

Difference between capitalism and socialism essay sample



**ASSIGN
BUSTER**

Differentiate between capitalism and socialism and indicate which of the two socio-economic systems is more appropriate for sustained growth and development

INTRODUCTION

1. This essay shall bring out the difference between capitalism and socialism. In so doing, first, the terminologies used shall be defined and some quotes noted by early writers. The full differences between the two socio-economic systems will be discussed after which a more appropriate system will be selected and thereafter, a conclusion will be drawn.

“ ordinary people are deemed competent enough to select their political leaders-but not their bosses. Contemporary capitalism celebrates democracy, yet denies us our democratic rights at precisely the point where they might be utilized most immediately and concretely: at the place where we spend most of the active and alert hours of our adult lives.”

2. Definitions. The following are the definitions of particular words used in the essay:

a. Capitalism. An economic and political system in which a country's trade and industry are controlled by private owners for profit.

b. Socialism. A political and economic theory of that advocates that the means of production, distribution, and exchange should be owned or regulated. In Marxist theory, it is a transitional social state between the

overthrow of capitalism and the realization of communism. c. A Product. A product is any good produced for exchange on a market. d. Commodity. A

<https://assignbuster.com/difference-between-capitalism-and-socialism-essay-sample/>

commodity refers to any good exchanged in a market, but more recently refers solely to standard products such as raw materials. e. Capital Goods. These are the means of production including intermediate goods such as raw materials, tools, industrial machines, vehicles and factories, f. Consumer Goods. Goods that are sold to other e. g televisions, cars, computers, houses. g. Esprit de corps. A common spirit of comradeship, enthusiasm, and devotion to a cause among the members of a group. Capitalism

2. From the definition, Capitalism is an economic system that is based on the private ownership of capital goods, or the means of production, and the creation of goods and services for profit. The elements that are central to Capitalism include capital accumulation, competitive markets, and a price system. There are also multiple variants of capitalism and these include, laissez-faire, welfare capitalism and state capitalism. Capitalism is considered to have been applied in a variety of historical cases, varying in time, geography, politics, and culture. There is general agreement that capitalism became dominant in the Western world following the demise of feudalism. Nearly all modern capitalist nations actually have mixed economies, and use a blend of capitalist ideas and other systems. While some aspects of the economy may be left alone, others, such as wages or safety procedures, may be carefully monitored by the government. There are at least four main types of capitalism, although different countries use variations of each:

a. Market systems operate with limited interference from the government, allowing supply and demand to create a balanced market. b. Corporate systems rely heavily on capital moving through large, powerful, for-profit

<https://assignbuster.com/difference-between-capitalism-and-socialism-essay-sample/>

corporations. c. Social market systems typically include more government involvement in social welfare systems and public services. d. State-led systems are different from the others in that the government owns the means of production, but runs them in order to make a profit.

3. Also known as the free market system, capitalism requires unregulated supply and demand and little or no government interference in matters of trade. Each individual is free to produce what he or she wants and to sell it at whatever price the market will support. These decisions are typically made by the laws of supply and demand: if there is no demand for a particular product, the producer won't be able to make a profit, but if the demand is high, he or she can sell a lot of goods. In an ideal world, everyone benefits because producers only create what people want and consumers will only pay what they think the product is worth.

The more demand there is for a product, the more goods are produced, and — ideally — the more the price goes down. In this system, competition between businesses is good for consumers because it too drives prices down and, theoretically, improves the quality of the products being sold. The unregulated market, also known as laissez-faire capitalism, occurs when the government has no control over trade and economic concerns and allows the market total freedom. No modern nation operates this way because, in practice, the system seldom works in an ideal fashion. Rather than increasing supply and driving down the price of an in-demand product, for example, a company may keep production levels low in order to continue charging higher prices. Nearly all modern “ capitalist” societies are actually

mixed economies, with government-controlled competition and labor policies in place to help protect consumers, businesses, and workers.

4. A capitalist system operates on wage labor, with people being paid in money rather than goods or services (though some companies also supplement a laborer's income with goods and services, such as stock options). Labour works according to the laws of supply and demand as well, the more available workers who can do a particular job, the less an employer will have to pay them for their work. Workers also have the freedom to sell their services to different employers so that, if one company does not treat them well, they theoretically have the ability to quit and find a job somewhere else. Since labourers must be paid for their work, a business requires some sort of start-up money, called capital, in order to run. This can come from a government loan, a private investment, or capital from another business owned by the same individual or corporation. Without capital, which is anything of value that has the capacity to create more wealth, businesses cannot survive in a capitalistic society.

One reason that pure capitalist systems tend to not work in an ideal way is because of the relationship between labour, or the working class, and the people who own the means of production, also called the owner class. The owner class tends to become more and more wealthy, while the working class is dependent on the owners for their survival. This can lead to distrust and unrest, especially in situations where workers feel like they are not being paid enough or are being treated unfairly in other ways. While workers can change jobs in theory, this is only possible if there are other jobs available and if those companies do, in fact, treat their workers better. Many countries

<https://assignbuster.com/difference-between-capitalism-and-socialism-essay-sample/>

have labour laws that regulate minimum wage, child labour, health and safety standards, and other areas of concern to help keep the balance of power between labour and owners a bit more even. 5. One of the cornerstones of this system is the right of the individual to choose what to produce, how to produce it, and what price to sell it for.

It is popular in nations that value the freedom of the individual over the stability of the society. Most modern nations use some form of capitalism, such as state, corporate, or social market. Also known as the free market system, capitalism requires unregulated supply and demand and little or no government interference in matters of trade. Each individual is free to produce what he or she wants and to sell it at whatever price the market will support. These decisions are typically made by the laws of supply and demand. If there is no demand for a particular product, the producer won't be able to make a profit, but if the demand is high, he or she can sell a lot of goods. In an ideal world, everyone benefits because producers only create what people want and consumers will only pay what they think the product is worth. The more demand there is for a product, the more goods are produced, and ideally, the more the price goes down. In this system, competition between businesses is good for consumers because it too drives prices down and, theoretically, improves the quality of the products being sold.

Socialisation

6. The original conception of socialism was an economic system whereby production was organised in a way to directly produce goods and services for their utility, the use-value in classical and Marxian economics. The direct <https://assignbuster.com/difference-between-capitalism-and-socialism-essay-sample/>

allocation of resources in terms of physical units as opposed to financial calculation and the economic laws of capitalism, often entailing the end of capitalistic economic categories such as rent, interest, profit and money. In a fully developed socialist economy, production and balancing factor inputs with outputs becomes a technical process to be undertaken by engineers. Socialism is economically grouped into four categories and these are:

- a. Planned Economy.
- b. Self-managed Economy.
- c. State Directed Economy.
- d. Market Socialism.

Market socialism refers to an array of different economic theories and systems that utilise the market mechanism to organise production and to allocate factor inputs among socially owned enterprises, with the economic surplus accruing to society in a social dividend as opposed to private capital owners. The ownership of the means of production can be based on direct ownership by the users of the productive property through worker cooperative, or commonly owned by all of society with management and control delegated to those who operate and use the means of production, or public ownership by a state apparatus. Public ownership may refer to the creation of state-owned enterprises, nationalisation, municipalisation or autonomous collective institutions. The fundamental feature of a socialist economy is that publicly owned, worker-run institutions produce goods and services in at least the commanding heights of the economy.

Management and control over the activities of enterprises are based on self-management and self-governance, with equal power-relations in the workplace to maximise occupational autonomy. A socialist form of organisation would eliminate controlling hierarchies so that only a hierarchy based on technical knowledge in the workplace remains. Every member would have decision-making power in the firm and would be able to participate in establishing its overall policy objectives. The policies/goals would be carried out by the technical specialists that form the coordinating hierarchy of the firm, who would establish plans or directives for the work community to accomplish these goals.

Criticism of capitalism

6. The two major criticisms of capitalism are associated with social inequality and unfair distribution of wealth and power. A tendency toward market monopoly or oligopoly (and government by oligarchy); imperialism, counter-revolutionary wars and various forms of economic and cultural exploitation; materialism; repression of workers and trade unionists; social alienation; economic inequality; unemployment; and economic instability. Individual property rights have also been associated with the tragedy of the anti-commons.

7. Marxists have advocated a revolutionary overthrow of capitalism that would lead to socialism, before eventually transforming into communism. Many socialists consider capitalism to be irrational, in that production and the direction of the economy are unplanned, creating many inconsistencies and internal contradictions. Labor historians and scholars such as Immanuel

Wallerstein have argued that unfree labor by slaves, indentured servants, prisoners, and other coerced persons is compatible with capitalist relations. Many aspects of capitalism have come under attack from the anti-globalization movement, which is primarily opposed to corporate capitalism. Environmentalists argue that capitalism requires continual economic growth, and that it will inevitably deplete the finite natural resources of the Earth. At the same time, many religions criticize and oppose specific elements of capitalism. Traditional Judaism, Christianity, and Islam forbid lending money at interest, although alternative methods of banking have been developed. Some Christians have criticized capitalism for its materialist aspects and its inability to account for the wellbeing of all people. Many of Jesus's parables deal with clearly economic concerns: farming, shepherding, being in debt, doing hard labor, being excluded from banquets and the houses of the rich, and have implications for wealth and power distribution.

Why Socialism

8. Having looked at both Capitalism and Socialism, there are a number of reasons as to why the socialism socio-economic system would be more appropriate for sustained growth and development. First it is important to point out that socialism is an economic system and not a political one. There is nothing about Socialism that is unconstitutional, illegal, or in any ways hinders a democracy. Socialism takes the ownership, responsibility, and benefits of resources and the means of productions out of the hands of the elite few and puts them under the collective hands of the people. Contrary to popular belief, this actually increases the quality of goods produced, etc. With socialism the workers themselves own the companies, resources, and

means of productions so they have a very real connection and vested interest in the well-being of said companies, etc. Socialism creates community values and reinforces the idea of esprit de corps instead of each man fending for himself at any cost.

This tends to have positive social benefits while equally distributing the work load. Socialism creates an egalitarian society and when done right, raises the standard of living for the entire nation as a whole. Socialism would free workers from wage slavery and at the same time raise the level of education and health services and make them available for all citizens thereby raising the overall quality of life for the entire nation thereby resulting in healthier citizens by increasing the access to healthy food, better nutrition, and healthy lifestyle not available or encouraged under a capitalist regime. Under socialism need would drive production not profit which means those services and goods which were most needed but which yield little profit in the past would be available including lifesaving medicines, new technologies, and better food sources. Socialism would end the monopolies and tyrannies of mega-corporations. Socialism creates a sustainable society that can build and flourish both for the current generation as well as those to come, unlike capitalism. themselves within society based on what they own rather than what they do.

Socialism is considered to be based on what benefits society as a whole rather than what benefits the individual. In a socialist state, the government owns most or all of the means of production and goods are produced based on what people need rather than to produce a profit. Ideally, this means that wealth is distributed evenly and there is no unemployment. As with <https://assignbuster.com/difference-between-capitalism-and-socialism-essay-sample/>

capitalism, however, the system rarely works in an ideal fashion, and there are many different forms of socialism practiced in reality. True socialism, when done correctly, helps to end political unrest because it gives everyone a chance to participate in the system letting their voices be heard and their needs met in the most efficient and complete way possible.

BIBLIOGRAPHY

Schweickart, David (July 23, 2002). “ Chapter 5: Economic Democracy: Why We Need It; 5. 7: Ecology, p. 156. Rowman & Littlefield Publishers

[1]. Schweickart, David (July 23, 2002). “ Chapter 5: Economic Democracy: Why We Need It; 5. 7: Ecology, p. 156. [2]. Laissez-faire, named for a French term that means “ let it be”