

CLASS: SS1

SUBJECT: GOVIC

TOPIC: BASIC CONCEPTS IN GOVERNMENT

WEEK: 2

TERM: SECOND

CAPITALISM

Capitalism refers to the political and economic system in which **individuals own and controls** the means of production, distribution and exchange. The word capitalism is gotten from the word capital which is a word that originally refers to the machines or instruments by which goods and services are produced. As such Capitalism can be defined as an economic and political ideology in which capital plays the most important role in the production of goods and services. Capitalism is based on free enterprise ,but rejects government intervention and control of the economy. Nearly all the so-called first world or developed nations of the world such as Japan, North America, New Zealand, Western Europe, Australia, Israel etc, are capitalist countries. Some of the persons who thought about capitalism and popularized it's principles through books and other publications were Adam Smith and Alfred Marshall. It must also be noted that the United States was the first truly capitalist country in the world.

Features of Capitalism

1. Private ownership and control of all or most means of production.
2. Capitalism divides the society into two classes which are the bourgeoisie (those who control capital) and the proletariat (the working class people)
3. The forces of demand and supply guide the economy and determines prices(market forces)
4. The entrepreneurs/ capitalist determine the quantity and price of their products.
5. The citizens determine the people that govern them through an electoral process which means that It was capitalism that gave rise to democracy

6. The role of government in production and distribution of good and services is limited.
7. There is the application of advanced technology in production and specialization in occupation in a capitalist state. Which leads to faster industrialization and modernization
8. Capitalism led to mass production of goods and services because of the important place of machines in the production process

Merits of Capitalism

1. Capitalism offers people freedom to choose how to earn a living.
2. Capitalism promotes freedom and democracy in the society
3. Capitalism enhances the mass production of goods and services because of its embrace of machines
4. Capitalism promotes fast economic growth
5. There is competition in the production, distribution and marketing of items produced.
6. There is a high level of incentive to enable the enterprise to attract the skills and expertise it need.
7. The level of growth is faster.
8. Capitalism encourages specialization in production.

Demerits of Capitalism

1. Capitalism widens the gap between the rich and poor in the society.
2. Small scale enterprises cannot compete favorably with large organization.
3. Industrial establishments and social amenities are often concentrated in the cities and urban centers, neglecting the rural areas where there are no established large markets.
4. There is sometimes excessive production of goods in a capitalist society which can lead to deflation
5. It leads to oppression and exploitation of the poor by the rich

SOCIALISM

Socialism refers to the political and economic theory which emphasized **state ownership and control** of factor of production, distribution and exchange. Some

socialist countries are: China, Cuba, and the former Soviet Union, Czechoslovakia, Bulgaria, Romanian, Poland, etc. We must not fail to understand that socialism was created by the weaknesses of capitalism

Advantage of socialism

1. It leads to equitable distribution of state resources.
2. It tries to cater for the needs of all citizens.
3. It bridges the gap between the rich and the poor.
4. Unhealthy rivalry is absent in a socialist economic system.
5. Socialism gives the citizen a sense of belonging.
6. It is also argued that socialism makes the government to be stable.
7. Private monopoly is prevented in a socialist system.
8. It ensures job security.
9. Government always intervenes in business by giving bailouts.

Disadvantages of Socialism

1. Socialism suppresses individual initiatives and ideas.
2. The system makes people to be lazy and un-enterprising.
3. Socialism is not self-regulating and self-functioning.
4. Socialism does not encourage specialization.
5. Absence of economic competition in a socialist economic system lowers the quality of goods produced.
6. Socialism does not encourage faster economic development.
7. Production is mainly designed to meet social needs, not for profit.

EVALUATION

Choose the political system you prefer (among the one above), and state five reasons for preferring such system of government.