

# UNIT 8 – UPSC - Political philosophies like communism, capitalism, socialism etc. - their forms and effect on the society

Political Philosophy is a broad foreword to the major intellectuals and themes in political philosophy. It discovers the philosophical beliefs which have formed and continue to inform political judgements of people. Dudley Knowles introduces the ideas of major political thinkers such as Hobbes, Locke, Marx and Mill and dominant modern philosophers such as Berlin, Rawls and Nozick. Basically, Political philosophy is concerned with the concepts and arguments involved in political opinion.



## Communism

Communism is considered as vital framework in political philosophy. It is a socio-economic scaffold that assists in supporting the establishment of a classless, stateless society based on common ownership of the means of production. It boosts the formation of a democratic state in order to overcome the class structures and alienation of labour that characterize capitalistic societies and their inheritance of imperialism and nationalism. According to the principle of communism, main process of resolving problems of classless and other favouritism in society for the working class is to replace the prosperous ruling class, through radical action, in order to establish a diplomatic, free society, without classes or government. Communism, basically, is the idea of a free society with no division or estrangement, where humankind is free from oppression and insufficiency, and where there is no need for governments or countries and no class divisions. It imagines a world in which each person gives according to their abilities, and receives according to their needs. It is usually deliberated as a division of extensive Socialist movement. The main forms of Communism, such as Leninism, Trotskyism and Luxemburgism, are based on Marxism, but non-Marxist versions of Communism (such as Christian Communism and Anarchist Communism).

In the era of late 19th Century, major philosophical terms like socialism and communism were often used simultaneously. Communism was considered as an economic-political philosophy which was evolved by famous philosophers Karl Marx and Friedrich Engels during this period.

Marx and Engels wrote and published "The Communist Manifesto" in 1848. They had a wish to stop thinking a capitalism feeling that it was the social class system which led to the mistreatment of labours. The workers that were treated badly had developed class awareness and it resulted in a fundamental process of class conflict. In this conflict, the public may rise up against the bourgeoisie and establish a communist society. Marx and Engels supposed of the proletariat as the individuals with labour power, and the bourgeoisie as those who own the means of production in a capitalist society. The state would pass through a phase, often thought of as socialism, and ultimately developed a pure communist society. In a communist society, all private ownership would be obliterated, and the ways of production would belong to the whole community. In the communist movement, a popular motto was that everyone contributes according to their competence and received according to their requirements. Therefore, the needs of a society would be put above and beyond the specific needs of an individual. Though, there are numerous arguments for Marxist theory such as communism would not emerge from Capitalism in a fully developed state, but would pass through a first phase (Socialism) in which most productive property was owned in common, but there were some class differences. This would finally develop into a "higher phase" that was termed as Communism in which class differences were abolished, and a state was no longer needed and would wither away. It was argued by many philosophers that radical activity by the working classes was required to bring about these changes.

**History of Communism:** It was documented in historical records that initially, Communist philosophy was the history of Socialism. In its modern version, Communism evolved of the Socialist movements of 19th Century Europe and the critics of Capitalism during the Industrial Rebellion. Main critics were the German philosopher Karl Marx and his associate Friedrich Engels (1820 - 1895), and their pioneering "Communist Manifesto" of 1848, the defining document of the movement, presented a novel explanation of Communism and promoted the phrase communism. The practice of the terms "communism" and "socialism" changed after the Russian Revolution of 1917, when the admittedly Marxist Bolshevik Party in Russia changed their name to the Communist Party and formed a single party regime that was dedicated to the implementation of socialist policies under Vladimir Ilyich Lenin (1870 - 1924). Lenin created the Third International (or Communist International or Comintern) in 1919 and set the twenty-one conditions (including democratic centralism) for any European socialist parties willing to join. With awareness of the Russian Civil War, the Union of Soviet Socialist was established in 1922.

Other communism movement related to Lenin's New Economic Policy (NEP) which was lasted until 1928, when Joseph Stalin (1878 - 1953) party leader under the banner of "socialism in one country" and proceeded down the way of isolationism and Totalitarianism with the first of many Five Year Plans. Remarkably Leon Trotsky (1879 - 1940) Marxist critics of the Soviet Union, referred to the Soviet system as a "degenerated" or "deformed" workers' state, argued that it fell far short of Marx's communist model, and claimed that the working class was politically expelled. Post World War II, the Warsaw Pact saw Albania, Bulgaria, Czechoslovakia, East Germany, Poland, Hungary and Romania joined the Soviet Union in an economic and military coalition under firm Soviet Control. However, relations were very tough, and the Soviet Union was forced into military interventions to suppress popular rebellions in Hungary (1956) and Czechoslovakia (1968), and Albania withdrew from the Pact in 1968 due to philosophical dissimilarities.

In the decade of 1070s, although never officially unified as a single political entity, almost one-third of the world's populace lived in Communist states, including the People's Republic of China,

the Soviet Union and the Warsaw Pact countries of Eastern Europe, as well Cuba, North Korea, Vietnam, Laos, Cambodia, Angola, and Mozambique. However, the Warsaw Pact countries had all abandoned Communist rule by 1990, and in 1991 the Soviet Union itself dissolved, leaving China, Cuba and some isolated states in Asia and Africa as the remaining bastions of Communism. In most cases significantly dampened down and changed from its original philosophy.

**Types of Communism:** Marxism is the main theoretical-practical structure on which dogmas of Socialism and Communism are based. Marxism: Marxism is a perspective that involves a number of differing "sub-perspectives" that is, whilst there tends to be a general agreement about the need to construct a critique of Capitalist society, there are major differences between theorists working within this viewpoint. Main Marxist ideas can be explained in the following terms:

1. Marxism stresses the notion that social life is based upon "conflicts of interest". Most significant and basic conflict is that between the Bourgeoisie, those who own and control the means of production in society and the Proletariat, those who simply sell their labour power in the market place of Capitalism.
2. Dissimilar of the Functionalist version of Structuralist sociology, the idea of social class is more than an evocative category, social class is used to clarify how and why societies change. Class conflict signifies a process whereby change comes about through the opposition of social classes as they follow what they see to be their (different and opposed) collective interests in society.
3. Marxism is a political philosophy whose main concern is to expose the political and economic contradictions in-built in Capitalism such as the fact that while people co-operate to produce goods, a Capitalist class appropriates these goods for its private profit and to point the way towards the establishment of a future Communist society.

Marxism-Leninism is the Communist philosophical field that emerged as the conventional tendency amongst Communist parties in the 1920's as it was accepted as the conceptual foundation of the Communist International during the era of Joseph Stalin (1878 - 1953), with whom it is mainly associated. The term "Marxism-Leninism" is mostly used by those who consider that Lenin's legacy was effectively carried forward by Stalin, although it is arguable to what extent it actually follows the principles of either Marx or Lenin.

Philosophy of Leninism was built upon and extended the ideas of Marxism, and served as the theoretical foundation for the ideology of Soviet Communism after the Russian Revolution of 1917 and the establishment of the Soviet Union. Vladimir Ilyich Lenin (1870 - 1924) argued in his leaflet "What is to be Done?" of 1902 that the proletariat can only realise a successful radical consciousness through the efforts of a "vanguard party" composed of full-time professional revolutionaries and through a form of controlled organization generally called "democratic centralism" (whereby decisions are made with internal democracy but then all party members must externally support and actively promote that decision). It maintains that Capitalism can only be conquered by innovatory ways and any attempts to improve Capitalism from within are destined to fail. The objective of a Leninist party is to coordinate the overthrow of the existing government by force and grab power on behalf of the proletariat, and then implement a autocracy of the proletariat, a kind of direct equality in which workers hold political power through local councils known as soviets.

Stalinism is a more judgemental phrase for Joseph Stalin's vision of Communism. Supporters of this ideology argue that it includes widespread use of publicity to establish a personality cult around an absolute ruler, as well as extensive use of a secret police to maintain social proposal and silence political opposition, all of which are trappings of Totalitarianism.

Trotskyism is the philosophical model of Marxism that was supported by Leon Trotsky (1879 - 1940), who considered himself a conformist Marxist and Bolshevik-Leninist, and squabbled for the establishment of a frontline party. His politics differed sharply from the Marxism-Leninism of Joseph Stalin, with respect to declare the need for an international proletarian revolution and firm support for a true dictatorship of the proletariat based on direct autonomous ideologies. Most dominant characteristics of Trotskyism is the theory of permanent uprising to explain how socialist revolutions could happen in societies that had not yet attained advanced Capitalism. Marx explained it as a prerequisite for socialist revolution.

Luxemburgism is a particular innovative theoretical model under the category of Communism, which is based on the texts of Rosa Luxemburg (1870 - 1919). Her politics deviated from those of Lenin and Trotsky mainly in her discrepancy with their concept of "democratic centralism", which she visualized as unsatisfactorily democratic. Luxemburgism looks like Anarchism in its averting of an authoritarian society by relying on the people themselves as opposed to their leaders. However, it also sees the significance of a revolutionary party and the centrality of the working class in the radical struggle. It resembles Trotskyism in its resistance to the Totalitarianism of Stalin and to the crusader politics of modern social classlessness, but differs in arguing that Lenin and Trotsky also made inequitable mistakes.

Thoughts of Maoism are different of Communism derived from the teachings of the Chinese leader Mao Zedong (or Mao Tse-tung) (1893 - 1976), and practised in the People's Republic of China after the Chinese Revolution of 1949. Maoism evolved from the Marxism-Leninism of Stalin, but introduced new ideas such as Social-Imperialism (Mao accused the Soviet Union of dominating and exploiting the smaller countries in its scope to the point of organising their economies around Soviet, not domestic, needs), the Mass Line (a method of leadership that seeks to learn from the masses and immerse the political headship in the concerns and conditions of the masses - "from the masses, to the masses"), people's war and new democracy.

Left Communism is a range of Communist perspectives held by the Communist Left, which asserts to be more truly Marxist and proletarian than the views of Leninism and its successors. Left Communists advocated the Russian Revolution, but did not agree to the methods of the Bolsheviks. The Russian, Dutch-German and the Italian traditions of Left Communism all share an opposition to nationalism, all kinds of national liberation movements, frontism parliamentary systems.

Council Communism is a far-reaching left movement that emanated in Germany and the Netherlands in the decade of 1920s, and continues today as a theoretic and activist position within both left-wing Marxism and Libertarian Socialism. It visualized workers' councils, arising in factories and municipalities, as the natural form of working class organization and governmental power. This philosophical viewpoint opposes the notion of a "revolutionary party" on the basis that a revolution led by a party unavoidably produces a party despotism.

Anarchist Communism promotes the complete elimination of the state and Capitalism in favour of a horizontal network of voluntary associations, workers' councils and/or commons through

which everyone is free to satisfy their needs. The movement was led by the Russians Mikhail Bakunin (1814 - 1876) and Peter Kropotkin (1842 - 1921).

Euro communism was flourished in the decades of 1970's and 1980's within various Western European Communist parties to develop a philosophy and practice of social change that was more applicable in a Western European egalitarianism and less allied to the party line of the Communist Party of the Soviet Union.

Religious Communism is a type of Communism that focus centred on religious attitudes, such as Christian, Taoist, Jain, Hindu or Buddhist. It usually denotes to a number of classless and utopian religious societies practicing the voluntary dissolution of private property, so that society's benefits are distributed according to a person's needs, and every person performs labour according to their abilities.

**Benefit of communism:** Communism philosophy upkeepes extensive universal social welfare, such as enhancements in public health and education. Its theoretical dogmas are beneficial to build equality and strong social communities. Communist ideology promotes universal education with a focus on developing the proletariat with knowledge, class realisation, and historical understanding. Communism also supports the liberation of women and to end their exploitation. Communist philosophy emphasizes the development of a "New Man" a class-conscious, knowledgeable, daring, democratic person dedicated to work and social consistency in contrast to the antithetic "bourgeois individualist" related with cultural backwardness and social atomisation.

**Criticisms of Communism:** There are numerous criticisms of Communism.

Many philosophers have argued that Communism offers an idea of unattainable perfect future, and keeps its subjects in thrall to it by devaluing the past and the present. It asserts to represent a universal truth which explains everything and can cure every ill and any apparent deviations or under-performance are explained away by casuistry and emotional appeals.

Philosophy of communism is incomplete. Marx and Engels never devoted much work to show how exactly a Communist economy would function in practice, leaving Socialism a "negative ideology". The supposition that human nature is totally determined by the environment; Some Communists, such as Trotsky, believed that all the social, political and intellectual life processes in general are conditioned by the socio-economic base and the mode of production of material life, which rather devalues humanity and the importance of the lives and rights of human beings.

Many Anarchists and Libertarian Socialists throwaway the need for a transitory state phase and often disapprove Marxism and Communism for being too authoritarian. Some Anarcho-Primitivists reject left wing politics in general, seeing it as unethical and claiming that civilization is unreformable.

Some opponents have argued that Marx's concept of freedom is really just a defence of dictatorship and oppression, and not an expansion of liberties as he claimed.

Some critics have construed many of Marx's pronouncements on Jews as being anti-Semitic, claiming that he saw Jews as the embodiment of Capitalism and the creators of all its evils. Others, however, hotly dispute this interpretation.

Many Socialist reformists take issue with the Marxist requirement for a fierce proletarian revolution and argued that Capitalism can be reformed by steady democratic changes. Some

theorists criticized communism philosophy on the ground that the concept of Historical Materialism which underlies much of Marxist theory is faulty, or that such a method can be twisted into trying to force the course of history in a particular direction, or that in practice it leads to Nihilism. In short, Historical Materialism is the notion that for human beings to survive, they need to produce and reproduce the material requirements of life, and this production is carried out through a division of labour based on very definite production relations between people. These relations form the financial base of society, and are themselves determined by the mode of production which is in force such as tribal society, ancient society, feudalism, capitalism, socialism and societies, and their cultural and institutional superstructures, naturally move from stage to stage as the foremost class is displaced by a new developing class in a social and political turmoil.

Other critics disapproved the ideology of Marxist class and argued that class is not the most important inequality in history, and that thorough analysis of many historical periods fails to find support for class or social development as used by Marxists. Some critics have argued that the growing spread of liberal democracy around the world, and the apparent lack of major revolutionary movements developing in them, suggest that Capitalism or social democracy is likely to be the effective form of human government instead of Marxism, which claims to be an "end of history" philosophy. According to Pope Pius XI, "Communism is intrinsically evil, and no one who would save Christian civilization may collaborate with it in any undertaking whatsoever" (Encyclical letter *Divini Redemptoris*, 58).

#### **Effect of communism on society:**

The main objective of Communism is to develop society without rulers, a society where the people oversee themselves. But until this is accomplished, a superior government has absolute power. The people do not have any private belongings and all assets belong to the government.

Therefore it has some disastrous effect on society. It can be illustrated from one of communism's effects was in 1933. Cruel ruler, Hitler was a communist dictator. Under his instructions, the holocaust began. Reports indicated that approximately, six million Jewish people died. Communists consider their goal, their party, and the state more vital than the rights and autonomy of individual. In communist nations, there are usually huge gaps between official claims of freedom and conditions in which they actually exist.

To summarize, Communism is an economic system where the government owns most of the factors of production and decides the allocation of resources and what products and services will be provided. The most significant theorists who evolved the ideologies of communism were Karl Marx and Frederick Engels. They wanted to end the exploitation of the masses by the few. The capitalist system at that time required workers to work under harsh and dangerous conditions for little pay. According to economic scholars, communism is concept, in that ownership of land, capital and industry cannot be owned or controlled by the individual. However, under Communism the control of these things is not by a local community but by the State Government. Under this system, the government has total control of everything produced and control what is made, and who will receive the goods and services produced. The end goal of communism was to eradicate class distinctions among people, where everyone shared equally in the proceeds of society, when government would no longer be needed. In basic form, Communism is an ideology and a political and economic system to manage economies and countries. The core dogmas of communism are that all capital or means of production are owned and operated by the society or the government rather than by individuals as their private property. It is documented in theories that Communism

is one of the most far-reaching political concepts but became popular throughout the world. It provided answer to the problems of capitalist and to establish a classless stateless society on a rational basis, where there is no exploitation and all live in peace, comfort and harmony getting full opportunity to develop their personality.

## Capitalism

Capitalism is a type of social system that follows the belief of individual rights. From political perspective, capitalism is the system of laissez-faire (freedom). Lawfully, it is a system of objective laws that is rule of law in contrast to rule of man. In financial terms, when such freedom is applied to the domain of production its result is the free-market. Earlier, this notion was not clearly explained. Several economists and theorists assumed that capitalism has existed for most of human history. In the Oxford English Dictionary, the phrase Capitalism was first used by novelist William Makepeace Thackeray, in 1854 in his novel 'The Newcomes', where he described capitalism as "having ownership of capital and not as a system of production". During 19th century, capitalism was described by numerous theorists as "an economic system characterized by private or corporation ownership of capital goods, by investments that are determined by private decision rather than by state control, and by prices, production and the distribution of goods that are determined mainly in free market" Capitalism is commonly elucidated as an economic system where private actors are permitted to own and control the use of property according to their own interests, and where the invisible hand of the pricing mechanism coordinates supply and demand in markets in a way that is automatically in the best interests of civilisation. In this system, Government is responsible for peace, justice, and tolerable taxes.

Basically, Capitalism is a private ownership based on the ways of production and distribution of goods categorised by a free competitive market and incentive by profit. It can be said that it is an economics system based on survival of the fittest.

**Historical review of Capitalism:** In theoretical review, it has been described by numerous theorists that there are three periods of Capitalism such as early, middle and late periods, while others academicians consider capitalism to be a social characteristic that cannot be confined by historical period, but rather by the recognition of unending elements of the human condition. Earlier, capitalism was originated in the fourteenth century emergency, a conflict that developed between the land-owning aristocracy (the lords) and the agricultural producers (the serfs). Feudalism subdued the development of capitalism in numerous ways. The serfs were forced to produce sufficient food for the lords as a result of this the lords had no interest in the advancement of technology, but rather expanded their power and wealth through military means. There was no competitive pressure for them to revolutionize because they were not producing to sell on the market. The changeover from feudalism to capitalism was mainly driven by the mechanic of war and not by the politics of prosperity and production methods. Conversely, in current period, modern capitalism ascended in the early middle ages, between the 16th and 18th century, when mercantilism was established. Mercantilism is described as a distribution of goods that are bought at a certain price and sold at a higher price in order to generate profits. It provided the basic principles of capitalism in that it was the "large-scale realization of a profit by acquiring goods for lower prices than to the sell them". During the period of 18th century, mercantilism weakened when a group of economic theorists led by Adam Smith challenged mercantilist principles. They supposed that a state could only escalate its wealth at the expense of another state's wealth while the amount of the world's wealth remained constant. After the decline in mercantilism, Industrial capitalism emerged in the mid-18th century due to the huge accretion of capital under the period

of merchant capitalism and its investment in machinery. Industrial capitalism marked development of manufacturing factory system and led to the global supremacy of capitalist mode of production. In the 19th century, capitalism allowed great increase in efficiency. It generated great social changes, which remained in place during the twentieth century where it was established as the world's most predominant financial model after the failure of the USSR. In the twenty-first century, capitalism had become an extensively universal economic system at global scale.

It is commonly visualized that capitalism broadly corresponds to that developed by the classical economists and by Marx. In this view, capitalism is an economic system in which control of production and the allocation of real and financial resources are based on private ownership of the means of production. It is a theory expounded through observation of the economic system prevailing in Great Britain in the late eighteenth and early nineteenth centuries. Capitalism is an indirect system of governance based on a multifarious and continually evolving political bargain in which private actors are endowed by a political authority to own and control the use of property for private gain under definite laws and regulations. Workforces are free to work for incomes, capital is free to earn a return, and both labour and capital are allowed to enter and exit from various business. Capitalism depends upon the pricing mechanism to balance supply and demand in market. It relies on the profit motivation to assign opportunities and resources among contending suppliers and it relies upon a political authority to establish the rules and regulations so that they include all applicable societal costs and benefits. Government and its representatives are responsible to deliver physical security for persons and property as well as the laws and regulations. Capitalist development is built from investment in advanced technologies that enable to enhance productivity, where various initiatives are selected through a Darwinian process that favours productive uses of those resources, and from the periodic modernization of the legal and regulatory framework as specified by altering market conditions and societal urgencies.

To develop capitalism, government must have to perform many roles such as administrative role, in which providing and maintaining the institutions that support capitalism. Capitalism contrasts with previous economic systems characterized by forced labour, self-sufficiency, barter, and/or reciprocal relationships based upon family, tribe, or locally known relationships. It is also dissimilar with modern systems where governments have acted directly through ownership and/or central planning to control of the use of resources. Government's approach of intervention in a capitalist system is mainly indirectly. It creates, legitimates, administers and intermittently updates the various market frameworks that elucidate the conditions in which the economic actors may obtain and employ capital and labour to produce, distribute, and sell goods and services. Consequently, economic players receive the right to use their power in competition with others, subject to predominant laws and regulations.

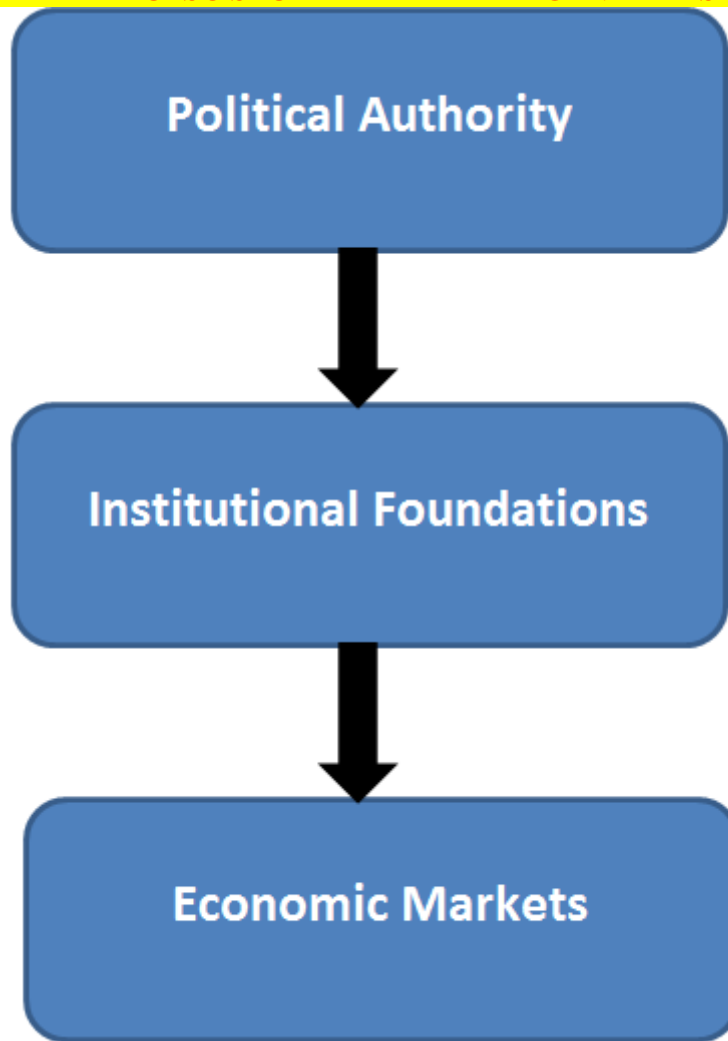
The market structures can have quite dissimilar policy priorities, from protecting the status quo to the advancement of growth and development, from protecting consumers to protecting producers, and from protecting labour to protecting capital. Governments identify the responsibilities of the various participants in these transactions such as for the safety and serviceability of the products, as well as the conditions under which they are produced and distributed. Therefore, this indirect system of governance certainly exemplifies a strategy, though this strategy is often largely implicit rather than overt and created progressively over time instead of huge plan. While positive capitalism depends upon the granting of power to private companies



to enter, compete in, and exit from markets, it also depends upon the state's power to confine the private actors so that they do not abuse these powers. To be authentic as well as productive, private economic actors must be bound by the rule of law, and this rule of law must be backed by the coercive powers of the state. The powers of the state are engaged to confine the private players from breaking the rules and, if need be, to settle clashes. Efficacious capitalism is reliant upon a state control of forced powers. Capitalist systems typically rely on the state to make direct provision of certain public goods, such as highways, schools and law enforcement, as well as to refrain from the temptation to own, operate, or directly control the economic actors. If the state does become a direct economic player, it becomes a player as well as a referee. This puts state agents in roles that conflict for example, as a regulator and as player that need not be subject to the discipline of the markets.

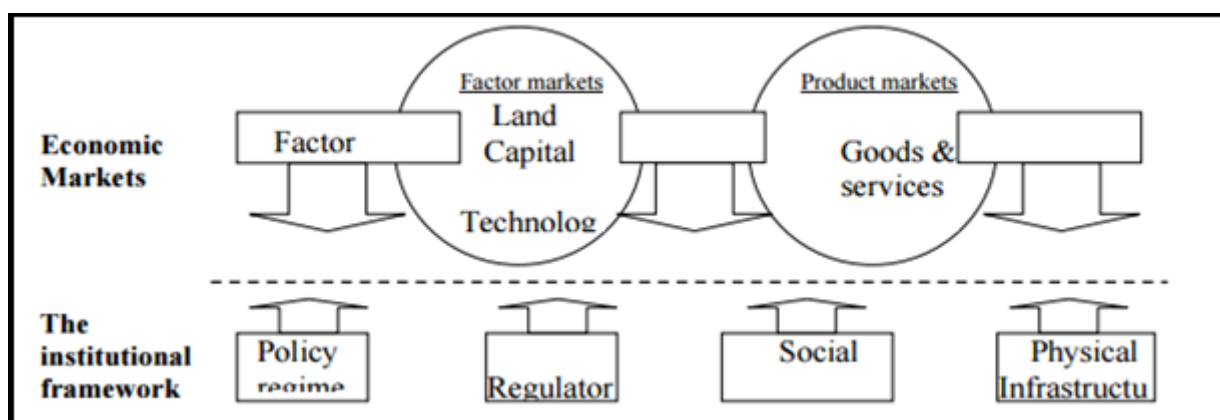
**Capitalism as a three level system:** Capitalism has three level systems. On the first level, the markets, firms compete to secure their labour and capital as well as to serve their customers. In second level, there is basic institutional foundations, including physical and social infrastructure; physical infrastructure includes, among other things, transportation and communications, and social infrastructure includes the educational, public health, and legal systems. Additionally, the second level consists of the agents of the state who enforce the rules and regulations, including specialized regulators who oversee behaviour in certain industries, such as those that deal with food and drugs or transportation, and those who protect societal resources such as the physical environment or safety in the workplace. The third level comprises of a political authority typically one with specialized functions such as executive, legislative, and judicial branches. In turn, a set of political institutions connect the political authority to the political markets and ultimately to civil society, to which such an authority is finally responsible.

### **level of capitalism**



Capitalism is planned to uphold the industrious use of public resources in order fulfil consumer needs in the short period and to enhance living style of people through time. As a result, its supervisory frameworks give priority to promoting productivity instead of equalizing competitive resources on a given day or during a given season. Same time, it is established that capitalism is controlled after the fact, and not in real time the way organized sports are. The regulators do not stop the play to assess a foul, nor halt the competition to scrutinise a controversial event via "instant replay." The economy moves on and disputes are settled after the fact, in court if need be.

**Figure: Capitalistic system: Level1 and 2 (Source: Bruce R. Scott)**



**Types of capitalism:**

There are many alternatives of capitalism that differ according to country and region. They vary in their institutional character and by their economic policies. The common features among all the dissimilar forms of capitalism is that they are based on the production of merchandises and services for profit, predominately market-based allocation of resources, and they are structured upon the accretion of capital. The major types of capitalism are mentioned below.

**Mercantilism:** Mercantilism is a nationalist system of initial capitalism that was practiced in the later phase of 16th century. It is characterized by the interweaving of national business interests to state-interest and imperialism, and subsequently, the state apparatus is utilized to improve national business interests abroad. Mercantilism was determined by the conviction that the prosperity of a nation is increased through a positive balance of trade with other nations. It relates to the phase of capitalist development and sometimes called the Primitive accumulation of capital. Mercantilist arguments for protectionist policies and their central concept of profit upon alienation, obtained in circulation, often tied to unstable transitory and immature character of capitalist economy of their age (Makoto Ito, 1988). Mercantilist capitalism involves more cooperation and coordination between government and economic entities including large cooperation and sometimes whole sectors of economy (Mattern, 2006).

**Free-market economy:** Free-market economy is described as a capitalist economic system where prices for goods and services are set freely by the forces of supply and demand and are allowed to reach their point of equilibrium without interference by government plan. It characteristically involves in support for highly competitive markets, private ownership of productive enterprises. Laissez-faire is a more extensive form of free-market economy where the role of the state is limited to protecting property rights.

**Social market and Nordic model:** A social-market economy is a supposedly free-market system where government involvement in price formation is kept to a minimum but the state provides substantial services in the area of social security, unemployment benefits and recognition of labour rights through national collective bargaining arrangements. The social market economy forms an essential part of free and open society, which is also characterised by solidarity. It has proven itself as an economic system that allows for prosperity and full employment whilst also providing welfare and promoting a strong social system. This model is conspicuous in Western and Northern European countries, and Japan, although in slightly different configurations. The huge majority of enterprises are privately owned in this economic model.

**Rhine capitalism:** It is described as the modern model of capitalism and adaptation of the social market model that exists in continental Western Europe today. State capitalism: State capitalism includes state ownership of the means of production within a state, and the organization of state enterprises as commercial, profit-seeking businesses. The argument between proponents of private versus state capitalism is focused on issues of managerial efficacy, productive efficiency, and fair distribution of wealth.

Aldo Musacchio, leading expert stated that state capitalism is a system in which governments, whether democratic or autocratic, exercise an extensive influence on the economy, through either direct ownership or various subsidies. Musacchio also said that there is a significant difference between today's state capitalism and its predecessors. In his views, earlier, governments appointed

bureaucrats to run companies but in present situation, the world's largest state-owned enterprises are now traded on the public markets and kept in good health by large institutional investors.

**Corporate capitalism:** Corporate capitalism refers to a free or mixed-market economy categorised by the supremacy of hierarchical, bureaucratic corporations.

**Mixed economy:** Mixed economy is a mainly market-based economy consisting of both private and public ownership of the means of production and economic interventionism through macroeconomic policies intended to correct market failures, reduce unemployment and keep inflation low. The degree of involvement in markets differs among different countries. Some mixed economies, such as France under dirigisme, also featured a degree of indirect economic planning over a largely capitalist-based economy. Contemporary capitalist economies are described as "mixed economies".

**Characteristics of Capitalism:** Capitalism, generally referred to a free enterprise economy, is considered as an economic system distinguished by some traits, whose development is condition by still other elements. The main characteristics of capitalism are mentioned below.

1. **Private Ownership:** Private individuals are the owners of the means of production, which is, land, labour, capital, entrepreneurship (as opposed to state ownership and communist ownership). These owners decide what to produce, in what quantities, how it is going to be produced, and the rewards of labour. It is demand and supply that determines the price of the finished good (s).
2. **Decentralized Decision Making:** In a capitalist economy, the process of decision making takes the structure of devious decentralization. Individuals, make the decision with their self-interest. However, the government controls these decisions by manipulating its respective environment that is, affecting prices, taxes, subsidies.
3. **Freedom of Choice:** Capitalism also referred to as a market economy, which highlights on the freedom of the individual, both as a consumer and as an owner of the factors of production. Principally, an individual can work wherever he or she wants, while entrepreneurs are also free to set up enterprises of their own choice. Within a market economy, decisions or choices are mainly determined by material encouragements.

It is found in vast literature that Capitalism is an economic system in which each individual in his capacity as a consumer, producer and resource owner is engaged in economic activity with a great degree of economic freedom. The factors of production are privately owned and managed by individuals. The main purpose of the capitalist system is the profit motive. The entrepreneurs initiate production with a view to maximize profits. Income is received in financial form through the sale of services of the factors of production and from profits of private enterprise. Capitalist economy is not planned, controlled or regulated by the government. In this system, economic decisions and activities are guided by price mechanism which operates automatically without any direction and control by the central authorities. In capitalist economy, competition is the most important element. It means the existence of large number of buyers and sellers in the market who are motivated by their self-interest but cannot influence market decisions by their individual actions.

**Benefits of Capitalism:** Capitalist economic system has many benefits.

This is an economic growth through open competitive market that provides individuals with far better opportunities of raising their own income. Capitalism results in a decentralized economic system which is major advantages of capitalism where individuals are exposed to various options which can lead to competition hence leading to firms producing only the best, and a capitalist economy is believed to encourage innovations in technology and industry. The advantages of capitalism entail;

Consumer choice where Individuals choose what to consume, and this choice leads to more competition and better products and services. Efficiency of economics in which Goods and services produced based on demand creates incentives to cut costs and avoid waste. Economic growth and expansion. Capitalistic economy increases the gross national product and leads to improved living standards.

General Drawbacks of Capitalism: Besides numerous advantages, capitalistic economy has several disadvantages.

1. Inequality: There tends to be a rise in disparity as benefits of capitalism are not fairly distributed. As wealth tends to redound to a small percentage of the population, the demand for luxury goods is often limited to a small percentage of the workforce, one of the main capitalism disadvantages.
2. Irrational Behaviour: People tend to get caught up in hypothetical suds but disregard economic fundamentals, leading to illogical behaviour.
3. Monopoly Behaviour: Other major drawback of capitalism is that companies gain monopoly over power in a free market allows and exploit customers by charging higher prices. They often pay lower salaries to labours.
4. Immobility: Main issue of capitalism is that a free market is supposed to be able to easily move factors of from an unprofitable sector to a new profitable industry. However, this is much more difficult practically.

Other drawbacks are that there is extravagant competition which does not confer any corresponding social benefit.

**Effect of capitalism on society:** Capitalism has some good consequences on habitants. High Standard of Living: Capitalism is the artefact of industrialization. Industrialization has amplified production.

**Economic Progress:** Capitalism encourages society to utilize the natural resources more and more. The people exert themselves maximum for earning money. This had led to many inventions in the field of industry, agriculture and business which have contributed to economic growth.

**Exchange of Culture:** Capitalism intends to encourage all people to partake in activities that appear beneficial to them. Capitalism facilitates international trade and exchange of know-how. People of different countries have come close to each other. The development of the means of transport and communication has facilitated contacts among the peoples of the world thus leading to exchange of ideas and culture.

**Progress of Civilization:** Capitalism is tool to explore new machines and increasing the production of material goods. Man is today more civilized than his ancestors.

**Decreasing of Racial Differences:** Capitalism has also led to diminish the differences based on race, doctrine, caste and nationality.

Major effect of capitalism includes, profit for owners of production/business, industrial vs agricultural economies, market competition, increased supply of "things"/goods and focus on personal responsibility.

To summarize, the capitalist system is reflection of the aspirations of human nature. Actually, capitalism can be described as a system that identifies and protects private property, free enterprise, freedom of choice for the human person, the authority of consumers over the objectives of production through free markets of the products chosen or ordered by the consumers, guide the programs of production. Capitalism makes economy money oriented. Businesses look at the economy with a materialistic point of view. Huge business companies take over smaller companies. Employment rights are compensated with the aim of higher productivity and some believe that because of fierce competition in capitalist economies it can give rise to unfair competition.

There are different views about capitalism. Some experts believe in its strengths, while others criticise about the unfair distribution of wealth it may lead to. The opposition of capitalism is Marxian Economics, named after Karl Marx. He believes that capitalism brings about class segregation i.e. there are two classes the capitalist class and the working class. Under capitalism, economic personal property, such as commodities or the means of production may be withheld from others by its owners. This is done so as to yield higher profit margins. Reviewing major facts about capitalism, it is found that in Capitalism economy, individuals own and control land, capital, and production of industry. Individuals are free to purchase and own their own homes, cars, furniture, and other goods People have liberty to live where they want and what type of job field they want to pursue.

**Socialism:** Socialism is political philosophy considered by public ownership and centralized planning of all major industries which include manufacturing, services, and energy, banks and insurance companies, agribusiness, transportation, the media, and medical facilities. In capitalism, these huge enterprises control the economy but are privately owned and operated to create wealth for their owners by extracting it from working people who are paid only a small fraction of what their labour produces. Socialism turns this around so that the class that produces the wealth can jointly decide how it will be used for the benefit of all. Real socialism is characterized as democratic. It is economic as well as political democracy. Many capitalist countries claim of their democratic institutions, but this is a deception because all the political power is in control of officers who hold the wealth. Socialism prioritizes human needs and eliminates the profit motive that drives war, ecological destruction, and inequalities based on gender, race, nationality and sexuality. Simply, socialism is social ownership of means of production, impartiality of income and opportunities for all members. Under social and political system, Socialism depends altogether upon the history of mankind for a record of its growth in the past, and bases its future upon knowledge of that history in so far as it can be accurately traced up to the present time. The basis of the whole theory is that since ancient period of their existence, human beings have been channelled by the power they possessed over the forces of nature to supply the wants arising as individual members of any society. Thus, Socialism depends upon political economy in its broadest sense. It is dependent upon the manner in which wealth is produced and distributed by those who form part of society at a given time.

Socialism initiated in the late 18th-century from an knowledgeable and working class political movement that disapproved the effects of industrialization and private ownership on civilisation

**Theoretical framework of socialism:** Vast literature is available to describe nature of socialism as a political philosophy. Theorist D. Dickinson stated that "Socialism is an economic organisation of society in which the material means of production are owned by the whole community and operated by organs representative of and responsible to the community according to a general economic plan, all members of the community being entitled to benefit from the results of such socialized planned production on the basis of equal rights." According to Loucks, "Socialism refers to that movement which aims to vest in society as a whole, rather than in individuals, the ownership and management of all nature-made and man-made producers goods used in large-scale production, to the end that an increased national income may be more equally distributed without materially destroying the individuals economic motivation or his freedom of occupation."

Other experts like Pigou explained the term socialism as "A socialised industry is one in which the material instruments of production are owned by a public authority or voluntary association, and operated not with a view to profit by sale to other people, but for the direct service of those whom the authority or association represents. A socialised system is one the main part of whose resources are engaged in socialised industries," Paul M. Sweezy asserted that "In its primary meaning is a complete social system which differs from capitalism not only in the absence of private ownership of the means of production but also in its basic structure and mode of functioning." Schaffle also elaborated principles of socialism and stated that, "The alfa and omega of socialism is the transformation of private competing capital into a united collective capital." G.D.H. Cole perceived that "Socialism means four closely connected things of a human fellowship which denies and expels distinction of class, a social system in which no one is so much richer or poorer than his neighbours as to be unable to mix with them on equal term, the common ownership and use of all the vital instruments of production and an obligation on all citizens to serve one another according to their capacities in promoting the common wellbeing."

Similar to capitalism, socialism must be worldwide so that global resources can be shared. To attain the objectives of socialism, it is necessary to any country being able to determine its own intention.

Features of Socialism: The main features of this system are described as under.

1. **Public Ownership:** First prominent characteristic is socialist economy which is determined by public ownership of the means of production and distribution. There is shared ownership whereby all mines, farms, factories, financial institutions, distributing agencies, means of transport and communications, are owned, controlled, and regulated by government departments and state corporations. A small private sector also exists as small business units which are carried on in the villages by local artistes for local consumption.
2. **Central Planning:** Second feature of socialism is centrally planned which functions under the direction of a central planning authority. It develops various objectives and targets to be realized during the plan period. Central economic planning means the making of major economic decisions what and how much is to be produced, how, when and where it is to be produced, and to whom it is to be allocated by the mindful decision of a determinate authority, on the basis of a comprehensive survey of the economic system as a whole. The central planning authority organises and operates the financial resources by deliberate direction and control of the economy in order to accomplish certain objectives and targets laid down in the plan during a specified period of time.

3. **Definite Objectives:** Another characteristic of socialism is that a socialist economy operates within definite socio-economic objectives. These objectives may concern aggregate demand, full employment, and satisfaction of communal demand, allocation of factors of production, distribution of the national income, the amount of capital accumulation, economic development and so forth.
4. **Freedom of Consumption:** In socialism system, consumer's dominance infers that production in state owned industries is generally governed by the likings of consumers, and the available merchandises are distributed to the customers at fixed prices through the state-run department stores. Consumer's dominion under socialism is limited to the choice of socially beneficial commodities.
5. **Equality of Income Distribution:** In a socialist system, there is great impartiality of income distribution in comparison a free market economy. The removal of private ownership in the means of production, private capital accumulation, and profit motive under socialism avert the accrual of large wealth in the hands of a few wealthy persons. The unearned incomes in the form of rent, interest and profit go to the state which utilises them in providing free education, public health facilities, and social security to the masses.
6. **Planning and the Pricing Process:** Other feature of socialism is that the pricing process under socialism does not operate spontaneously but works under the control and regulation of the central planning authority. There are administered prices which are fixed by the central planning authority. There are also the market prices at which consumer goods are sold. There are also the accountings prices on the basis of which the managers decide about the production of consumer goods and investment goods, and also about the choice of production methods. Theoretical studies have documented that socialism aims at establishing a classless society, free from exploitation. It presupposes public ownership of means of production (Laybourn, 1988). Majority of socialists recognise their philosophy of socialism as Marxists in acknowledgement of Karl Marx, who revealed the economic laws of capitalism. Marx and his co-worker Frederick Engels evolved the foundation of Marxist economics, the philosophical thought of dialectical materialism, and the method of social analysis known as historical materialism. Leninism signifies the concepts of a disciplined, radical party and the principled, intransigent vision of Vladimir Ilyich Lenin, key leader of the 1917 Russian Revolution. Lenin's contribution on imperialism, the nature of the state, and the rights of national minorities are vital components of the socialist practice. Another form of socialism, Socialist feminism was developed in the decades of late 1960s and early 1970s by originators of the Freedom Socialist Party and Radical Women. It is a Marxist, Leninist, and Trotskyist tendency. These philosophers recognised that the most oppressed sector of the current working class is composed of women, particularly women of colour, whose life experience of exploitation gives them the strength and determination to carry through a revolution against all forms of oppression. Socialist feminists identified the activist leadership of working-class women, people of colour, and queers, and others multiply plagued by capitalism. Socialist feminists orient to common, rank-and-file women and men instead of the predominantly white male aristocrats of labour who make up the union bureaucracy.

**Types of Socialism:** There are many types of socialism. Democratic Socialism promotes the principles of Socialism as an economic principle which signifies that the means of production should be in the hands of ordinary working people and



equality as a governing principle. It attempts to bring about Socialism through nonviolent democratic means as opposed to violent insurgence, and represents the improved practice of Socialism. Democratic Socialism infers a philosophy that is more left-wing and supportive of a fully socialist system, established either by progressively reforming Capitalism from within, or by some form of revolutionary transformation.

**Marxian socialism:** In theoretical framework of Marxism, socialism denotes to a particular historical phase of financial development and its corresponding set of social relations that ultimately overtake capitalism in the plan of historical materialism. From this perspective, socialism is described as a mode of production where the principle for production is use-value, where production for use is coordinated through conscious economic planning and the law of value no longer directs economic activity. The Marxian idea of socialism was against other early forms of socialism, most remarkably early forms of market socialism based on classical economics including Mutualism and Ricardian socialism, which is dissimilar to the Marxian conception, retained commodity exchange and markets for labour and the means of production. The Marxian conception also contradicted Utopian socialism.

Another type of socialism is revolutionary Socialism which supports the need for essential social change through revolution or revolution instead of gradual reform as a strategy to attain a socialist society. Trotskyism is the continuance of the Marxist and Leninist. When the Stalinist bureaucracy rose to power in the Soviet Union in the late 1920s, Trotsky rallied an international Left Opposition against the unfaithfulness of the revolution's goals. Trotskyism means Permanent Revolution, internationalism, and the strategy of the united front against fascism. . Luxemburgism is another Revolutionary Socialist custom, based on the works of Rosa Luxemburg (1870 - 1919). It is analogous to Trotskyism in its opposition to the Totalitarianism of Stalin, while simultaneously avoiding the reformist politics of modern Social Egalitarianism.

Utopian Socialism describes the first streams of modern socialist thought in the first quarter of the 19th Century. Usually, it was used by later socialist thinkers to define early socialist, or quasi-socialist, intellectuals who created hypothetical visions of perfect egalitarian and communalist societies without actually concerning themselves with the manner in which these societies could be created or sustained. They disallowed all political and especially all revolutionary action, and wished to achieve their ends by nonviolent means and small experiments, which was observed by famous socialist, Karl Marx as necessarily doomed to failure.

The objective of Libertarian Socialism is to develop a society without political, economic or social hierarchies, in which every person would have free, equal access to tools of information and production. This would be accomplished through the eradication of authoritarian institutions and private property, so that direct control of the means of production and resources is gained by the working class and society as a whole. Most Libertarian Socialists supports abolishing the state altogether, in much the same way as Utopian Socialists and Anarchism.

Market Socialism is a type of an economic system in which there is a market economy directed and guided by socialist developers, and where prices would be set through trial and error rather than relying on a free price tool.

Eco-Socialism is philosophies combine aspects of Marxism, Socialism, Green politics, ecology and the anti-globalization movement. They promote the non-violent dismantling of Capitalism and the State, focusing on collective ownership of the means of production, in order to alleviate the social

barring, poverty and environmental deprivation brought about by the capitalist system, globalization and colonialism.

**Christian socialism:** It is a form of religious socialism which is based on the traditions of Jesus of Nazareth. Many Christian socialists consider capitalism to be idolatrous and rooted in greed, which some Christian denominations consider a worldly evil. Christian socialists recognise the cause of unfairness to be associated with the greed that they associate with capitalism.

**Guild Socialism:** This type of socialism was basically an English movement that fascinated a modest during the first two decades of the 20th century. An association of craftsmen motivated by the medieval guild, determined their own working conditions and activities. Theorists, Samuel G. Hobson and G.D.H. Cole supported the public ownership of industries and their organization into guilds, each of which would be under the autonomous control of its trade union. The role of the state was less clear. Some guild socialists envisioned it as a coordinator of the guilds' activities, while other theorists held that its functions should be restricted to protection or policing. In general, however, the guild socialists were less inclined to invest power in the state than were their Fabian compatriots.

**Fabian socialism:** In this form of socialism, the Society adopted the name Fabian as a representation of a plan formulated to infiltrate civic and social units and to find means to spread contemporary social ideas, concentrating on concrete objectives rather than on principles (Fabianism In The Political Life of Britain, p. 4). The Fabians did not constitute themselves as a political party as such but developed the technique of "socialistic 'permeation' of existing political institutions" (Fabian Society," Columbia Encyclopedia, 2nd Ed.). According to theorists, The Fabians were more realistic as compared to the Marxian socialists. They understood that it is much easier to overthrow sons, daughters and wives of the prominent and well-to-do than it is to impress the labouring classes. They also understood, that socialist movement's spring from the middle and upper classes and not from the proletariat (Sidney Webb, 1989). A major belief of Fabianism is to collect a Brain Trust as an elite class to plan and direct all of society. Shaw designated briefly that "The Fabian Society succeeded because it addressed itself to its own class in order that it might set about doing the necessary brain work of planning socialist organization for all classes, meanwhile accepting, instead of trying to supersede, the existing political organizations which it intended to permeate with the Socialist conception of human society" (Intelligent Woman's Guide to Socialism and Capitalism, p. 186).

**Merits of Socialism:** Socialism has many benefits for society. Prof. Schumpeter was supported of this thought and gave four arguments to promote socialism that include greater economic efficiency, welfare due to less inequality, absence of monopolistic practices and absence of business fluctuations.

1. **Greater Economic Efficiency:** It has been established through theoretical studies that Economic competence under socialism system is better as compared to capitalism system. The means of production are controlled and regulated by the central planning authority towards chosen ends. The central planning authority makes comprehensive survey of resources and utilises them in the most efficient manner. Increased productivity is secured by avoiding the wastes of competition and by undertaking expensive research and production processes in a coordinated manner. Economic efficiency is also realized by

utilising resources in producing socially useful goods and services which satisfy the basic wants of the people such as cheap food, cloth, and housing.

2. **Greater Welfare due to Less Inequality of Income:** In a socialist economy, it is observed that there is less disparity of income as compared with a capitalist economy because of the absence of private ownership of the means of production, private capital accumulation, and private profit. All inhabitants work for the wellbeing of the state and each is compensated his payment according to his capability, education and training. All rents, interests and profits from various sources go to the state which spends them for public welfare in providing free education, cheap and congenial housing, free public health amenities, and social security to the people.
3. **Absence of Monopolistic Practices:** Main benefit of socialism is that it is free from monopolistic practices which are to be found in a capitalist society. Since under socialism, all means of production are owned by the state, both competition and monopoly are eradicated. The misuse by the monopolistic is absent. Instead of private monopoly, there is the state monopoly of the productive system but this is operated for the welfare of the people. In the state-owned factories, socially useful commodities are produced which are of high quality and are also reasonably priced.
4. **Absence of Business Fluctuations:** A socialist system is free from business variations. There is economic constancy because production and consumption of goods and services are controlled by the central planning authority according to the objectives, targets and priorities of the plan. Thus there is neither overproduction nor joblessness.

**Demerits of Socialism:** A socialist economy has several drawbacks:

1. **Loss of Consumers' Dominance:** Researchers have observed that there is loss of consumer's dominion in a socialist approach. Consumers do not have the liberty to buy whatever commodities they want. They can consume only those commodities which are available in department stores. Often the quantities which they can buy are fixed by the state.
2. **No Freedom of Occupation:** It is also found that people do not have liberty of occupation in such a society. Every person is provided job by the state. But he cannot leave or change it. Even the place of work is allotted by the state. All occupational movements are sanctioned by the state.
3. **Malallocation of Resources:** In socialist, there is random allocation of resources. The central planning authority often commits mistakes in resource allocation because the entire work is done on trial and error basis.
4. **Bureaucratic:** A socialist economy is considered as rigid economy. It is operated like a machine. Therefore, it does not provide the necessary initiative to the people to work hard. People work due to the fear of higher authorities and not for any personal gain or self-interest.

In current circumstances, socialism has become the most popular, economic philosophy. During the decades succeeding the Second World War, the worldwide progression of socialism has been quite theatrical and unparalleled. Socialism is a standard of expediency which accommodates politicians of all hues. It incorporates all types of political system, dictatorships, democracies, republics and monarchies. It holds such dissimilar systems as an Islamic socialism practiced by

Libya and Algeria, democratic socialism of Norway or Sweden, the Baathist Socialism of Syria and Iraq, the 'Ujamaa' socialism of Tanzania. It is observed that various nations around the world have adopted socialist philosophy in the light of their peculiar conditions. Sometimes even within a country, different political parties interpreted the socialist philosophies to fit into their own political viewpoint. Socialist ideas have considerably influenced the formulation of the means and objectives of Indian economic policies. This has happened in different ways such as through the impact of external, socialist ideologies on the economic and political notions held by Blite groups influencing policy-making in India.

To summarize, Socialism is a thought that individuals should not have ownership of land, capital, or industry, but rather the whole community jointly owns and controls property, goods, and production. Preferably, in this system all share correspondingly in work and the results of their labour. After thorough appraisal of principles of socialism, it is established that Socialism is a socio-economic system in which property and the distribution of wealth are subject to control by the workforces, either directly through popular collectives or indirectly exercised on behalf of the people by the state, and in which Classlessness is an important objective.