COMMUNISM:

In a perfect [world](http://science.howstuffworks.com/environmental/earth/geophysics/earth.htm), everyone would have [food](http://recipes.howstuffworks.com/food.htm) and shelter, and a true perfect society would not have any of sexism, racism and other forms of oppression. But for most of the world's population, this perfect society just isn't possible. **Communism** is one proposed solution to these problems.

Most people know what communism is at its most basic level. Simply put, communism is the idea that everyone in a given society receives equal shares of the benefits derived from working. Communism is designed to allow the poor to rise up and attain financial and social status equal to that of the middle-class landowners. In order for everyone to achieve equality, wealth is redistributed so that the members of the upper class are brought down to the same financial and social level as the middle class. Communism also requires that all means of production be controlled by the state. In other words, no one can own his or her own business or produce his or her own goods because the state owns everything.

According to the philosopher **Frederick Engels**' "Principles of Communism," the plan for ultimate financial and social equality is built on the principle that the system should spread around the world until all countries are on board. This central goal has caused capitalist nations to keep their guards up, fearing that communist economic practices might spread to their countries.

CAPITALISM:

The essence of capitalism is economic freedom. Practices like bad lending and crippling corporate fraud or tax avoidance are side effects of a system that revolves around the individual's right to pursue his or her financial goals without the government getting involved. Capitalism's key early thinker, Scottish political economist **Adam Smith**, may have wanted economics separat­ed from politics for its own good, but economics is nonetheless entwined with ideas about the individual's place in society. This connection has politics written all over it (witness the shouts of "Die capitalist pigs" heard around the world).

In Smith's model, there is a natural economic order that produces the greatest good. Government interference interrupts this natural order. His theory of capitalism plays out like this:

* There is an **owner class**: The means of production (capital) are owned only by the few people (capitalists) who can pay for them. Modern means of production are things like machines, factories and land.
* There is a **working class**: The people (laborers) who use capital to produce goods and have no ownership of that capital. Capitalists pay the laborers with [wages](http://money.howstuffworks.com/wage.htm) ([money](http://money.howstuffworks.com/currency.htm)), not with the products the laborers produce. The laborers use that money to purchase the goods they want. In this way, no one who purchases goods (the consumer) has any real connection to those goods.
* **Rational calculation for profit** guides production: The capitalists try to judge the market and adjust production accordingly in order to realize the greatest possible profit.
* Society is made up of **consumers**: Because people are disconnected from the goods they produce, the process of buying things, not of creating things, becomes the primary way in which people define themselves.
* The more profit the capitalists bring in, the more goods they produce. The more goods the capitalists produce, the lower the price of those goods. The lower the price of goods, the more people can afford to buy, and the higher the **standard of living** throughout society.

The government's only real role in capitalism is to maintain peace and order so the economy can work without interruption. This **laissez-faire** (anti-interference) system of economics relies on interconnected, self-regulating networks of producers, consumers and markets that operate on the principles of **supply and demand**.

Essentially, when more people want something, supply goes down and price goes up. When fewer people want something, supply goes up and price goes down. In the end, it's all about finding a way to turn a profit