



Q5. Distinguish between a centrally planned economy and a market economy.

Ans:

	Points of Difference	Centrally Planned Economy	Market Economy
1.	Ownership of factors of production	Factors of production are publically owned; i.e., public ownership.	Factors of production are privately owned.
2.	Production motive	The motive of production is social welfare. Factors of production are publically owned; i.e., public ownership.	The main motive is profit making.
3.	Governing factor	The production is governed by planning mechanism; i.e. according to the government plans.	The production is governed by price mechanism; i.e., by demand and supply.
4.	Income distribution	The degree of inequality of income is low.	There exists unequal distribution of income.
5.	Government's role	The main role is played by the government—from production to distribution.	The main role is played by private players. They decide what to produce, while the role of a government is limited to maintaining law and order in the nation.

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