

# The\_Concept\_of\_Capitalism\_and\_Socialism.edited.docx

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## **The Concept of Capitalism and Socialism**

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## **The Concept of Capitalism and Socialism**

Capitalism and socialism are economic and social philosophies that are opposed. Adam Smith and Karl Marx are the most prominent advocates of contemporary socialism and capitalism, respectively (Shaw, 2014). Hong Kong and Singapore are two of the best examples of capitalist economies. Socialism is practised in some Eastern European countries. This paper compares and contrasts capitalism and socialism by looking at the pros and cons of each.

Capitalism is an economic system in which private entities own the factors of production. The term "factors of production", according to Shaw (2014), pertains to financial resources and other types of capital. People who own private businesses grow the economy in a capitalist system. They make choices about the use of funds. Businesses can sue, purchase property, and engage in many of the same activities as individual citizens. According to Shaw (2014), it is the state's responsibility under capitalism to assert standards and policies that ensure a fair playing field for privately managed businesses. The volume of governing laws and rules in a particular market is generally determined by the potential for misuse in that sector. On the other hand, socialism is an economic model in which the public owns several production factors, like funds and other productive resources (via the government.). Everybody works for riches in a socialist economy, which is then allocated to everybody (Shaw, 2014). A socialist economic system is based on the idea that what is suitable for an individual is good for everyone and vice versa. Everybody works for their benefit as well as the benefit of others. The government dictates how capital is divided among public institutions. The economic system is controlled via partner organizations in this structure. The model is based on production for usage, which states that products and services are created to produce a solution and promote economic growth. Communist nations, like China, North Korea, and Cuba, promote socialism, whereas the

European States prefer capitalism and strive for a middle path. Even at their opposite extremes, both systems have advantages and disadvantages.

One of the pros of capitalism is that economic liberty promotes political liberty. Shaw (2014) argue that when government agencies own the factors of production and negotiate prices, it inevitably results in a powerful central government and a substantial bureaucratic leadership that may spread into other aspects of life. Another advantage is optimization. Companies in a capitalistic system face incentives to invest and create in-demand products. These motivations put pressure on businesses to cut costs and eliminate waste (Shaw, 2014). The third advantage is sustained growth. With motivators for individuals and businesses to be creative and work hard, an atmosphere of innovation and business growth is created. However, capitalism is not without cons, for instance, monopolistic authority. Private enterprise owning allows firms to gain market dominance. Monopolistic firms can use their influence to charge premium rates. Second, social benefits are being overlooked. For instance, environmental damage from production is likely to be ignored by a profit-maximizing capitalist enterprise. Third, the disparity in a capitalist economy breeds social inequality. Inequitable communities breed discontent and class stratification.

One of the pros of socialistic systems is poverty alleviation. A welfare system that provides a standard rate of basic income to those who are jobless, ill, or unable to function retains a basic standard of living for society's impoverished members and contributes to the reduction of extreme poverty. Second, Kindness, rather than greed, is encouraged by socialist values (Shaw, 2014). The ultimate objective of a socialist economy is not financial gain but community stability and the collective good. Third, an economic system controlled to work forward into lengthy wellbeing will place more value on environmental issues, like pollution

control – even if it reduces revenue. One of the cons of Socialism is a lack of incentive in this economic system due to progressive taxation. Second, government interventions sometimes fail, leading to unemployment and a lack of flexibility that businesses need. Third, an overgenerous system can disincentivize people, reducing the labour force and personal initiative.

To sum it up, capitalism is the foundation of political and social liberty. It is stated that political encounters are best structured in a capitalist business because it allows for free will and rationale. In general, socialists place a higher value on equality than revenue. Regardless, both Socialism and capitalism have their advantages and disadvantages and should be adopted carefully.

**Reference**

Shaw, W. H. (2014). *Business ethics: A textbook with cases* (8th Ed.). Wadsworth, Cengage Learning.

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