**Differences between capitalism and socialism**

The following are the major differences between capitalism and socialism

1. The economic system, in which the trade and industry are owned and controlled by private individuals, is known as Capitalism. Socialism, on the other hand, is also an economic system, where the economic activities are owned and regulated by the state itself.
2. The basis of capitalism is the principle of individual rights, whereas socialism is based on the principle of equality.
3. Capitalism encourages innovation and individual goals while Socialism promotes equality and fairness among society.
4. In the socialist economy, the resources are state-owned but in the case of the capitalist economy, the means of production are privately owned. In capitalism the prices are determined by the market forces and therefore, the firms can exercise monopoly power, by charging higher prices. Conversely, in Socialism government decides the rates of any article which leads to shortages or surfeit
5. In Capitalism the competition between firms is very close whereas in Socialism there is no or marginal competition because the government controls the market.
6. In Capitalism, there is a large gap between rich class and poor class because of unequal distribution of wealth as opposed to socialism where there is no such gap because of equal distribution of income
7. In Capitalism, every individual works for his own capital accumulation, but in Socialism, the wealth is shared by all the people equally.
8. In Capitalism every person has the right to freedom of religion which also exists in Socialism, but Socialism gives more emphasis on secularism.
9. In Capitalism, the efficiency is higher as compared to Socialism because of the profit incentive that encourages the firm to produce such products that are highly demanded by the customers while in a socialist economy there is a lack of motivation to earn money, which leads to inefficiency.
10. In Capitalism, there is no or marginal government interference which is just opposite in the case of Socialism.

**Conclusion**

As we all know that every coin has two aspects, one is good and the other is bad and same is the case with the two economic systems. It is very difficult to say which system is better than the other. Capitalism leads to the development of the economy of the country along with the creation of wealth but it advocates distinction between the haves and have-nots. Socialism fills the gap between rich and poor, and makes everything