



Q2. What are the important features of a capitalist economy?

Ans: Capitalist economy is an economic system where the means of production are privately owned. These means of production are driven by the motive of profit making. This economic structure is also known as free market economy or laissez faire.

Following are the features of a capitalist economy:

1. Role of the government: The government provides the basic framework for the smooth functioning of an economy. It provides the basic framework and is responsible for maintenance of law and order, justice, growth and stability, Defence, etc.
2. Profit motive: The economic agents are driven by the prime motive of profit maximization.
3. Central problems: The central problems of an economy are solved by the market forces of demand and supply, i.e., the law of demand and supply operates here. The producers will supply only those goods and services that are demanded by the economy.
4. Role of private sector: The role of private individuals is more dominant. The main role of undertaking production and organizing factors of production are played by the private individuals and capitalists.
5. Laissez-faire: This economy is also called 'laissez-faire'. It has minimum interference or restriction from the government.

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