**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.