping Corporation of India Limited

List of Miniratna

1. Airports Authority of India
2. Antrix Corporation Limited
3. Balmer Lawrie & Co. Limited
4. Bharat Coking Coal Limited
5. Bharat Dynamics Limited
6. BEML Limited
7. Bharat Sanchar Nigam Limited
8. Bridge & Roof Company (India) Limited
9. Central Warehousing Corporation
10. Central Coalfields Limited
11. Central Mine Planning & Design Institute Limited
12. Chennai Petroleum Corporation Limited
13. Cochin Shipyard Limited
14. EdCIL (India) Limited
15. Kamarajar Port Limited

16. Garden Reach Shipbuilders & Engineers Limited
17. Goa Shipyard Limited
18. Hindustan Copper Limited
19. HLL Lifecare Limited
20. Hindustan Newsprint Limited
21. Hindustan Paper Corporation Limited
22. Housing & Urban Development Corporation Limited
23. HSCC (India) Limited
24. India Tourism Development Corporation Limited
25. Indian Rare Earths Limited