**Capitalism vs. Communism vs. Socialism**

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|  | **Capitalism**  **(Free Market Economy)** | **Communism**  **(Command Economy)** | **Socialism** |
| **Ideas** | Hands off, faith in the market, competition leads to improvements. | Class struggle, haves and have not’s, Government Regulation. | Emphasis on equity and distributing profit equally among the society and workforce. |
| **Who Determines Price?** | People | Government | Government (no incentive to gain because can not keep profits) |
| **Who Determines Supply?** | People | Government | People/Government |
| **Who Determines Demand?** | People | Government | Society(Value to) |

**Capitalism:**

At its root, capitalism is an economic system based on three things: wage labor (working for a wage), private ownership of the means of production (things like factories, machinery, farms, and offices), and production for exchange and profit (you pay for what you get). While some people own means of production, or capital, most of us don't and so to survive we need to sell our ability to work in return for a wage.

In terms of government involvement in the economy, capitalists believe in the principle of “Laissez-faire economics, which means to "let it be". Therefore, capitalism is opposed to government intervention in economics because capitalists believe it is inefficient. Rather, a free market produces the best economic outcome for society. Govt. should not pick winners and losers

**Socialism**

Socialism is an economic system where the means of production, such as money and other forms of capital, are owned by the state (the government) or public. Under a socialist system, everyone works for wealth that is, in turn, distributed to everyone. Under capitalism, you work for your own wealth. A socialist economic system operates on the premise that what is good for one is good for all. Everyone works for their own good and the good of everyone else. The government decides how wealth is distributed among the people.

In a socialist economy, the government provides for the people. The taxes are usually higher than in a capitalist system. There may be government-run health care and a complete system of government-operated education. It is a misconception that people do not pay for these services. They do pay for them through higher taxes. Socialist systems emphasize equal distribution of wealth among the people.

**Communism**

In a way, communism is an extreme form of socialism. Many countries have dominant socialist political parties but very few are truly communist. The key differences between socialism and communism are due to the fact that socialism is simply an economic system, while communism is both a political/governmental system ***and*** an economic system. The second main difference between socialism and communism is that within communism the distribution of goods and services takes place according to the individuals needs, while in a socialist system, goods and services are distributed based on individual efforts (e.g. paying taxes). Finally, within a socialist system, capitalism CAN exist (e.g. privately owned companies), while in a communist system capitalism CANNOT exist.