

Good example of essay on relationship between capitalism and socialism

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Every society develops according to certain rules and laws without which the very existence of this society as a system would be next to impossible. Such notions as capitalism and socialism, that are connected with development and functioning of a society, have penetrated into public consciousness centuries ago, but, curiously enough, many people don't understand what is meant by these concepts and how they influence public life. Our aim is to clarify basic principles of both systems and to show how they are connected. Some people can falsely consider that capitalism and socialism are absolutely different notions that have hostile relations. But it is incorrect to state that until we define both concepts and disclose their typical features. According to the definition given to capitalism by its followers (Capitalism, n. d.), "it is a social system based on the recognition of individual rights, including property rights, in which all property is privately owned". This is a system of free competition, in which there are strict rules and laws used for regulations of relations in the society. The main criterion for economic decision-making in capitalism is the desire to increase the capital, to make a profit.

Socialism differs from capitalism in that fact that it is a political term applied to an economic system, typical feature of which is common property instead of individual one, in which property is held in common and not individually, and relationships are settled by political bodies like government (A definition of socialism, n. d.). This economic, social and political system is characterized by public ownership of the means of production, which substitutes private property.

Socialism is a payment for labor; capitalism is a payment for owning

something, for example, position, rank, land, means of labor and so on.

Systematic difference between capitalism and socialism depends on the fact, what is considered to be “economically closed system” and accordingly, the evaluation of its “efficiency”. We can draw a parallel between isolated system in thermodynamics and isolated system in economics. In the first case we deal with physical energy, and in the second – economic power. In a capitalist economy each individual enterprise is considered to be a closed system, while in the socialist economy it is the society as a whole. So we can explain high efficiency of private owners who merely shift their spending (mainly in the social sphere) on to the rest of the society.

The simplest example is the increase of productivity by reducing the number of employees. It is obvious that from the point of view of private owners dismissing of half of the employees for maintaining of productivity is a very effective step. And from the point of view of the society the private trader leaves hundreds of unemployed people on the street and makes society to be responsible for them. Thus, the increase of private owner productivity is realized at the expense of all the citizens.

The situation with productivity is also no longer clear. It is good for a private owner when all the work at his factory can be done by 500 workers instead of 1000. What should these people do? It is not owner's problem. In a socialist economy the future of these workers is predictable – they will be employed. But in capitalist society they only can get welfare payment. On the one hand, socialism is more favorable to each separate representative of the society. But in capitalism, on the other hand, you have your own property and you don't need to share it with other citizens.

The cornerstone in capitalistic and socialistic policy is economic equality of the citizens and the role of the government in the country. Those who support capitalistic point of view consider that it is better for society to function without government, as it cannot use available economic resources in the most efficient way. At the same time entrepreneurs know what to do with resources to increase productivity and create free market, where customers will decide whom to pay for goods and service. The followers of socialism think that the best option for society is economic equality that is impossible with private ownership. It is the government that is responsible for achieving equality by special governmental programs that benefit poor strata of the society. According to their point of view, the rich should pay high taxes and the poor should have access to free education, medical care, social guarantees for aged people.

It is necessary to understand that there are no pure socialist or capitalistic societies. They both may exist in the same country but each system will be represented by certain number of elements. Capitalism leads to the appearance of free market economy. But there is a necessity in government for strict control and observing whether the rules and laws are followed (The Characteristics of Capitalism and Socialism, n. d.). According to socialistic ideology, capital in ownership of state is a basis for equity in any society. You are working not for your own profit, but for wealth, that should be divided among citizens. Government plays an essential role in socialism because it decides how to distribute profit and imposes high taxes to even people's wealth. In other words, capitalism is for well-to-do people and socialism is for poor, often unemployed or retired people.

We should understand that there are no perfect systems; both of them are characterized by certain demerits. In capitalism hard working people are appreciated and their toil is rewarded. Private organizations supply countries with a wide range of goods, hence, customers always have a choice. These are enterprises and clients who rule the market. Socialism in its turn takes care of every “vulnerable” representative of the society and tries to help him in every possible way.

Thus, it is typical for a country to have mixed economy, in which there is place for both – capitalism and socialism. Capitalism doesn't take much care of people but is aimed at achieving profit and making rich people even richer. Socialism, being fair and equitable, is not always profitable and rewarding for entrepreneurs.

References

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