

Advantages and Disadvantages of Planned Economy.

Advantages	Disadvantages
<ul style="list-style-type: none"> The distribution of wealth is more equal because goods and services can be priced so that everyone can afford them and because no individual can become very rich without making a profit. 	<ul style="list-style-type: none"> People cannot bring about the production of goods and services through demand.
<ul style="list-style-type: none"> Because the state owns all of the factor of production, any 'profit' can be re-distributed so that the people who contribute to the profit can benefit from it. 	<ul style="list-style-type: none"> Planners may not know consumer wants and may make wrong decisions leading to shortages of some goods and services and surpluses of others.
<ul style="list-style-type: none"> Scarce resources can be allocated to the production of necessities like basic foodstuffs and not luxuries. 	<ul style="list-style-type: none"> Many planners and administration are needed to run the system. It leads to slow decisions, red tape and corruption.
<ul style="list-style-type: none"> Factors of production can be organized to produce public goods and merit goods and services like education and health in the quantities the gov't thinks best for the production. 	<ul style="list-style-type: none"> Because all profits go to the state, people may have few financial incentives to work efficiently and productively. As a result the quality of goods and services would be low.
<ul style="list-style-type: none"> Goods and services would not be produced by the market economy system may be provided by a planned economy. These include social, educational and cultural developments. 	<ul style="list-style-type: none"> The gov't decides what is a luxury and what is necessity. However, there is sometimes a difference of opinion about what is necessity or luxury, e.g. is a car a luxury or a necessity?
<ul style="list-style-type: none"> The gov't can make sure that factories do not cause pollution and that people work in healthy and safe conditions. 	<ul style="list-style-type: none"> Planned economy system allocate a large propoertion of scarce resources in producing capital goods and not consumer goods. This means present-day consumers have a lower standard of living.
<ul style="list-style-type: none"> In planned economy system, gov't has the power to fix prices and quantities. This means that where production is controlled by the gov't, consumers will not be charged with higher prices. Private monopolist, who may exploits consumers with higher prices in order to obtain higher profits will not exist. 	<ul style="list-style-type: none"> There is a lack of personal freedom. People do not get the chance to choose their career but have to accept the job which the gov't allocate to them.
	<ul style="list-style-type: none"> A lack of economic freedom coexists with a lack of political freedom. The state interferes in almost every aspect of human life.

