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## **CAPITALISM**

### ***Sample Material***

At the very foundation of a capitalist system is the belief in economic freedom. This freedom has two dimensions: freedom of economic choice and freedom of enterprise. Freedom of choice means that in a world of scarce resources the individual is free to make his own economic decisions. Consumers, workers, savers, producers, etc., all are free to make the economic choices that will impact their lives. Freedom of enterprise is usually more narrowly defined as the freedom to own and operate a business. It also entails the freedom to make all business decisions, limited only by competition and the interplay of the forces of supply and demand in the market place. Due to the concept of economic freedom, the basic economic questions are answered in a market (capitalist) system by individuals acting in their own interest in the market place.

Central to the belief in economic freedom is the concept of private property. Goods and services and factors of production are privately held by individuals. As owners of productive resources, individuals are free to utilize or dispose of their property as they see fit. Thus, individual ownership includes the right to reap the rewards or suffer the risks of economic decision making. As owners of the factors of production, individuals may be rewarded with "rent" for the use of their "land," "wages" for the use of their "labour," "interest" as a return on their "capital," and "profit" as a reward for their "entrepreneurship." The opposite of private ownership is public (or government) ownership of the means of production. Public ownership precludes individual decision making, thus limiting the economic choices of the individual.

Individual decisions in a capitalist economy are directly influenced by self interest. Self interest is pursued by responding to a system of economic incentives. Positive economic incentives encourage economic decision makers and negative economic incentives discourage economic decision makers. These economic incentives guide resource allocation toward the production of goods and services that society wants and away from the production of goods and services not desired by society. In this manner, a business owner pursuing his own economic self interest would benefit society as a whole. The desire for profit would direct him to put his productive resources into the production of goods and services commanding a high demand in the marketplace. The desire to avoid losses would discourage him from putting productive resources into the production of goods and services that people did not want. In the same manner, consumers seek low prices and avoid high prices for the goods they want, savers seek high interest rates and avoid low ones, workers are encouraged to engage their labour in jobs that command high wages and shift their labour away from those occupations that pay low wages or in which there is a high degree of unemployment. Responding to these positive and negative incentives, economic decision makers pursue their self interest. Adam Smith, the father of capitalism, noted that if everyone pursues his own economic self interest, everyone will benefit.

Competition or economic rivalry in the marketplace is the means by which the excesses of individual self interest are controlled. To perform this very important function in a capitalist system, certain assumptions or conditions are necessary. One condition is that large numbers of buyers and sellers must be present in the market place for competition to exist. The numbers must be so large that no one buyer or seller can control the demand or supply of the good or service, therefore, the price.

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Another condition or assumption of competition is freedom of entry or exit from the marketplace. If one business exists and commands a high price for the products it sells, other producers must be able to move into the market and compete; therefore, there should be no artificial or real barriers to entry or exit from the marketplace. Another condition is knowledge of markets and prices. Consumers and producers must be aware of markets that exist and the prices of products sold in those markets. Suppose a town has many restaurants. If consumers are unaware that more than one exists, the impact of their ignorance will be that the one restaurant they are aware of will be able to monopolize the marketplace. If all the conditions for competition are present in the market place, it is believed that the benefits of competition will be lower prices, greater variety, and better quality. These are benefits desired by all consumers in the marketplace.

The desires of buyers and sellers are communicated in the market place through a price system. Buyers communicate the quantities of a good, service, or resource they are willing and able to purchase at various prices, and suppliers communicate the quantities of those items they are willing and able to sell at various prices. The interaction of the buyers and sellers results in a market price. Adam Smith believed that the market place acted as an "invisible hand" operating to balance the desires of both buyers and sellers and establish a price both could agree upon. The prices determined in the market place assist in determining the answers to the "what," "how," and "for whom" questions. If all the other characteristics are in place, capitalist (market) theory advocates a limited (laissez-faire) role for government in the economy. Government is to make and enforce the rules (laws) and settle disputes that arise between economic players. Its role is to establish a legal framework for the economic system to operate in, rather than to play a role in making economic decisions. Adam Smith believed that government intervention in the market place would interfere with the "invisible hand" and prevent the system from operating efficiently; therefore, he advocated a "laissez-faire" economic policy for government.

### **MERITS OF CAPITALISM**

1. Capitalism promotes economic growth by providing an open competition in the market. It provides individuals with far better opportunities of raising their income and thus achieving economic growth.
2. Capitalism results in a decentralized economic system. This is considered as one of the greatest advantages of capitalism. In a decentralized economy, individuals are open to more number of options in business. They are exposed to competition and have to face different challenges and find solutions to them to stay in competition. It is in a capitalist economy that hard work is rewarded. Entrepreneurs who pitch well and are able to better their business are the undoubted winners.
3. Capitalism gives rise to an economy where the consumers regulate the market. Many consider this as one of the greatest strengths of a capitalist economy. A competitive market provided by capitalism facilitates the manufacture of a wide variety of products and the formation of a wide range of services. Consumers are happier in a capitalist economy. It encourages people to work towards financial freedom.

### **DEMERITS OF CAPITALISM**

1. Some consider the fierce competition brought about by capitalism as its major drawback. They believe that a capitalist economy can give rise to unfair competition.
2. Capitalism makes an economy money-oriented. Business corporations look at the economy with a materialistic point of view. Profitability remains their only primary business goal. Business giants take over smaller companies. Employment rights are compensated with the sole aim of higher productivity.
3. Some economists believe that capitalism may lead to a depletion of the resources on Earth, as it requires continuous economic growth.

### **COMMUNISM**

Communism, fundamentally, a system of social organization in which property (especially real property and the means of production) is held in common. From that perspective, the Ejido system of the indigenous people of Mexico and the property-and-work system of the Inca were both communist, although the former was a matter of more or less independent communities cultivating their own lands in common and the latter a type of community organization within a highly organized empire.

In modern usage, the term Communism is applied to the movement that aims to overthrow the capitalist order by revolutionary means and to establish a classless society in which all goods will be socially owned. The theories of the movement come from Karl Marx, as modified by Vladimir Ilyich Lenin, leader of the successful Communist revolution in Russia. Communism, in this sense, is to be distinguished from socialism, which seeks similar ends but by evolution rather than revolution.

### **EARLY FORMS AND THEORIES**

Communism as a theory of government and social reform may be said, in a limited sense, to have begun with the ancient Greek idea of the Golden Age, a concept of a world of communal bliss and harmony without the institution of private property. Plato, in his Republic, outlined a society with communal holding of property; his concept of a hierarchical social system including slavery has by some been called "aristocratic communism."

The Neo-Platonists revived the idea of common property, which was also strong in some religious groups such as the Jewish Essenes and certain early Christian communities. These opponents of private property held that property holding was evil and irreligious and that God had created the world for the use of all humanity. The first of these ideas was particularly strong among Manichaeans and Gnostic heretics, such as the Cathari, but these concepts were also found in some orthodox Christian groups (e.g., the Franciscans). The manorial system of the middle ages included common cultivation of the fields and communal use of the village commons, which might be vigorously defended against the lord. It was partly to uphold these common rights, threatened by early agrarian capitalism, that the participants in the Peasants' Revolt (1381) in England and the insurgents of the Peasants' War in 16th-century Germany advocated common ownership of land and of the means of production.

In the 16th and 17th centuries, such intellectual works as Sir Thomas More's Utopia proposed forms of communal property ownership in reaction to what the authors felt was the selfishness and depredation of growing economic individualism. In addition, some religious groups of the early modern period advocated forms of communism, just as had certain of the early Christians. The Anabaptists under Thomas Müntzer were the real upholders of communism in the Peasants' War, and they were savagely punished for their beliefs. This same mixture of religious enthusiasm and economic reform was shown in 17th-century England by the tiny sect of the Diggers, who actually sought to put their theories into practice on common land.

### **FIRST RESPONSES TO CAPITALISM**

Capitalism, reinforced by the Industrial Revolution, which began in the 18th cent., brought about the conditions that gave rise to modern communism. Wages, hours, and factory conditions for the new industrial class were appalling, and protest grew. Although the French Revolution ended without satisfying radical demands for economic egalitarianism, the voice of François Babeuf was strongly raised against economic inequality and the power of private property. For his class consciousness and his will to revolution he has been considered the first modern communist. Although he was guillotined, his movement (Babouvism) lived on, and the organization of his secret revolutionary society on the "cell" system was to be developed later as a means of militant revolution.

In the early 19th century ardent opponents of industrial society created a wide variety of protest theories. Already what is generally known as utopian communism had been well launched by the Comte de Saint-Simon. In this era a number of advocates gathered followers, founded small cults, and attempted to launch communistic settlements, particularly in the United States. Most notable among such men were Robert Owen, Etienne Cabet, and Charles Fourier. Pierre Joseph Proudhon, although he did not adopt the principle of common ownership, exercised great influence by his attacks on the evils of private property.

A host of critics and idealistic revolutionists arose in Germany, but more important was the survival or revival of Babouvism in secret French and Italian revolutionary societies, intent on overthrowing the established governments and on setting up a new, property less society. It was among them that the terms communism and socialism were first used. They were used vaguely and more or less interchangeably, although there was a tendency to use the term socialist to denote those who merely stressed a strong state as the owner of all means of production, and the term communist for those who stressed the abolition of all private property (except immediate personal goods). Among the chief leaders of such revolutionary groups were the Frenchmen Louis Blanc and (far more radical) Louis Auguste Blanqui, both of whom played important roles in the February Revolution of 1848.

### **THE COMMUNIST MANIFESTO**

The year 1848 was also marked by the appearance of The Communist Manifesto of Karl Marx and Friedrich Engels, the primary exposition of the socioeconomic doctrine that came to be known as Marxism. It postulated the inevitability of a communist society, which would result when economic forces (the determinants of history) caused the class war; in this struggle the exploited industrial proletariat would overthrow the capitalists and establish the new classless order of social ownership. Marxian theories and programs soon came to dominate left-wing thought.

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Marx analyzed history through a “material lens”, meaning he tried to interpret historical development through the most basic way in which people live (their material, or physical reality). He therefore focused on labour, social class, and inevitably class conflict. He said that society had passed through several economic stages of development. Let us see these different stages:

**PRIMITIVE COMMUNISM:** The word primitive means 'not very advanced'. There was not much progress during this stage of the economy. Primitive communism was a period when people used to live in small groups or tribes. They used to share everything with others like food, clothes and jobs. There was no such thing as ownership existing in that era. Then a group came into force and took charge, leading to feudalism.

**FEUDALISM:** Feudalism is the advanced stage of primitive communism. Under feudalism, the economy was ruled by a chief or a king. The people were convinced that God had chosen the ruler for them, and the king was helped by the churches as well. The common people were kept illiterate and ignorant about their rights, while the 'nobles', or aristocratic class who helped the king rule were given land and other benefits. Peasants paid all the taxes while nobles paid none. Increase in trade beginning in the 13<sup>th</sup> and 14<sup>th</sup> centuries made some people more wealthy (rise of the bourgeoisie class) leading to capitalism.

**CAPITALISM:** Capitalism refers to the era in which all the power began to concentrate in the hands of business owners or traders (bourgeoisie). The workers were treated badly and exploited. The traders worked only in their interests. It was a period where the rich became richer and the poor became poorer. This led to the formation of trade unions (Sindicatos) by the workers, leading to socialism. Marx wrote his works in the mid 1800s, during the industrial revolution and a particularly exploitative time of capitalist development, thus he advocated for workers' revolutions and the development of the following two historical periods:

**SOCIALISM:** In the socialist economy, the workers take over the production and the economy (dictatorship of the proletariat). They produced things for everyone, and profit is not the primary objective of this period. All the people are supposed to benefit in this era, provided with universal education and health benefits. This stage then is supposed to later advance to communism.

**COMMUNISM:** Communism is the stage in which all people share the products of economic production equally with each other. Profit and money is not the main aim of this period. There is supposed to be total sharing and all things in abundance, and therefore no need of an army or the police. The capitalists would try to create a fight but it would be of no use. This is a utopian vision of a better future society, which Marx advocated in opposition to the abuses of industrial capitalism he saw in Europe in the 19<sup>th</sup> century.

Although the German group (founded in 1847) for which The Communist Manifesto was written was called the Communist League, the Marxist movement went forward under the name of socialism; its 19th-century history is treated in the article under that heading and under Socialist parties, in European history. Meanwhile World War I had shaken the socialist movement as a whole by splitting those who cooperated with the governments in waging the war from those who maintained a stand for revolution against all capitalist governments. Chief among the stalwart revolutionists were the Communist party in Russia and the Spartacus party (later the Communist

party) in Germany. The establishment of a working socialist state in Russia tended to give that country leadership, and Leninism grew stronger. Communist revolts immediately after the war failed in Germany, and the briefly successful Communist state under Béla Kun in Hungary was also repressed with great bloodshed.

### **COLD WAR YEARS**

In World War II the USSR became an ally of the Western capitalist nations after Germany attacked it in 1941. As part of its cooperation with the Allies, the USSR brought about (1943) the dissolution of the Comintern (communist international). Hopes for continued cooperation, intrinsic in the formation of the United Nations, were dashed, however, by a widening rift between the Soviet bloc and the Western democracies, especially the United States, after the war.

Communism had been vastly strengthened by the winning of many new nations into the zone of Soviet influence and strength in Eastern Europe. Governments strictly modelled on the Soviet Communist plan were installed in the "satellite" states—Albania, Poland, Czechoslovakia, Hungary, Bulgaria, Romania, and East Germany. A Communist government was also created under Marshal Tito in Yugoslavia, but Tito's independent policies led to the expulsion of Yugoslavia from the Cominform, which had replaced the Comintern, and Titoism was labelled deviationist.

By 1950 the Chinese Communists held all of China except Taiwan, thus controlling the most populous nation in the world. A Communist administration was also installed in North Korea, and fighting between the People's Republic of Korea (Communist) and the southern Republic of Korea exploded in the Korean War (1950–53), fought between Communist and United Nations troops. Other areas where rising Communist strength provoked dissension and in some cases actual fighting include Malaya, Laos, many nations of the Middle East and Africa, and, especially, Vietnam, where the United States intervened to aid the South Vietnamese regime against Communist guerrillas and North Vietnam (Vietnam War). In many of these poor countries, Communists attempted, with varying degrees of success, to unite with nationalist and socialist forces against Western imperialism.

After the death of Stalin in 1953 some relaxation of Soviet Communist strictures seemed to occur, and at the 20th party congress (1956) Premier Nikita Khrushchev denounced the methods of Stalin and called for a return to the principles of Lenin, thus presaging some change in Communist methods, although none in fundamental ideology. A resurgence of nationalist feeling within the Soviet bloc—as was vividly demonstrated by the bloodily suppressed Hungarian uprising of 1956—ultimately had to be acknowledged by the USSR. However, while the USSR began to allow some limited freedom of action to the countries of Eastern Europe, the invasion of Czechoslovakia in 1968 demonstrated its determination to prevent serious challenges to its domination.

Ideological differences between China and the USSR became increasingly apparent in the 1960s and 70s, with China portraying itself as a leader of the underdeveloped world against the two superpowers, the United States and the Soviet Union. Nonetheless, both the USSR and China sought better relations with the United States in the 1970s.

In 1985, Mikhail Gorbachev became leader of the Soviet Union and relaxed Communist strictures with the reform policies of glasnost (openness) and perestroika (restructuring). The Soviet Union did

not intervene as the Soviet-bloc nations of Poland, East Germany, Czechoslovakia, Bulgaria, Romania, and Hungary all abandoned dictatorial Communist rule by 1990. In 1991, driven by nationalistic fervour in many of the republics and a collapsing economy, the Soviet Union dissolved and Gorbachev resigned as president.

By the beginning of the 21st century traditional Communist party dictatorships held power only in China, Cuba, Laos, North Korea, and Vietnam. China, Laos, Vietnam, and, to a lesser degree, Cuba have reduced state control of the economy in order to stimulate growth. Although economic reform has been allowed in these countries, their Communist parties have proved unwilling to submit to popular democratic movements; in 1989 the Chinese government brutally crushed student demonstrations in Beijing's Tiananmen Square. Communist parties, or their descendent parties, remain politically important in many Eastern European nations and in Russia and many of the other nations that emerged from the former Soviet Union.

## **COMMUNISM Vs CAPITALISM**

Communism vs. capitalism debate is a battle between two extreme socioeconomic theories. They are theories that represent two inherently opposite ways of thinking. One is extremely individualistic (Capitalism), while the other one (Communism) believes in putting the society before self. The communism vs. capitalism clash polarized the world during the cold war. Let us explore the two ideologies while comparing their points of difference.

### **COMMUNISM Vs CAPITALISM: OWNERSHIP OF MEANS OF PRODUCTION**

The primary point of difference between capitalism and communism is regarding the ownership of 'means of production' or resources in general. Communism shuns private/individual ownership of land or any vital resources. Instead, all the 'means of production' like land and other resources should be owned by the state. By state here, it means the whole community of people. All land and resources which enable the production of goods and services will be owned by one and all. Everything will be shared. All decisions about production will be made by the whole community by democratic means. There will be equal wages for all. All the decisions taken will be according to what is good for all.

On the other hand, capitalism believes in private ownership of land and means of production. Every man will have to earn his worth. The major share of the profits earned from a business will go to the person who owns the means of production, while the workers who are responsible for running the business will get a small share. Every man will get his wages according to his merit and according to the thinking of the man who owns the means of production. Naturally the people who own the means of production, the capitalists, call the shots when it comes to decision making. This is the major bone of contention between the two ideologies, ownership of means of production. Both are extreme ideas. While communism can kill the idea of individual enterprise, which has led to most of the technological innovations we see today, capitalism has the seeds of exploitation, where too much wealth and therefore power, is concentrated in the hands of a few people.

### **COMMUNISM Vs CAPITALISM: INDIVIDUAL FREEDOM**

Communism and Capitalism are two extreme points of view, which have contrasting views about individual freedom. Communism asks one to put the society before the individual, while capitalism puts individual freedom, before society. So, the polarity between two ideologies is 'Individualism vs. Social welfare'. Capitalism gives more importance to individual aspirations and appeals to the inherent selfish nature, which is inherent in all human beings. This inherent selfishness is a result of the instinct of self-preservation.

Communism appeals to our more saintly side, wherein we think about others before ourselves. It is a noble thought, which goes against the inherent selfish nature of people, though it is appealing to their generous natures. Both again are two extreme points of view, which have their advantages and disadvantages. Some of the greatest advances in human history have happened due to individual creativity and enterprise, which were self serving, though they ultimately benefited the society. Communism can kill that individual creative streak, by making a person do what he is told. In short, it has the danger of killing creativity and original thinking. Capitalism, on the other hand, feeding selfish desires can create capitalist autocrats who can have control of life and death over thousands of people, leading to exploitation.

### **COMMUNISM Vs CAPITALISM: SOCIETY**

Communism advocates a classless, egalitarian society, where all men and women are placed on the same footing. There will be no differences of class, race, religion or even nationality. This way, there will be nothing to fight for. This is nice as an idea, but trying to implement this idea is tough and asking people to give up all the things that make them different, is unfair! Every person is special and different in his own way.

Capitalism promotes class distinction. In fact creates the major class distinction of haves and have-nots, the rich and the poor. The rich get richer and the poor get poorer under pure capitalism. The rich class controls the means of production and wields power, thereby imposing their own class distinction and whims on the society.

### **COMMUNISM Vs CAPITALISM: COMPOSITION OF POWER**

Communism appeals to the higher ideal of altruism, while capitalism promotes selfishness. Let us consider what will happen to power distribution in both these ideologies! Capitalism naturally concentrates wealth and therefore, power in the hands of the people who own the means of production. So, it creates the rich elite who control wealth, resources and power. So, naturally they decide the distribution of power. In communism, ideally, if all of mankind was of saintly nature, altruistic and selfless, the distribution of power would be equal. All decisions would be made by democratic means and there would be no unjust rules favouring a few. However, that is not the case here, people are inherently selfish and the nature of power is such that it corrupts minds and absolute power corrupts absolutely. We have the example of how communism can concentrate absolute power over a whole nation, in the hands of a single man, in Stalinist Russia! So, both the ideologies can fail and create an unjust society. Ultimately what we need is a balanced approach, which is a combination of good points in both the ideologies. A mixed economy where the state has control over all the vital resources of a nation provides welfare for the needy, while also promoting free entrepreneurship.

## **SOCIALISM**

Socialism is an ideology that is defined by its opposition to capitalism and its attempt to provide a more humane and socially worthwhile alternative. The core of socialism is a vision of human beings as social creatures united by their common humanity; as the poet John Donne put it, 'No man is an Island entire of itself; every man is a piece of the Continent, a part of the main'. This highlights the degree to which individual identity is fashioned by social interaction and the membership of social groups and collective bodies. Socialists therefore prefer cooperation to competition, and favour collectivism over individualism. The central, and some would say defining, value of socialism is equality, socialism sometimes being portrayed as a form of egalitarianism. Socialists believe that a measure of social equality is the essential guarantee of social stability and cohesion, and that it promotes freedom in the sense that it satisfies material needs and provides the basis for personal development. The socialist movement has traditionally articulated the interests of the industrial working class, seen as systematically oppressed or structurally disadvantaged within the capitalist system. The goal of socialism is thus to reduce or abolish class divisions.

Socialism, however, contains a bewildering variety of divisions and rival traditions. Utopian socialism, or ethical socialism, advances an essentially moral critique of capitalism. In short, socialism is portrayed as morally superior to capitalism because human beings are ethical creatures, bound to one another by the ties of love, sympathy and compassion. Scientific socialism, undertakes a scientific analysis of historical and social development, which, in the form of Marxism, suggests not that socialism 'should' replace capitalism, but predicts that it inevitably 'would' replace capitalism. A second distinction is about the 'means' of achieving socialism, namely the difference between revolution and reform. Revolutionary socialism, most clearly reflected in the communist tradition, holds that socialism can only be introduced by the revolutionary overthrow of the existing political and social system, usually based upon the belief that the existing state structures are irredeemably linked to capitalism and the interests of the ruling class. Reformist socialism (sometimes termed evolutionary, parliamentary or democratic socialism), on the other hand, believes in 'socialism through the ballot box', and thus accepts basic liberal democratic principles such as consent, constitutionalism and party competition. Finally, there are profound divisions over the 'end' of socialism, that is, the nature of the socialist project. Fundamentalist socialism aims to abolish and replace the capitalist system, viewing socialism as qualitatively different from capitalism. Fundamentalist socialists, such as Marxists and communists, generally equate socialism with common ownership of some form. Revisionist socialism aims not to abolish capitalism but to reform it, looking to reach an accommodation between the efficiency of the market and the enduring moral vision of socialism. This is most clearly expressed in social democracy.

Socialism arose as a reaction against the social and economic conditions generated in Europe by the growth of industrial capitalism. The birth of socialist ideas was closely linked to the development of a new but growing class of industrial workers, who suffered the poverty and degradation that are so often a feature of early industrialisation. For over two hundred years, socialism has constituted the principal oppositional force within capitalist societies, and has articulated the interests of oppressed and disadvantaged peoples in many parts of the world. The principal impact of socialism has been in the form of the twentieth-century communist and social-democratic movements. However, in the late twentieth century, socialism suffered a number of spectacular reverses, leading some to proclaim the

'death of socialism'. The most spectacular of these reverses was the collapse of communism in the Eastern European Revolutions of 1989-91. Partly in response to this, and partly as a result of globalisation and changing social structures, parliamentary socialist parties in many parts of the world re-examined, and sometime rejected, traditional socialist principles.

The moral strength of socialism derives not from its concern with what people are like, but with what they have the capacity to become. This has led socialists to develop utopian visions of a better society in which human beings can achieve genuine emancipation and fulfilment as members of a community. In that sense, despite its late-twentieth century setbacks, socialism is destined to survive if only because it serves as a reminder that human development can extend beyond market individualism. Critics of socialism nevertheless advance one of two lines of argument. The first is that socialism is irrevocably tainted by its association with Statism. The emphasis upon collectivism leads to an endorsement of the state as the embodiment of the public interest. Both communism and social democracy are in that sense 'top-down' versions of socialism, meaning that socialism amounts to an extension of state control and a restriction of freedom. The second line of argument highlights the incoherence and confusion inherent in modern socialist theory. In this view, socialism was only ever meaningful as a critique of, or alternative to, capitalism. The acceptance by socialists of market principles therefore demonstrates either that socialism itself is flawed or that their analysis is no longer rooted in genuinely socialist ideas and theories.

## COMMUNISM Vs SOCIALISM

Now that we have done what is socialism and communism, let us look at some differences between them. It is not always easy to recognize the differences between socialism and communism. However, there are a few things which can be easily distinguished between the two.

- Socialism is only related to an economic system, while communism is related to an economic and political system.
- Socialism states that distribution of goods and services should take place according to the individual's production efforts, whereas according to communism, the distribution should take place according to the individuals need.
- In socialism, people believe that capitalism can exist in the economy, and that it is possible that socialism exists in a capitalist economy. On the other hand, communism aims at making a classless society without capitalism and private ownership.
- In socialism, many people can control the economy, whereas in capitalism the number of people in actual control is reduced.
- National Socialism is a political word which is a little unclear. It consists of the features of both nationalism and socialism. It mainly refers to 'Nazism', which was an ideology followed during the rule of Adolf Hitler. The concept of National Socialism opposes communism and capitalism.
- Whereas, democratic socialism means a democratic economy which undertakes production for the benefits of everyone, rather than concentrating the profits in the hands of a few people.

**COMMUNISM Vs SOCIALISM**

<b>COMMUNISM</b>	<b>SOCIALISM</b>
Communism is related to both the economic and political system.	Socialism only refers to the economic system.
Distribution of goods and services takes place according to the individuals needs.	Distribution of goods and services takes place according to the individual's efforts.
Capitalism cannot exist in a communist economy.	Capitalism can exist in a socialist economy
Communist economy does not require many people to control the economy.	Many people can control the economy in the socialist society.
In the communist economy, the power is concentrated in the hands of the people centrally.	In the socialist economy, the power is mainly in the hands of the workers.