

SHORT QUESTION

Q.1. What is economic system?

An economic system is the **way a country organizes production, distribution, and consumption of goods.**

Example: Capitalism.

Q.2. Write four features of capitalistic system.

1. Private ownership
 2. Profit motive
 3. Price mechanism
 4. Freedom of enterprise
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Q.3. Write four advantages of capitalistic system.

1. Economic freedom
 2. Efficient resource use
 3. Innovation
 4. Consumer choice
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Q.4. State four disadvantages of capitalistic system.

1. Inequality of wealth
 2. Exploitation of labour
 3. Monopoly power
 4. Economic instability
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Q.5. What is socialism?

Socialism is a system where **state owns means of production.**

Example: USSR.

Q.6. Write four characteristics of socialistic economic system.

1. Public ownership
 2. Central planning
 3. Equal distribution
 4. No private enterprise
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Q.7. State four merits of socialism.

1. Equality
 2. Social welfare
 3. No exploitation
 4. Planned economy
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Q.8. Write four disadvantages of socialism.

1. No incentives
 2. Inefficiency
 3. Lack of freedom
 4. Bureaucracy
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Q.9. In which economic system is there a central planning board?

Socialistic economic system

Q.10. Write four characteristics of mixed economic system.

1. Public and private sector
 2. Government regulation
 3. Profit + welfare motive
 4. Limited private ownership
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Q.11. Write four disadvantages of mixed economic system.

1. Policy conflicts
2. Red tape
3. Corruption

4. Slow decisions

Q.12. In which economic system is private business not allowed?

Socialism

Q.13. In which economic system does government make all economic decisions?

Socialism

Q.14. In which system is there unequal distribution of wealth?

Capitalism

Q.15. Which economic system is prevailing in our country?

Mixed economic system (Pakistan)

Example: Government industries and private businesses work together.

LONG QUESTION

Q.1. Define capitalism and describe characteristics of capitalism.

Definition of Capitalism

Capitalism is an economic system in which **means of production are privately owned**, and economic activities are guided by **profit motive and price mechanism**.

Example:

Business activities in the USA largely follow capitalism.

Characteristics of Capitalism

1. **Private Ownership of Property**
Individuals own land, factories, and machines.
Example: A person owns a textile mill.
 2. **Freedom of Enterprise**
People are free to start any business.
Example: Opening a new shop without restriction.
 3. **Profit Motive**
Main aim of business is profit.
Example: Company produces goods to earn profit.
 4. **Price Mechanism**
Prices are determined by demand and supply.
Example: Mobile prices change with demand.
 5. **Consumer Sovereignty**
Consumers decide what to produce.
Example: High demand for smartphones increases production.
 6. **Limited Government Intervention**
Government role is minimal.
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Q.2. What is socialism? Explain features of socialism.

Definition of Socialism

Socialism is an economic system in which **means of production are owned and controlled by the state**, and production is carried out for **social welfare rather than profit**.

Example:

Former USSR followed socialism.

Features of Socialism

1. **Public Ownership**
Industries are owned by government.
Example: State-owned factories.
2. **Central Planning**
Central Planning Board makes economic decisions.
Example: Production targets fixed by government.
3. **No Profit Motive**
Production is for public welfare.
Example: Subsidized food items.
4. **Equal Distribution of Wealth**
Wealth is distributed equally.
Example: Same wages for similar work.

5. **No Private Enterprise**
Private business is not allowed.
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Q.3. State the advantages and disadvantages of socialism.

Advantages of Socialism

1. **Equal distribution of wealth**
Reduces economic inequality.
 2. **Social welfare**
Basic needs are provided by the state.
Example: Free education and health.
 3. **No exploitation**
Workers are protected.
 4. **Planned development**
No waste of resources.
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Disadvantages of Socialism

1. **Lack of incentives**
No motivation to work hard.
 2. **Inefficiency**
Government management may be weak.
 3. **Limited freedom**
No choice of occupation.
 4. **Slow decision making**
Due to bureaucracy.
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Q.4. Define mixed economic system. State the characteristics of this system.

Definition of Mixed Economic System

A mixed economic system is one in which **both government and private sector participate** in economic activities.

Example:

Pakistan and India follow mixed economy.

Characteristics of Mixed Economic System

1. **Coexistence of public and private sectors**
Example: Government railways and private banks.
 2. **Limited private ownership**
Private property is allowed with restrictions.
 3. **Government control and planning**
Government regulates economy.
Example: Price controls.
 4. **Profit with welfare motive**
Both profit and social welfare are considered.
 5. **Economic freedom with regulation**
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Q.5. Describe the advantages and disadvantages of mixed economic system.

Advantages of Mixed Economic System

1. **Balanced economic growth**
 2. **Reduction of inequality**
 3. **Freedom with control**
 4. **Efficient use of resources**
 5. **Social welfare programs**
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Disadvantages of Mixed Economic System

1. **Conflict between public and private sector**
2. **Inefficiency due to over-regulation**
3. **Corruption and red tape**
4. **Slow economic decisions**