



Comparison of Capitalist and Socialist Economic Models in International Trade

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Abstract

This study discusses the comparison between capitalist and socialist economic models in the context of international trade. A qualitative approach is used by analyzing references from several books and journals related to this topic. The research results show that in the capitalist economic model, international trade is used as a means to increase profits and economic growth, by prioritizing the interests of individuals and private companies. On the other hand, in the social economic model, international trade is seen more as a tool to meet people's needs and increase the distribution of wealth, with the pressure of collective ownership and the government as regulator. Although both have their advantages and disadvantages, this research shows that in the context of international trade, the social economic model has more potential to create more equitable distribution and social justice the original work.

Keywords: Capitalist Economic Model, Socialist Economy, International Trade

Introduction

A country has a government that can regulate movement and development within the country both in economic development, people's welfare and the country's economy. The economy has an important role in economic life. Economics here can be interpreted as a study that discusses how to place economic natural resources that are necessary for humans to meet unlimited life needs with limited resources. A limited nature, it can be interpreted that there is a debate between human needs and desires with limited resources which causes fundamental problems in the economic system.

The economic system that most people know as a whole is the capitalist economic system and the socialist system. The capitalist system is a system that is more concerned with the amount of profit obtained as much as possible with limited natural resources. In this capitalist system, it is more based on the value of freedom and is more concerned with its own benefits in order to fulfill its needs without regard for the lives of others.

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The priority of individual rights in capitalism often creates conflicts of interest between members of society. In such conflicts, the poor will generally be outdone by wealthy groups who control more of the economic resources. In line with the opinion (Pangiuk, 2011: 5) explains that the goals of economic welfare for society often experience sacrifice for individual interests. While in the socialist economic system built by Marxian communism which tries to change wealth inequality by eliminating the right to freedom and the right to concentration of property which leads to the loss of rights and enthusiasm to work harder and harder and reduces efficiency in labor work (Pangiuk, 2011 : 7-8).

The needs of a country cannot be fulfilled by itself without cooperation in a country's economy. For this reason, the role of other countries is very important to advance the economy and welfare of its people. By cooperating with other countries and establishing good relations, there will be mutual benefits from various parties. Therefore international trade is very important in the economy of a country. International trade here can be in the form of trade in goods and services by carrying out export and import activities of goods/services within a country to run the country's economy to improve the country's living standards. In other words, it is divided into two categories, namely trade transactions of goods and services.

Literatur Review

A. Capitalist Economic Model

The capitalist economic model is an economic system with a capitalist system in which sources of wealth or aspects of production belong more to individuals. In accordance with the opinion of Milton H. Spencer, Writer of Contemporary Economics (1977), capitalist is a system of economic organization characterized by individual property rights (private property) of the means of production and distribution whose use is to generate profits under competitive conditions.

In the capitalist economic system there is freedom for each individual to own resources even if the debate is between other individuals and results in competition between the parties for profit/profit. The capitalist economy adheres to the principle of justice which emphasizes that each individual gets rewarded based on their efforts and work performance without government interference, because the government only observes the course of a country's economy.

Economist Adam Smith and also the founder of the capitalist system. Adam Smith considered that there is power that regulates market prices, so that the market must have a leave where the government only has a role as an observer of all the work done by citizens .

B. Socialist economic model

The socialist economic model is a form of rebellion against the capitalist economic system, which is accused of lacking social welfare. The capitalist economic system completely abandons the intelligent economic cycle of the developing market mechanism. The capitalist economic system completely abandons the economic cycle of the wisdom of development market mechanisms. As a result of this system, the government plays a major role in regulating the country's economic regulation based on planning, implementing monitoring of the community's economic chain.

In everyday life, the term socialism is used in many meanings. The term socialism can be used to denote an economic system. In addition, it can be used to show a school of

philosophy, ideology, ideals, lessons or movements. Socialism, while people are also interpreted as a form of economy in which the government acts at least as a party that nationalizes large industries such as mining, roads and bridges, railroads and other production branches concerning the lives of many people. In its fullest form, socialism implies ownership of all means of production, including state agricultural land and the abolition of private property. In leading socialist societies is a feeling of unity or collectivism. An extreme form of collectivism is communism. Economic decisions are made, planned and controlled by the central government. Communism can be considered as the most extreme of systems among left socialists because the realization of a communist society was made possible thanks to the revolution. Economies based on systems where everything is under order are often called "customary economic" systems. Likewise, because the state is the absolute sovereignty of the communist system, a communist economy is often called a "totalitarian economic system". Another term commonly used is "anarchism".

The founder of the socialist economic system is Karl Marx. Karl Marx was born in Trier, Germany on May 5, 1818. Marx was born into a middle-class Jewish family and studied law at the University of Bonn. A year later, he moved to the University of Berlin to study philosophy. At the age of 23, he received the title of Doctor of Philosophy. Young Marx, unable to become a lecturer, became a journalist, and then a politician and critical writer. Karl Marx, a strict socialist and argued that individual rights, including the right to own land, should be abolished. On the other hand, the peasants were not an important social group on the path of a truly socialist society. Marx believed that his dialectical understanding of materialism and history could only be changed by the proletariat's domination of the factors and means of production hitherto exploited by the capitalists.

The main principles of the socialist economic system

1) Fundamental Principles of the State-Owned Socialist Economic System

All the wealth and income of the people belong to themselves. No private ownership or production exploitation rights are permitted. This was approved because all production suggestions were owned by community members. Individuals do not have the authority to own and use production resources that exist in the state. Socialist economic equality emphasizes that individual rights and powers in the economic field are determined by the principle of equality. Everyone is provided with the necessities of life according to their needs. In order to achieve the aim of economic equality, all national affairs came under the control of the workers, who took over all the rules of production and distribution. History can change only because of these factors of production and the control of the means of production by the proletariat, which the capitalists have hitherto exploited. All forms of income and income become the full property of the community. Individual ownership or production exploitation rights are strictly prohibited. This system is run based on the decision that production facilities and infrastructure belong to the community. Individuals do not have the right to own and use production resources).

2) Economic equity

The socialist economic order strictly regulates private rights in the economy and is determined by the principle of equality. Everyone is provided with the necessities of life according to their needs. To achieve the aim of economic equality, all state affairs will come under the control of workers, who will inherit all the rules of production and distribution. Otherwise, economic freedom and private property rights will be abolished.

3). Political Discipline

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To achieve this goal, the whole country is placed under the rule of the workers, who accept all the rules of production and distribution. Economic freedom and property rights will be abolished. Rules, which were very strict to further regulate the practice of socialism.

C. International trade

International trade is trade between countries, including import and export activities (Tambunan, 2001), so that economic cooperation between countries aims to improve the standard of living of trading countries (Schumacher, 2013). The advantages of international trade in terms of exports are expressed as foreign exchange and expansion of employment opportunities (Krueger in Nanga, 2005).

D. International Trade Theory

International trade theory examines the main issues of trade between countries, both goods and services, the policies implemented by the government affect the countries involved in trade. The theory of international trade between countries is one way to gain benefits from various parties. Therefore, the theory of international trade is still being implemented and developed in various parts of the world.

Research Method

This study aims to compare capitalist and socialist economic models in the context of international trade. The research method is a qualitative comparative analysis based on a theoretical approach. The conceptual framework of this study is based on the basic concepts of each economic model, namely capitalism and socialism, and their impact on international trade. The hypothesis to be tested is whether the capitalist or socialist economic model is more effective in promoting international trade. The data used in this study are secondary data from various broad references such as literature studies, policy documents, and international trade data. The data used is processed and analyzed based on qualitative methods using comparative analysis techniques. Data analysis was carried out by identifying similarities and differences between capitalist and socialist economic models in the context of international trade. The results of this analysis will be used to evaluate the research hypothesis and conclude which economic model is more effective in promoting international trade.

Result and Discussion

International trade is an important economic activity in connecting various countries in the world. International trade can provide various benefits such as increased income, economic growth, and increased technological progress. However, differences in economic ideology adopted by a country can influence how they view international trade. Two very different economic ideologies that are often discussed are the capitalist and socialist economic models.

There are various developing economic systems in the world. But basically the economic system is divided into two extremes, namely the capitalist economic system and the socialist economic system.

International trade in the capitalist economic model can be defined as the free exchange of goods or services between countries for the purpose of profit. The capitalist economic model adheres to the principle that economic activity, including international trade, is carried out freely without government interference. In this model, international trade becomes one of the main means of driving a country's economic growth and encourages production specialization. International trade in this economic model is a trading activity carried out between countries, where trade is carried out with the aim of making a profit. In the capitalist economic model, international trade is an important factor that can affect a country's economy, this is because international trade is able to bring various kinds of goods and services from one country to another to meet the needs of each country.

The socialist economic model is defined as an economic system in which goods and services produced and distributed are regulated by the state and shared by the people. The main goal of a socialist economic system is to create social equality, reduce the gap between social classes, and ensure fairness in the distribution of economic resources (Wolff, 2012). Arrangements made by the state in the socialist economic system also guarantee control over capital and production which is not carried out by the private sector. International trade in the socialist economic system is considered as an instrument that can be used to achieve social and economic objectives of the state. In international trade, socialist countries prioritize the goal of meeting the basic needs of their people before trading excess production with other countries. This aims to ensure social welfare and not just economic gain (Hahnel, 2014).

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In the capitalist economic model, international trade is carried out with the aim of making a profit. This is related to the concept of a free market and high competition. International trade in a capitalist system is based on principles that put forward the interests of corporations and countries that aim to maximize profits. In a capitalist view, international trade is one way to increase production and exports so as to increase income and economic growth.

Meanwhile, in a socialist economic system, international trade is carried out with the aim of meeting consumer needs and avoiding dependence on other countries. In a socialist economic system, there is an idea that international trade must be carried out fairly and equally, by prioritizing the interests of the people and society. The Socialist Economic System puts forward the government's position in determining the course of the economy so that private ownership and economic initiatives are not placed in place, or commonly known as centralized planning or centralized planning (Hamid, 2005). International trade in a socialist system is a tool for strengthening unity between socialist countries and encouraging more equitable economic development.

The advantages of international trade in the capitalist economic model, such as increased production, increased income, and technological progress. Some of the advantages of international trade in the capitalist economic model are as follows:

1. Increase economic efficiency and productivity .

With international trade, countries can take advantage of their resources and comparative advantages in order to produce goods and services more efficiently, thereby increasing economic productivity.

2. Expanding market

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Through international trade, countries can expand their markets and increase the number of consumers they can reach, thus increasing business opportunities and economic growth.

3. Reduce production costs

On an economic scale, mass production can reduce production costs so that prices of goods become cheaper and more affordable for consumers.

4. Increase technological innovation

Competition between producers from various countries in international trade can spur technological innovation and development, thereby increasing technological progress and production efficiency

However, there are also disadvantages to the capitalist economic model such as increasing economic inequality, widening social inequality, and the tendency of powerful countries to exploit weak countries. Some of the disadvantages of international trade in the capitalist economic model are as follows:

1. Reducing economic independence.

Countries that are too dependent on imports of goods from other countries can lose their economic independence.

2. Trade injustice.

Countries that have a comparative advantage in the production of certain goods can monopolize the global market and control market prices, to the detriment of countries that do not have a comparative advantage in the production of these goods.

3. Increasing economic inequality .

International trade can exacerbate the economic disparity between rich and poor countries, especially if poor countries can only produce goods of low value and are only able to export raw materials.

In the socialist economic model, the benefits that can be achieved from international trade are meeting people's needs, increasing social welfare, and increasing solidarity between socialist countries. However, there are also disadvantages such as limitations on the ability to obtain technology and raw materials, and the risk of dependence on other socialist countries. Based on the advantages and disadvantages of the socialist economic system, this system aims to protect everyone including the party, especially the marginalized groups who have no factors of production. This system stifles expression and makes people less motivated to work and develop. So that in the end it makes people less creative and productive. In addition, central state and economic planning cannot guarantee that the production and distribution of goods and services meet the needs of the community because the country does not have production capacity at a certain level and distribution according to the needs of the community which will reduce the performance of international trade.

Conclusion

From the above analysis, it can be concluded that in the capitalist economic model, international trade is used as a means to increase profits and economic growth, by prioritizing the interests of individuals and private companies. On the other hand, in the socialist economic model, international trade is seen more as a tool to meet people's needs and

increase the distribution of wealth, by emphasizing collective interests and the government as regulator.

The limitation of this journal is to focus only on the comparison of socialist and capitalist economic models in international trade, so it does not discuss other aspects such as politics, social and environment. In addition, this journal also pays attention to literature studies which are limited to a certain period of time.

For suggestions, further research can be conducted to explore the impact of globalization on international trade in socialist and capitalist economic models from various perspectives, including political, social, and environmental. In addition, you can also consider case studies from certain countries to see the differences in the application of the two economic models.

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