

HOW DO CAPITALISM, SOCIALISM, AND COMMUNISM DIFFER?

Below are brief descriptions of three basic economic systems: capitalism, socialism, and communism. Read each of the definitions carefully and complete the chart that follows.

Capitalism

Most productive resources are privately owned and controlled. With few exceptions, government does not tell businesses how much to produce, to whom they can sell, or what the should charge. Producers hope to cover all costs and have enough left over for profit.

Consumers help to guide and direct economic activity by buying or not buying certain products.

There is no overall economic plan. Basic economic decisions are made by the interaction of consumers trying to buy at the lowest prices and producers seeking to sell at the highest prices.

Communism

A central authority makes important economic decisions. Government may decide that there will be more tractors and fewer pleasure cars. The factors of production are owned and/or controlled by the government.

People may be able to own certain consumer goods, but the government has a powerful influence on the distribution of those goods.

Communist countries usually have an economic plan. Each year, leaders of government, the armed forces, and industry set economic goals and decide how much steel, iron ore, electricity, and the like will be needed to meet the economic goals.

Socialism

Socialism, a system that lies between the extremes of capitalism and communism, can take many forms.

Many nations consider themselves to be socialistic, have systems in which only the major means of production—mines banks, railroads, steel, and the communication industries—are owned by the government. Most factories producing consumer goods (clothing or furniture, for example) are privately owned and under little or no close control.

Directions: Fill in the chart using the above information.

Who Decides?	Under Capitalism	Under Communism	Under Socialism
What shall we produce?			
How much shall we produce?			
For whom shall we produce it?			

1. In what ways are capitalism and communism similar?
2. In what ways are they different?
3. In what ways are capitalism and socialism similar?
4. In what ways are they different?
5. In what ways are communism and socialism similar?
6. In what ways are they different?