

What role does Individualism play in the Mixed Economy?



- **Mixed Economy**: combines features of both the private and public enterprises
 - **Democratic Socialism** which implements many social programs
 - **Welfare Capitalism** combines private ownership with some social programs
- Based on the principle of **Interventionism** (the government intervening.)

The Structure of the Mixed Economy

- In a mixed economy basic economic questions are answered both by the supply and demand of a free market, and government regulation of the economy.

Essential features of a mixed economy are:

- Incentive of equality for all
- Public and Private ownership of property
- Government Intervention

“Today, most national economies are Mixed economies; the main difference is **the extent to which the government intervenes in the economy**. Even most communist nations such as Cuba and North Korea, allow some degree of private enterprise.”

-- THE KEY Social 33 2009 Ed., page 45, Castle Rock Research Corp.

- A mixed economy is meant to be the best the best part of both the planned and market economy (a balance between collectivism and individualism.)



Finding a compromise . . .

COMMAND ECONOMY

- ✓ Stable; no unemployment
- ✓ No inflation; no competition
- ✓ Reduces disparity
- ✓ Everyone considered equal
- ✓ Means of production are shared
- ✓ Less risk
- ✓ Basic needs are met
- ✓ Gov't social programs

MARKET ECONOMY

- ✓ Competition = better selection, lower price
- ✓ Private ownership = profit goes to business owner
- ✓ Supply & Demand (Citizens have say in econ. decisions)
- ✓ Profit Motive (more incentive to work hard)
- ✓ Higher quality goods
- ✓ Less gov't intervention

The Essentials of a Mixed Economy

1. Incentive: Equality for All

- Government regulations ensure that all citizens will have their basic needs met (will maintain a good standard of living.)
- Mixed economies seek equality by attempting to redistribute individual wealth through progressive taxation.
- The more you make, the more you pay.

2. Balancing Private & Public Ownership

- Private ownership & the profit motive provide incentive.
- Public ownership is usually limited to industries of national importance.
Eg. Utilities, resources, banks
- There is usually more private enterprise than public enterprise in a mixed economy.
- In mixed economies, joint ownership, is often seen as the best practice.

2. Balancing Private & Public Ownership (cont'd...)

- Joint ownership offsets the high start up costs, boosts the economy through job creation, fuels the economy as wages are taxed and spent.
Eg. Alberta Tar Sands Project
- The government gains on its investment as people take care of their own needs (decrease in UIC and Social Assistance)
- As demand rises, costs rise (inflation) so the government may intervene by setting higher interest rates or higher tax rates.

3. Government Intervention

- Examples include:
 - Laws to prevent monopolies, minimum wages, working conditions, pollution limits
 - Regulations to improve resource distribution, such as regulating spending. (Too much spending leads to inflation, not enough spending leads to recession.)
 - Government control can be direct or indirect. Examples:
 - **Direct control** – raising or lowering income taxes.
 - **Indirect control** – excise taxes (cigarettes, alcohol, sales tax) and value-added taxes (GST)
 - Other Government Controls
 - ~ Setting production standards
 - ~ Tax Incentives to businesses
 - ~ Subsidies to help
 - ~ Marketing boards

Challenges to the MIXED ECONOMY

■ **PAYING THE PRICE OF SOCIAL PROGRAMS**

- Progressive taxation may cause income taxes to be so high that the incentive to work hard & earn money decreases.
- High rates of taxation also encourages bartering (root canal for a tune-up) which deprives the government of revenue.

■ **HARD TIMES, HARD DECISIONS**

- Some believe we must raise taxes and decrease government spending...
- Tax increases usually hit the middle class hard – increasing the gap between wealthy and poor
- Should the government subsidize a company to keep people working, when the large company may have other assets?

■ **LARGE BUREAUCRACIES**

- Mixed economies encourage the creation of large bureaucracies. (Increased gov't intervention – increased gov't jobs)

The Growth of Interventionism

(also available as handout)

- Crossing the “tightrope of life” from one side to the other was difficult even for those who were surefooted, clear-eyed, young and strong, and highly trained. What chance did the elderly, infirm, sick, and disadvantaged have?
- In the bad old days of laissez-faire capitalism, there was virtually **nothing in place to break the fall**, and it was a long way down to a landing most unpleasant.
- As the cruel wind that was the Great Depression blew more and more innocent people off the tightrope of life, pressure mounted on the government to “do something” to relieve the suffering. Finally during the campaign for the 1932 election, **Franklin Delano Roosevelt** – FDR – promised the American people a “**new deal**” if they elected him. True to his word, he **abandoned laissez-faire** economics, which had held previous residents in thrall, and embraced a new economic doctrine, **INTERVENTIONISM**. By it, governments were now seen to have the right and the duty **to intervene in the economy** so as to achieve the following goals:
 - ~ full employment ~ stable prices ~ steady growth
- In addition, governments were now held responsible to the welfare of the people, all people, the poor included. So, in addition to managing the economy through controlling the level of spending, FDR initiated the **SAFETY NET**, by introducing welfare, minimum wage and pensions. From this modest beginning the safety net grew into an impressive array of **social programs** designed to provide a **minimum standard of basic services**, and supports to all citizens. What happened in the US eventually spread to Canada.

Economic Conservatism*

- **Economic Conservatism** is the variation of Conservatism that emphasizes independence over conformance.
- People in this category will tend to have stronger opinions about favoring individual initiatives (lower taxes, less corporate and environmental regulations, ...) than about enforcing the moral order (religious conformance, strict family values, lesser freedom of expression, stricter laws...).
- This variation overlaps with these ideologies:
 - Capital Republicanism
 - Conservative NeoLiberalism
 - Ultra Capitalism

Economic Liberalism*

- **Economic Liberalism** is the variation of Liberalism that emphasizes independence over nonconformance.
- People in this category will tend to have stronger opinions about favoring individual initiatives (lower taxes, less corporate and environmental regulations, ...) than about loosening the moral order (gay rights, ecology, drug legalization,...).
- This variation overlaps with these ideologies:
 - Capital Democratism
 - Progressive NeoLiberalism
 - Ultra Liberalism

Democratic Socialism*

- **Social Democratism** is a moderate form of Socialism.
- The Social Democratic current came into being by a break within the Socialist movement in the early 20th century. One reformist group of Socialists rejected the idea of a Socialist revolution, and instead tried to achieve the Socialist ideals through Democratic means.
- Social Democrats are in favor of a highly regulated Capitalist market economy, but with a strong and large government [Moderate Interdependence].
- Social Democracy is often considered the most commonly embraced political ideology in the world.

* <http://www.moral-politics.com>

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