

Socialism, Capitalism, and Social Democracy

The definitions of socialism, capitalism, and social democracy can vary greatly depending on the country and time period. The following is a primer for students to understand how the three concepts are related.

Socialism is an economic system based on the collective or *public* ownership of the means of production. In a pure socialist system, this usually means the state or government owns assets like factories, businesses, farms, and capital or banks. An example of a socialist state is Venezuela in 2018.

By contrast, **capitalism** is an economic system based on the *private* ownership of the means of production and regards private property as an essential ingredient for economic growth. Socialists argue that private property leads to inequality and the overconcentration of wealth, and it prevents public planning. Capitalists argue that economic freedom fosters entrepreneurship and innovation, and that giving ownership to the state can lead to lower economic growth and political tyranny.

A **social democracy** is a *political* system with a free market capitalist democracy that is *regulated for the public good*. The government provides ample welfare services to protect the poor and social services that the market does not adequately provide, such as state-run child care, elderly care, health care, and education. The Nordic Model, followed by the countries of Denmark, Norway, Sweden, Finland, and Iceland, is an example of social democracy. These countries have fair elections, civil liberties, free trade, and private ownership, while also providing substantial social and welfare services to ensure a more socio-economically equal society. Social democracies can be referred to as having a **mixed economy** (private and publicly held industry) to various degrees.



This excerpt is from a March 2004 talk at Carnegie Council by Julia Preston and Samuel Dillon, both Pulitzer Prize winning journalists for The New York Times. In their talk about their book, Opening Mexico, Preston and Dillon touched on how Mexico became a democratic state and what 20th century Mexican politics was beginning to look like. This excerpt has been modified for the classroom.

How did Mexico Evolve into a Democratic State?

The making of Mexico's democracy was distinctive in many ways. There was no single democratic movement, but a multitude of initiatives from individuals and groups across the society and the country. Mexico was spared a change of economic system, since it had remained capitalist even after the 1910 revolution.

Yet, the clash between social classes was not the primary impetus of change. To be sure, along the way rebellions by workers, rural farming people, and Indians, notably the indigenous uprising in the southern state of Chiapas in 1994, served to weaken the authoritarian system, but these protests were part of a broad mix of reform efforts in which the elite also at times participated.

For decades, the PRI system served the interests of business, making crony capitalists wealthy. They resisted change. But eventually the corporate class also supported an orderly transition, accepting that an open system could better serve its interests in a globalized economy.

Mexico's passage to democracy did not come about as a victory of the ideas of either the left or the right, either liberals or conservatives. At critical moments, the Mexican left—with its bold rejection of the status quo, its nationalism, and its defense of the dispossessed—took the lead in the struggle for greater freedom. But Mexican conservatives, committed to individual rights and a free market economy and often inspired by Catholic faith, were also tenacious in their pursuit of reform.

Over the years, the competition among ideologies and factions was channeled into a system of political parties. These parties when their resolve was tested shunned violence, agreeing to take their disputes to the halls of local and federal legislatures. Religious fanaticism, which has torn apart many countries in times of transition, never arose to embitter the search for democracy in Mexico.

Mexico's was a negotiated, pluralistic transition with pressure coming from below from a myriad of individuals and groups at the grassroots level, and from above as the PRI and its successive presidents responded to dissidents by mandating change. The stalwarts of the system who gave up bits of their control, however, were most often motivated by self-interest, seeking not to reduce their domination but to perpetuate it.

Distinctive

- No Single movement for Democracy
- Many initiatives From Individuals + groups
- Stayed capitalist Economy since 1910
- Clash of Social Classes not primary reason for Change.
- PRI Served interests of business
- Business (Corporate class) supported Democracy (open system) because it could better serve a global Economy
- Mexican Left took the lead with its rejection of Status quo
- Mexican Right followed with their commitment to Individual Rights + free Mkt Economy + Catholic faith
- Competition among factions + Ideologies created Political parties

Result

- Negotiated, Pluralistic Transition to Democracy
- By Individuals + groups @ grassroots level
- Stalwarts adapted to maintain Control as they lost Control