Your Name

Instructor Name

Date

Communism and Capitalism: Compare and Contrast

Adam Smith was a well-known economist and philosopher. He is also considered as a pioneer of the political economy and is known as “The Father of Economics”. He is also known as “The Father of Capitalism”. On the other hand, Karl Max was an economist, philosopher, political theorist, and socialist revolutionist. Both of them have presented their perspective regarding capitalism and communism.

In general, capitalism can be defined as an economic and political system according to which a country’s trade and industry are controlled by private owners rather than the state itself for profit. In capitalism, the government plays only a secondary role as people such as private companies owners make most of the decisions and owns most of the property. In contrast, communism can be described as a system of a social organization according to which all property is owned by the community and each member of a community collaborate and receives benefits as per their abilities and needs.

While discussing both communism and capitalism based on the perspectives of Karl Max and Adam Smith, according to Karl Max, a social and economic system is the one in which the production has owned the producers themselves. They focus on profit maximization by exploiting labor and capital. He believed that capitalism is based on the private ownership of the means of production along with the distribution of goods that are characterized freely in the competitive market and aim of profit maximization for the purpose capitalist own their labor and get an equal amount of product and resources. Whereas through socialism, equal distribution of resources can be ensured as the element of self-interest gets eliminated from society. In contrast, according to Adam Smith, the labor division does not depend upon the technological feasibility; rather, it depends upon the extent of the market along with the market size and stock availability. Additionally, the labor division also depends on the institutional restrictions that are placed on both international and domestic trade. One of the main differences between Adam Smith and Karl Marx is that the former, despite being conscious of how workers in real life are exploited by capitalists, supported and reinforced the capitalists, whereas the latter argued for the liberation of labors.

While discussing the importance of both Karl Max and Adam Smith's perspectives, it is undeniably true that Karl Marx's explanation is more important for the contemporary world. The argument he gave regarding the inequality of resources and division in society due to capitalism can be observed today. People acquire classes, status, depending on their wealth. Capitalist has more power due to more wealth, while labor is being exploited by the capitalist for-profit maximization and expansion of production. For instance, the financial crisis of 2007-2008 brought a series of crisis to the American economy after the great depression that happened in 1930. The great recession started in 2007 due to the crisis that occurred in banking and subprime mortgage, making the nation to face the severe issue of the Great Recession. The same concept was given by Marx many years back. He identified the capitalists as a group of people who think for their profit only and exploit the labor and other capital of the economy. He further explained that capitalists spend their money in the market and therefore make more money from it. The process of spending money keeps on going until they get high revenue in return. Factors like self-interest and exploitation of labor can result in the failure of the economy of recession. In conclusion, many people lost their money during the Great Recession while some got a high return through the crisis. These uncertainties increased inequality of wealth in the economy that, in turn, results in the downfall of economy.