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# Let's not be socialist or capitalist by rote



Before the 21st century, discussions would get stuck at this point:

"Are you right-wing or left-wing?"

In some countries, due to the near prohibition of right or left, this discussion would take place under different names, but the approach remained unchanged.

As time passed and the extreme right and left began to shift towards the centre, this discussion was replaced by other discussions.

The left supports collectivism while the right supports capitalism, and concepts like social democracy and liberalism have been discussed more. As communism collapsed, liberalism rose with privatisations.

However, capitalism began to exploit liberalism after a while, and during the pandemic, a concept like "state capitalism" emerged. In essence, all of these are based on economic systems. Therefore, it is beneficial to delve into the source of the issue before choosing a side.

An economic system is essentially a whole mechanism that is claimed to effectively balance needs and production within a national economy. Therefore, it can be said that there are differences between systems, not in terms of purpose but in terms of the methods and tools proposed to achieve it.

Economic systems can be classified in various ways. With a broad definition, it is possible to group them into two categories: closed economic systems and exchange economy systems.

## Division of labour and specialisation

In a closed economy system, producers only produce for their own needs. The need-production balance is established within a closed group; there is no search for ways to buy goods from outside or sell goods outside.

In closed economies, which historically have a hierarchical social structure, the chief, lord, leader, king, sultan, etc., who are the sole owners of all power and rights, would arrange production activities and the distribution of products among individuals.

Since needs were simple, production techniques were primitive. The sense of security came before the passion for independence. In some countries, this system still continues, but it has largely become a thing of the past, where the importance of independence has little significance alongside economic security.

**The exchange economy has evolved into two main systems in terms of the tools and methods used to effectively provide the need-production balance**

Again, in the historical exchange economy systems, each individual would produce more than their own needs and exchange the surplus with goods they couldn't produce for their other needs.

This result was created by division of labour and specialisation. The exchange economy has evolved into two main systems in terms of the tools and methods used to effectively provide the need-production balance:

Capitalism and Socialism.

## Capitalism

According to theory, in capitalism, economic balance occurs spontaneously through the market mechanism. For this automatic mechanism to function, the means of production must be entirely privately owned.

Entrepreneurs or entrepreneurial capitalists who own the means of production organise production. The necessary human labour to realise production is provided by workers or labourers.

In such a society, the relationships between the entrepreneurial-capitalist class and the worker-labourer class are very important. The state, in principle, does not participate in or interfere with economic life.

The dynamic element of the capitalist system is the "profit motive" of the entrepreneurial-capitalist. The entrepreneur plays a primary role in the functioning of this system.

### Competition among entrepreneurs increases efficiency in the economy

The entrepreneur, who obtains production factors from factor markets, organises these factors and sells the produced goods in commodity markets. Markets determine the prices of goods on one side and the prices of factors, and thus the shares of factors from the total product, on the other.

Competition among entrepreneurs increases efficiency in the economy. For this reason, the applied production technique is advanced. Entrepreneurs ensure the continuous advancement of production by applying technological innovations to meet the ever-growing and intensifying demand and to create new needs. It sounds nice when you listen to it, doesn't it?

## Socialism

The socialist system, on the other hand, aims to achieve economic balance through central authority and planning. The means of production are never left to private ownership. The owner of the means of production is the state on behalf of the public.

The management of production and the determination of income distribution are conducted centrally. Since there are no entrepreneurial capitalists in the economy and both the rulers and the ruled are labourers, the appearance is that of a single-class society.

### The absence of a market mechanism leads to the perception of a technocrat and bureaucrat class as being prioritised and privileged over labourers

However, the absence of a market mechanism also leads to the perception of a technocrat and bureaucrat class, which plans, organises, and implements all economic transactions, as being prioritised and privileged over labourers.

All economic activities are carried out through a mandatory central plan. The production technique can also be advanced in the socialist system. The profit motive has given way to the public and service motive. Of course, there are those who believe that this system will work like clockwork thanks to "well-intentioned" people.

## An ideal system

Despite the long time that has passed, it is impossible to encounter the full structural characteristics of either the capitalist or socialist system in practice. Because in the 19th century, the capitalist system, which possessed at least some of the aforementioned characteristics, underwent changes due to the organisation of the labour class, the disruption of perfect competition conditions, the changing concepts of civilisation, and the state taking on various social responsibilities beyond being just a police state, leading to the current stage.



*Today we have reached a mixed economy application*

*where private entrepreneurial capitalists coexist with the public, participating in, interfering with, and partially managing and controlling the economy - Emre Alkin*

In fact, today we have reached a mixed economy application where private entrepreneurial capitalists coexist with the public, participating in, interfering with, and partially managing and controlling the economy.

The socialist system has also never found a complete application space with all its characteristics. Some countries implementing the socialist system have had to entrust some values that could be characterised as means of production to private ownership. They have sometimes put into practice some motives resembling the profit motive to accelerate production.

Looking at these indicators, an increasing number of people argue that there is no fundamental difference in purpose between the two systems, thus suggesting a tendency towards convergence.

This is another topic of discussion, but we are also observing with concern that supporters of approaches that disregard concepts of development, welfare, and justice, such as state capitalism and neoliberalism, are also increasing.

Even today, discussions continue about an ideal system that allows economic activities undertaken by individuals, who are equally protected and treated before the law, to progress with the vision and support of those who govern the state. Thankfully, no reasonable person thinks that such a goal goes through centralisation or oligarchy.