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CAPITALISM VS. SOCIALISM – AN ATTEMPT TO ANALYSE THE COMPETITIVENESS OF ECONOMIC SYSTEMS

SUMMARY

This article is devoted to the analysis of the competitiveness of economic systems (capitalism and socialism) in the years 1950-1989. The author assumed that competitiveness is the ability of the surveyed economies to build prosperity. Therefore, to compare the competitiveness of both socio-economic formations, the living standard of society – GDP *per capita* was used as a basic measure. The results of the analysis clearly indicated that capitalism (the system of the market economy) is more competitive than socialism (a system of planned economy). The study of competitiveness of economic systems requires a holistic approach and the application of research methods used in economics and economic history.

Keywords: economy, GDP *per capita*, standard of living, economic analysis
JEL Classification: B, N, O, P

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INTRODUCTION

Observing the global economy from a historical perspective, as well as today, it can be noted that it operates on the basis of certain principles. They are defined by the economic system existing in a given geographical area. In the history so far the economy has acted in five of its forms, namely: in a primal community, slavery, feudalism, capitalism and socialism. There were also periods when the socio-economic formations meshed together (this refers to the transformation time from one economic system to another).

The study of economic history allows to conclude that some economic systems are more conducive to economic development than others. Relatively slow economy grew in the first three formations and more dynamically in the capitalist and the socialist system. This article will attempt to show the essential differences in the functioning of the capitalist and socialist economy in the context of competitive economic systems[1]. For the purposes of the research there will be used methods which are used in economics and economic history.

Analysis of competitive economic systems requires a holistic approach. Guided by the holism it should be assumed that the level of competitiveness of the investigated objects depends on many factors[2]. They have a significant impact on the functioning of the economy, and thus on the level of economic growth and development. Starting from the theory of economic development, competitiveness of economic systems can be represented by measures of economic growth. It seems that the best example would be the rate of GDP *per capita* – indicator showing the standard of living of citizens. In this article, the analysis covered the years 1950 to 1989. The output period was year of the end of the economy reconstruction relating to its reconstruction from the devastation as a consequence of World War II. On the other hand, 1989 is the beginning of the collapse of the socialist economy.

[1] Competitiveness analysis that we find in the literature usually concerns: businesses entities, economic sectors and regions of national economies. What is lacking is the analysis of competitiveness of economic systems.

[2] Austrian economists Karl Aiginger and Michael Landesmann among the most important factors affecting the competitiveness of the economies list, among others, productivity and employment growth. These categories largely submit to the size of GDP *per capita*. See more in: K. Aiginger, M. Landesmann, *Competitive Economic Performance: USA versus EU*, WIIW Research Reports, No. 2, November 2002, p. 10-11.

1. THE SPECIFICITY OF THE ECONOMIC SYSTEM

In the literature there are many definitions of the economic system. For the purpose of this article two proposals were adopted. One of these is the definition of David W. Conklin. In his opinion, "phrase economic system refers to the organizational arrangements and processes through which a society makes its production and consumption decisions"[3]. The other one is the suggestion introduced by Jerzy Wilkin, who conducted a review of several definitions of this term[4].Then he formulated his own, very synthetic definition. According to Wilkin "economic system is a set of directly and indirectly related institutions, through which the process of production, exchange and distribution of products and services is achieved. The nature of institutions and relations between them is decisive as far as the basis of the system is concerned: the set of objectives pursued by a system, structure and mechanism of decision-making process, resource allocation mechanisms and the distribution patterns of values generated"[5]. It is worth noting that the economic system clarifies the rules for functioning of the economy in the defined geographical area.

In the modern world there are different types of economic systems, of more or less democratic character. Two elements determine the type of economic system. The first one is an ownership – individual or collective. The second one is the nature of the allocation of productive resources, adopting the form of a market or planned distribution. Taking into account the above criterion Eugeniusz Rychlewski has identified four systems: 1) personal and market system in which there is no central control, ownership is individual, and the allocation is carried out by the market, 2) collective and market system, in which we have to deal with the collective property, and the allocation is made on the market, 3) collective and planned system, which takes the form of collective ownership and allocation is performed centrally, 4) individ-

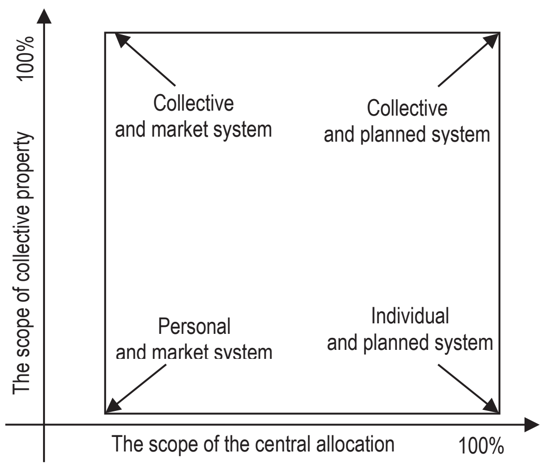
[3] D.W. Conklin, *Comparative Economic Systems*, Cambridge University Press, Cambridge 1991, p. 1.

[4] Jerzy Wilkin made a review of several definitions of the economic system, contained, inter alia, in the following references: M. Bornstein, *Comparative Economic Systems. Models and Cases*, Richard Irwin, Inc., Homewood 1974, p. 4; M. Gottlieb, *A Theory of Economic Systems*, Academic Press Inc., Orlando 1984, p. 2; P.C. Gregory, R.C. Stuart, *Comparative Economic Systems*, Houghton Mifflin Co., Boston 1985, p. 12; M.R. Tool, *Institutionalist View of Economic System*, [in:] K. Dopfer, K.F. Raible (eds), *The Evolution of Economic System*, St. Martin's Press, New York 1990, p. 168.

[5] J. Wilkin, *Jaki kapitalizm, jaka Polska?*, Wydawnictwo Naukowe PWN, Warszawa 1995, p. 113-114.

ual and planned system of private property and the planned allocation of resources[6]. Layout of economic systems is presented in graph 1.

Graph 1. Map of economic systems



Source: Own preparation based on: E. Rychlewski, *Proces transformacji jako czynnik determinujący kształt systemu gospodarczego*, [in:] E. Mączyńska, Z. Sadowski (eds), *O kształtowaniu ładu gospodarczego*, Polskie Towarzystwo Ekonomiczne, Warszawa 2008, p. 118.

None of the systems described above is economic in its pure form[7]. Existing in practice economic formations combines the characteristics of different types of systems. Existing in historical perspective, as well as at present, economic systems do not locate themselves in any corner. You can find them in different places on the map, with most located in the north-eastern and south-western parts[8].

2. CAPITALISM AND SOCIALISM – ECONOMIC SYSTEMS OF THE 20TH CENTURY

Among economic systems existing today in the world, the most important role is played by capitalism (a form of individual and market system).

[6] E. Rychlewski, *Proces transformacji jako czynnik determinujący kształt systemu gospodarczego*, [in:] E. Mączyńska, Z. Sadowski (eds), *O kształtowaniu ładu gospodarczego*, Polskie Towarzystwo Ekonomiczne, Warszawa 2008, p. 110-112.

[7] To individual-market system in its pure form was similar capitalism of nineteenth-century England.

[8] E. Rychlewski, *op. cit.*, p. 117-119.

It is a system based on private property, personal liberty and freedom to conclude contracts in which the economic processes are regulated in a dominant extent by the market. It should be added, following Tadeusz Kowalik, that capitalism "is a system in which the primary motive of business is profit, and competition is an important coordination mechanism which is out of the market"[9]. Robert J. Samuelson – a columnist for "Newsweek" and the "Washington Post" rightly notes that capitalism is primarily „economic system that depends on some common social and political arrangements that guide the behavior of people and enterprises"[10]. It is also worth quoting Joseph A. Schumpeter's observation, who wrote that „…capitalism develops rationality and adds a new edge to it in two interconnected ways. First it exalts the monetary unit – not itself a creation of capitalism – into a unit of account. That is to say, capitalist practice turns the unit of money into a tool of rational cost-profit calculations (…) Second, rising capitalism produced not only the mental attitude of modern science, the attitude that consists in asking certain questions and in going about answering them in a certain way, but also the men and the means. By breaking up the feudal environment and disturbing the intellectual peace of manor and village (…), but especially by creating the social space for a new class that stood upon individual achievement in the economic field, it in turn attracted to that field the strong wills and the strong intellects"[11].

The history of capitalism shows that this economic system started to form in the second half of the fifteenth century, mainly due to the great geographical discoveries[12]. It has consolidated its position in the world at the turn of the eighteenth and nineteenth centuries following the events that took place in Europe due to the industrial revolution in England, the French Revolution and the announcement of the Declaration of Independence and the U.S. Constitution on the American continent.

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[9] T. Kowalik, *Systemy gospodarcze. Efekty i defekty reform i zmian ustrojowych*, Fundacja Innowacja, Warszawa 2005, p. 35.

[10] R.J. Samuelson, *The Rebirth of Capitalism*, [in:] G. Morgenson (ed.), *The Capitalist's Bible. The Essential Guide the Free Markets – and why the Matter to You*, HarperCollins Publishers, New York 2009, p. xvi.

[11] J. Schumpeter, *Capitalism, Socialism, and Democracy*, Routledge, London and New York 2003, p. 123-124.

[12] Some authors state, that the source of capitalism should be found in functioning those days twelfth-fourteenth century city-states such as: Venice, Genoa, Florence (N. Rosenberg, L.E. Birdzell Jr., *How The West Grew Rich: The Economic Transformation Of The Industrial World*, Basic Books Inc., New York 1986).

Studies in economic history show that capitalism was rooted in the global economy since the mid-fifteenth century as a result of the expansion of personal freedom, strengthening the importance of private property; primitive accumulation of capital; the release of the labour force, especially in rural areas, the evolution of political thought; mercantilist policy of the state, agrotechnical progress, technical progress; subordination of economic activity to achieve monetary gain, etc.

Another of the economic systems functioning in the contemporary world is socialism (a form of collective and planned system). This is the economic policy formed on the basis of the criticism of the capitalist system, in which the social (and not private) ownership of production means is the economic basis of eliminating class division and exploitation. It is also an essential prerequisite for changes leading to implementation of the principles of social justice and welfare.

Mentioned above encyclopaedic definition of socialism clearly coincides with the definition of J.A. Schumpeter. According to the Austrian economist, socialism is "institutional pattern in which the control over means of production and over production itself is vested with a central authority – or, as we may say, in which, as a matter of principle, the economic affairs of society belong to the public and not the private sphere"[13].

A very interesting approach to socialist economic system has been presented already in 1906 by Werner Sombart. He stated that if the modern socialism is the result of necessary reaction to capitalism, the country with the highest development of capitalism (the United States of America) should be also a classical socialist country, and its working class should be a mainstay of the most radical socialist movement[14]. However, the reality is different. Why?

It seems that as good answer to this question may serve the words of Z. Bauman: "socialism descended upon nineteenth-century Europe as utopia"[15]. Utopia should be understood here as the project of an ideal political system which is to operate on principles of justice, solidarity and equality. Such assumptions were typical of the Marxist doctrine.

In Bauman's opinion, Karl Marks did not realize that socialism may come before capitalism has exhausted its creative potential which in his opinion was to raise the productive forces to the level ensuring the abundance of goods.

[13] J. Schumpeter, *op. cit.*, p. 167.
[14] W. Sombart, *Why is there No Socialism in the United State*, M.E. Sharpe, New York, 1976.
[15] Z. Bauman, *Socialism. The Active Utopia*, George Allen & Unwin Ltd, London 1976, p. 9.

According to Marks, socialism could come when capitalism has freed society from poverty[16].

However, as economic history shows, the socialist economic system began to be built in the country completely unprepared for Marxist concept of the society mature for socialism – in Soviet Russia. It is worth noting that implementing the principles of socialism has taken a revolutionary character there. A new system was organized in the atmosphere of terror, during the period of so called War Communism, social-economic policies realized during the civil war 1918-1921 by the Russian Communist Party (Bolshevik). It should be underlined that such organization failed. Afterwards, violent attempts to build socialism were taken several times. In the end, it turned out that this is an unstable economic system generating a growing number of public protests. Despite this it functioned in many countries almost till the end of the twentieth century, or it still functions there.

3. COMPETITIVENESS AS A CATEGORY OF ECONOMIC ANALYSIS

The expression competitiveness in the economic literature was first used in the 70s twentieth century in USA. Today, competitiveness is a category commonly encountered in the theory and practice of economics. Studies on the economic literature show, however, that it has not been possible yet to develop a clear definition of competitiveness. The differences in views on measures of competitiveness are visible, too. On this issue focus Peter J. Buckley, Christopher L. Pass, Kate Prescott[17], Marian Gorynia[18], Józef Misala[19], among others. They emphasize that it is a consequence of the complexity of the phenomenon of competitiveness. Economists' discussions about what the competitiveness should concern to, focus on the one hand on a narrow conception of competitiveness (company level), on the other hand, on the wide recognition of competitiveness (companies, countries, regions level).

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[16] *Ibidem*, p. 77.

[17] P.J. Buckley, C.L. Pass, K. Prescott, *Measures of International Competitiveness: A Critical Survey*, „Journal of Marketing Management", Vol. 4, No 2/1988, p. 175-200.

[18] M. Gorynia, B. Jankowska, *Klastry a międzynarodowa konkurencyjność i internacjonalizacja przedsiębiorstwa*, Difin, Warszawa 2008, p. 51-77.

[19] J. Misala, *Międzynarodowa konkurencyjność gospodarki narodowej*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2011.

A narrow understanding of competitiveness is advocated by such as Paul Krugman[20]. He believes that the term competitiveness should only be used for analysis at the enterprise level. In his opinion, the use of this term in a relation to national economies is unjustified. It is impossible to analyze the competitiveness of the country in such a way as to analyze the competitiveness of companies. He argues that the uncompetitive companies cease to exist, while the economies of individual countries, often in spite of many weaknesses still exist[21].

For the wide recognition of competitiveness speaks the majority of scientists, among them Klaus Esser, Wolfgang Hillebrand, Dirk Messner and Jörg Meyer-Stamer. Economists working at the German Development Institute identified four levels of competitive analysis: meta, macro, meso and micro (graph 2). At the metalevel there are factors which have significant impact on economic development. These are: socio-cultural factors value attitudes; basic pattern of politico-economic organization; ability to formulate strategies and policies. At the macrolevel the subject to analysis is a state policy shaping macroeconomic economic environment, including: budgetary policy, monetary policy, fiscal policy, currency policy, trade policy. Mesolevel analysis involves specialized economic policies of the state – infrastructure policy, education policy, technology policy, environmental policy, etc. At the microlevel subject to analysis are factors directly related to the activities of enterprises, including: managerial competence, interaction between suppliers, producers and customers[22].

According to K. Esser, W. Hillebrand, D. Messner i J. Meyer-Stamer "… rather, particularly competitive countries present: 1) structures at the metalevel which encourage competitiveness, 2) a macroframework that exercises performance pressure on the firms, and a structured mesolevel in which government and social actors come to terms on support policies and advance the formation of social structures, 3) at the micro level a variety of firms which at the same time aim at efficiency, quality, flexibility, and responsiveness and many

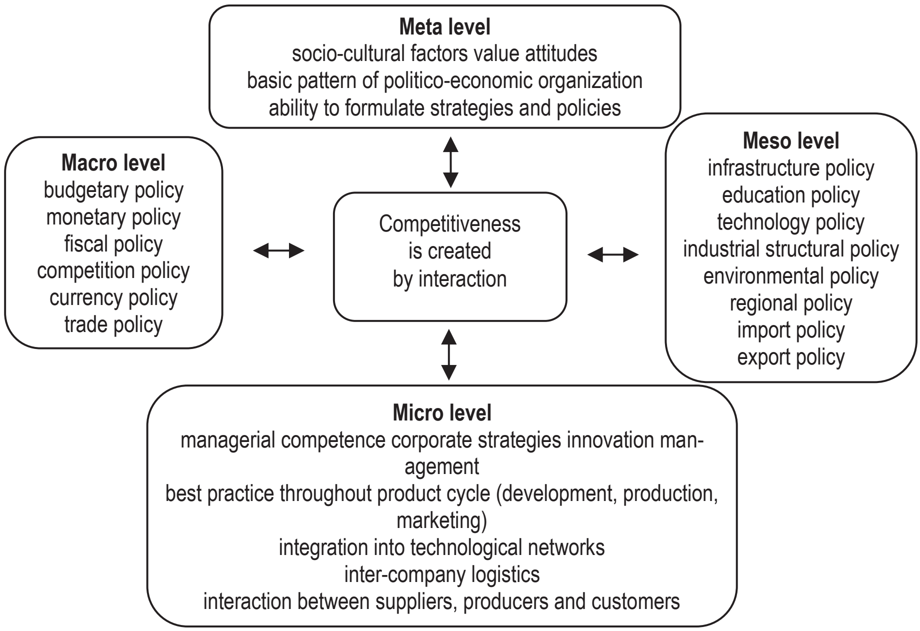
[20] P. Krugman in one of his articles states: "(…) that the obsession with competitiveness is not only wrong but dangerous skewing domestic policies and threatening the international economic system. This last issue is, of course, the most consequential from the standpoint of public policy. Thinking in terms of competitiveness leads to bad economic policies on a range of issues, domestic and foreign (…)" (P. Krugman, *Competitiveness: A Dangerous Obsession*, „Foreign Affairs", Vol. 73, No. 2/1994, p. 30).

[21] *Ibidem*, p. 28-44.

[22] K. Esser, W. Hillebrand, D. Messner, J. Meyer-Stamer, *Systemic Competitiveness. New Governance Patterns for Industrial Development*, Frank Cass, London 1996, p. 28-30.

of which are integrated in networks"[23]. A special feature of this approach to competitiveness is an indication of the active role of the state and other economic actors in cooperation to strengthen this process.

Graph 2. Determinants of systemic competitiveness



Source: K. Esser, W. Hillebrand, D. Messner, J. Meyer-Stamer, *Systemic Competitiveness. New Governance Patterns for Industrial Development*, Frank Cass, London 1996, p. 28.

An interesting proposal for competitive analysis is also presented Robert Huggins and Will Davies[24] (graph 3). Such an approach also demonstrates the competitiveness of its broad sense. In his research Huggins and Davies took into account the following category: creativity, economic performance, infrastructure and accessibility. In the central part of the figure they put economic performance, which largely determines the standard of living of the population.

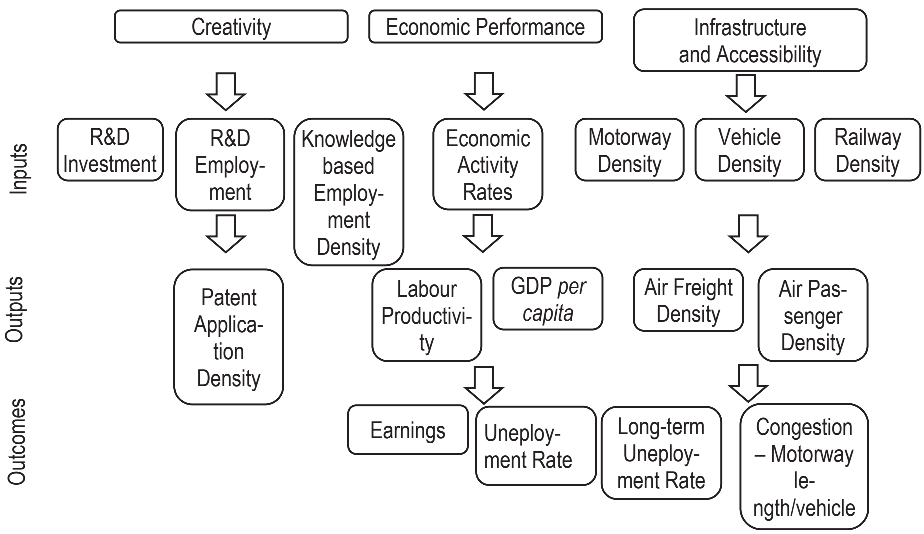
Broad understanding of competitiveness can also be found in studies of Organization for Economic Cooperation and Development (OECD). In terms of this organization the competition is: "the degree to which, under open market conditions, a country can produce goods and services that meet

[23] *Ibidem*, p. 31.

[24] R. Huggins, W. Davies, *European Competitiveness Index 2006-07*, Robert Huggins Associates Ltd, 2006.

the test of foreign competition, while simultaneously maintaining and expanding domestic real income"[25]. For such a definition of competitiveness positively relate, inter alia: Jan Fagerberg, Martin Srholec and Mark Knell, Norwegian economists, who add that "the concept usually has a double meaning, it relates both to the economic well-being of its citizens, normally measured through GDP *per capita*, and the trade performance of the country"[26].

Graph 3. Conceptualising the European Competitiveness Index



Source: R. Huggins, W. Davies, *European Competitiveness Index 2006-07*, Robert Huggins Associates Ltd, 2006, p. 3.

However, in "The Global Competitiveness Report 2013-2014" competitiveness is "as *the set of institutions, policies, and factors that determine the level of productivity of a country*. The level of productivity, in turn, sets the level of prosperity that can be reached by an economy" [italics in original][27]. The authors present the 12 pillars of competitiveness, which form the Global Competitiveness Index (graph 4).

Twelve-pillar concept of competitiveness (graph 4) created by the experts of the World Economic Forum was based on three groups of factors: 1) basic

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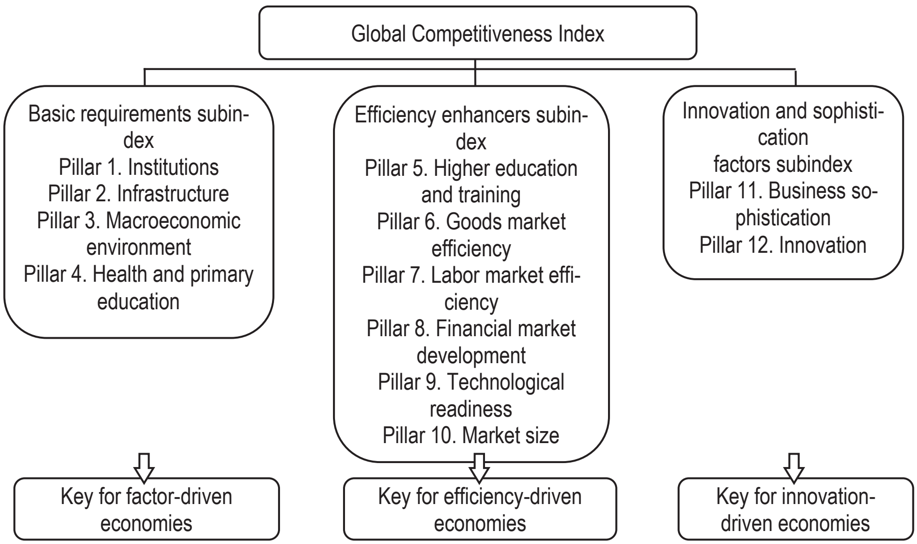
[25] OECD, *Technology and the Economy: The Key Relationships*, Paris 1992, p. 237, quotation from: J. Fagerberg, M. Srholec, M. Knell, *The Competitiveness of Nations: Why Some Countries Prosper While Others Fall Behind*, „World Development", Vol. 35, No. 10/2007, p. 1610.

[26] *Ibidem*, p. 1595.

[27] K. Schwab (ed.), *The Global Competitiveness Report 2013-2014*, World Economic Forum, Geneva 2013, p. 4.

requirements, 2) efficiency enhancers, 3) innovation and sophistication factors. They affect respectively: 1) the development of resource-based factors (the so-called resource competitiveness), 2) development based on efficiency growth (the so-called efficiency competitiveness), 3) development based on innovation (the so-called innovation competitiveness). These pillars of competitiveness generate the ability to maintain a high level of income. Therefore affect the level of welfare of the society.

Graph 4. The Global Competitiveness Index framework

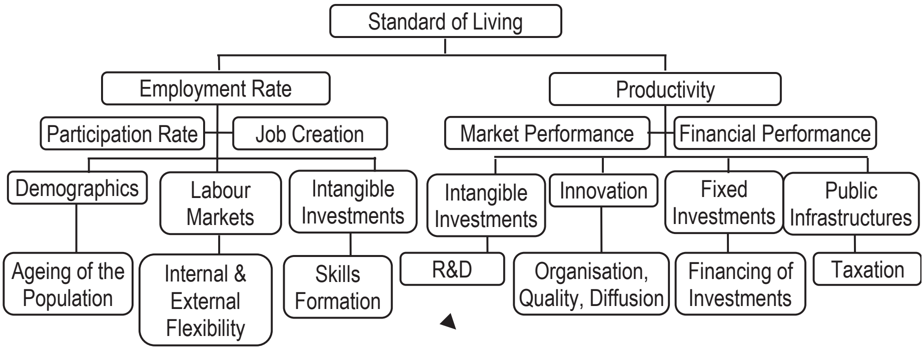


Source: K. Schwab (ed.), *The Global Competitiveness Report 2013-2014*, World Economic Forum, Geneva 2013, p. 9.

In the competitiveness of economies, which is under discussion, there is an important document prepared by experts from the European Commission[28]. For the needs of competitiveness analysis they prominence so called competitiveness pyramid (graph 5). It presents a set of factors that determine competitiveness, which main component (the upper part of the pyramid) is a synthetic indicator – standard of living (its basic measure is GDP *per capita*). On the lower level of the pyramid there are located: employment rate and productivity, then their decomposition into factors affecting employment and productivity. The different levels of the pyramid, ranging from localized lowest, consequently decide on the possibility of raising the standard of living and level of prosperity.

[28] Commission of the European Communities, *Benchmarking the Competitiveness of European Industry*, COM(96)463 final, Documents EN1017, Brussels 09.10.1996.

Graph 5. The Competitiveness Pyramid



Source: Commission of the European Communities, *Benchmarking the Competitiveness of European Industry*, COM(96)463 final, Documents EN1017, Brussels 09.10.1996, p. 4.

A good summary of the deliberations on competitiveness may be the words of economists from the University of Tartu. Janno Reiljan, Maria Hinrikus and Anneli Ivanov stressed that "(…) competitiveness reflects a position of one economic entity (country, industry, enterprise, household) in relation to other economic entities by comparing the qualities or results of activities reflecting superiority or inferiority"[29].

On the basis of the above conceptualization of competitiveness emerges the fact that its analysis is eclectic. There is neither a single definition of competitiveness nor any measure of this economic category.

4. GDP *PER CAPITA* AS A MEASURE OF THE ECONOMIC SYSTEMS COMPETITIVENESS[30]

From the perspective of territorial areas it might be tempting to try to measure the competitiveness in its relation to economic systems[31]. However,

[29] J. Reiljan, M. Hinrikus, A. Ivanov, *Key Issues in Defining and Analysing the Competitiveness of a Country*, University of Tartu, Tartu 2000, p. 10.

[30] The author is aware that a measurement competitiveness economic systems by means of a synthetic instrument, which is GDP *per capita*, is interesting, though incomplete.

[31] About the problem of measuring the phenomena in economics, among others, writes Marcel Boumans: "Measurement in economics is not a unified field of research, but fragmented in various separate fields with their own methodology and history (…). Measurement in economics is the assignment of numerals to a property of objects or events – 'measur and' – according to a rule with the aim of generating reliable information about these objects or events. The central measurement problem is the design of rules so that the information is as reliable as possible. To arrive at reliable numbers for events or objects, the rules have to meet

the question should be asked: What measures to use to analyze this category[32]?

Many researchers of competitiveness which is defined as the ability of economies to build wealth and prosperity, believe that its best measure in an international context can be the volume of GDP *per capita*[33]. It occurs when the concept of competitiveness is associated with the theory of economic growth (or the theory of economic development and growth)[34]. This direction of research on the competitiveness is represented by: Bruce R. Scott[35], mentioned before Jan Fagerberg, Martin Srholec and Mark Knell[36] or Anna Zielinska-Głębocka[37], among others. According to these economists, the concept of competitiveness study based on the measure showing the living stan-

specific requirements. The nature of these requirements depends on the nature of the event or object to be measured and on the circumstances in which the measurements will be made." (M. Boumans, *Introduction*, [in:] M. Boumans (ed.), *Measurement in Economics a Handbook*, Academic Press, Elsevier, Amsterdam 2007, p. 3).

[32] An interesting approach to the analysis of the competitiveness is presented by Augustyn Woś, who emphasizes the ambiguity of the term. In his opinion, it is primarily for this reason economics offer a variety of measures of competitiveness. „Their scheme is by no means a simple matter, since they describe the different perspectives of economic reality," emphesises Woś. Referring to competitiveness measure he formulated a very interesting statement: „(...) the problem is not about taking a universal measure, better than others in every respect. Such a measure does not exist. The actual research problem is to choose an adequate measure to the given problem we have to solve" (A. Woś, *Konkurencyjność polskiego sektora żywnościowego. Synteza*. IERiGŻ, Warszawa 2003, p. 36). Woś emphasises as well, which we should fully agree with, that competitiveness analyses have many pitfalls of calculation credibility, as almost always inhomogeneous structures are compared to each other (*Ibidem*, p. 42).

[33] Why is GDP *per capita* such an important measure of competitiveness? One of the most famous scholars of competitiveness, Michael Porter, believes that: „The measured microeconomic differences among nations prove to account for 81 percent of the variation across countries in the level of GDP *per capita*" (M.E. Porter, *Building the Microeconomic Foundations of Prosperity: Findings from the Microeconomic Competitiveness Index*, http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.194.4526&rep=rep1&type=pdf, p. 2, (04.12.2013)).

[34] Among other economic theories on which the analysis of competitiveness can be based there are: international trade theories (international trade theory, the theory of international trade in service, the theory of international migration factors of production), location theory, leadership and management theory (E.M. Jagiełło, *Strategiczne budowanie konkurencyjności gospodarki*, Wydawnictwo POLTEXT, Warszawa 2008, p. 10; J. Misala, *op. cit.*, p. 63).

[35] B.R. Scott, *U.S. Competitiveness: Concepts, Performance and Implication*, [in:] B.R. Scott, G.C. Lodge, *U.S. Competitiveness in the World Economy*, Harvard Business Scholl Press, Boston, Massachusetts 1985, p. 507-530.

[36] J. Fagerberg, M. Srholec, M. Knell, *op. cit.*, p. 1595-1620.

[37] A. Zielińska-Głębocka, *Konkurencyjność przemysłowa Polski w procesie integracji z Unią Europejską. Teoria, praktyka, polityka*, Fundacja Rozwoju Uniwersytetu Gdańskiego, Gdańsk 2000.

dard of society (the size of GDP per capita) can be used to analyze this phenomenon at different levels of the economy, including economic systems.

An attempt to analyze the competitiveness of economic systems in this study will be carried out on the basis of the statement groups of countries operating in the 1950-1989 in the capitalist system or a socialist system. For comparison purposes, Angus Maddison work, titled "Monitoring the World Economy 1820-1992" will be used. The GDP *per capita* measured in the so-called Geary-Khamis dollars[38] in each group member is shown in table 1 and in figure 1.

The information contained in table 1 and figure 1 shows that the higher the GDP *per capita* was achieved in the group of capitalist countries (Western Europe, Western Offshoots, Southern Europe) than in countries with a socialist system (Eastern Europe). Rapid growth in GDP *per capita* was characteristic to Western European countries and the United States of America, Canada, Australia, New Zealand – countries of the Western Offshoots Group. Southern European countries belonging to the less developed capitalist countries, despite a lower level of GDP *per capita* at the beginning of the analyzed period, also managed to jump over the state of the socialist block (taking into account the said measure) at the beginning of the 70s of the 20th century.

Table 1. GDP *per capita* in the period 1950-1989 – average values for selected groups of countries (1990 Geary Khamis Dollars)

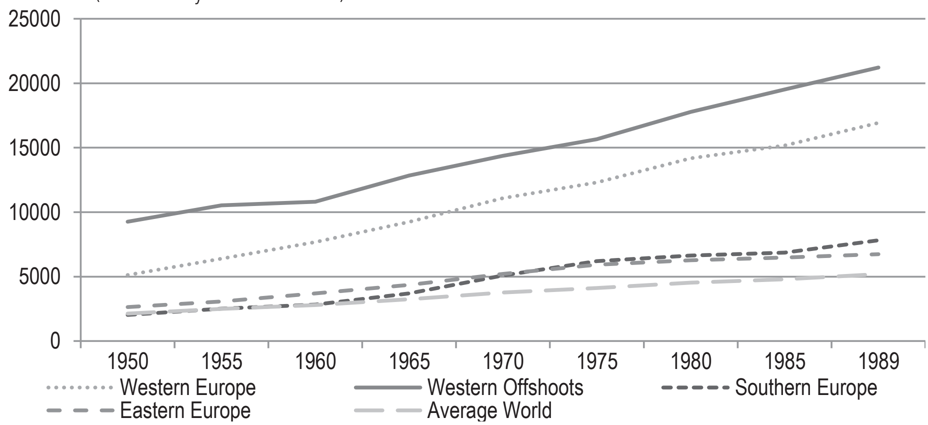
Years	Western Europe (23)*	Western Offshoots (4)*	Southern Europe (7)*	Eastern Europe (9)*	Average (199)*
1950	5126	9255	2021	2631	2138
1951	5379	9928	2172	2638	2238
1952	5528	10165	2185	2727	2308
1953	5781	10362	2376	2797	2371
1954	6051	10136	2417	2884	2407
1955	6393	10527	2521	3067	2505
1956	6620	10586	2625	3246	2573
1957	6858	10588	2716	3311	2615

[38] According to A. Maddison, Geary-Khamis dollars are the best measure of volume comparisons of GDP *per capita*, in long serial circles time, as well as between countries. The basis for the measure construction for converting national currencies into Geary-Khamis dollars (initiated by Robert Charles Geary in 1958 and developed by Salem Hanna Khamis in 1970 and after) is the buying power of national currencies referred to the U.S. dollar in a given unit of time, and to the average level of international prices (A. Madison, *Monitoring The World Economy 1820-1992*, OECD, Paris 1995, p. 163).

Years	Western Europe (23)*	Western Offshoots (4)*	Southern Europe (7)*	Eastern Europe (9)*	Average (199)*
1958	6950	10390	2775	3493	2654
1959	7245	10761	2769	3466	2706
1960	7676	10813	2820	3705	2792
1961	7989	10994	3003	3856	2843
1962	8272	11384	3179	3893	2921
1963	8551	11720	3402	3824	2987
1964	8978	12248	3554	4179	3146
1965	9248	12843	3706	4350	3251
1966	9497	13487	4058	4532	3367
1967	9742	13690	4242	4683	3418
1968	10196	14160	4519	4880	3525
1969	10695	14490	4842	4926	3651
1970	11079	14372	5092	5202	3768
1971	11325	14685	5338	5354	3842
1972	11686	15330	5679	5404	3942
1973	12289	16075	6015	5745	4123
1974	12466	15903	6174	5902	4137
1975	12299	15665	6203	5922	4119
1976	12839	16354	6439	6103	4242
1977	13173	16956	6584	6217	4349
1978	13539	17609	6666	6328	4450
1979	14031	17955	6635	6287	4518
1980	14187	17782	6629	6263	4533
1981	14166	18091	6598	6233	4543
1982	14242	17554	6641	6311	4519
1983	14475	18026	6666	6428	4574
1984	14820	19045	6740	6492	4707
1985	15178	19513	6860	6487	4797
1986	15560	19887	7056	6671	4882
1987	15926	20337	7364	6666	4980
1988	16492	20918	7617	6740	5125
1989	16929	21226	7820	6745	5197

* amount of countries under consideration in each group
Source: A. Madison, *Monitoring The World Economy 1820-1992*, OECD, Paris 1995, p. 228.

Figure 1. GDP *per capita* in the period 1950-1989 – average values for selected groups of countries (1990 Geary Khamis Dollars)



Source: Own preparation based on data from table 1.

Competitiveness measure which is GDP *per capita*[39] indicates unequivocally higher competitiveness of countries with the capitalist system than countries inherent in the socialist system. What circumstances caused that we had to deal with such a situation? It seems that among them the fundamental meaning had relationships between capitalist states (relationships supporting the growth) and among countries grouped in the socialist bloc countries (the relationship of subordination to the leader of this group of countries – the Soviet Union). A major role was played by the institutional system of the economy[40] in the form of: standards, markets and organizations. These three groups of institutions were disproportionately more developed in the capitalist countries bloc. They have become in this group of countries, primarily the guardian of democracy and allowed greater business conducting freedom. The weakness of these institutions in the countries of the socialist countries

[39] It seems that GDP *per capita* is here a measure of international competitiveness that Laura D'Andrea Tyson defines as: "our ability to produce goods and services that meet the test of international competition while our citizen's enjoy a standard of living that is both rising and sustainable" (L. Tyson, *Who's Bashing Whom? Trade Conflicts in High- Technology Industries*, Institute for International Economics, Washington D.C. 1992, quotation from: B. Gardiner, R. Martin, P. Tyler, *Competitiveness, Productivity and Economic Growth across the European Regions*, http://www-sre.wu-wien.ac.at/ersa/ersaconfs/ersa04/PDF/333.pdf, p. 3, (12.12.2013)).

[40] About the influence of institutions on economic competitiveness write authors "The Global Competitiveness Report 2013-2014": „The institutional environment is determined by the legal and administrative framework within which individuals, firms, and governments interact to generate wealth. (…) The quality of institutions has a strong bearing on competitiveness and growth" (K. Schwab, *op. cit.*, p. 4).

inhibited the development of the countries of Eastern Europe. These circumstances gave the rise to the fact that in the countries of the capitalist system social welfare was built faster than in the socialist countries.

CONCLUSIONS

"Competitiveness has become a central preoccupation of both advanced and developing countries in an increasingly open and integrated world economy. Despite its acknowledged importance, the concept of competitiveness is often misunderstood"[41], emphasizes M. Porter. Meanwhile, a category which is competitiveness, is successfully used for economic analysis at different levels of management (meta, macro, meso and micro). On the metalevel it can include analyzing the competitiveness of economic systems (in this study contrasted capitalism and socialism itself).

The study of competitiveness of economic systems is not an easy task, especially because of the problem of choosing a measure instrument of this phenomenon. As a result of literature study in the field of competitiveness of economies and as a result of being directed by the maxim: "It's better to be roughly right, than precisely wrong" the author of the article decided to measure the competitiveness on the basis of GDP *per capita*. As a result, the analysis found out that the more competitive economic system is capitalism, which proves its superiority over socialism.

In conclusion, it is worth quoting the words of two prominent economists: Peter F. Drucker, expressing an opinion on capitalism and Jesus H. de Soto, expressing an opinion on socialism. P. Drucker states that: "Capitalism as a social order and as a creed is the expression of the belief in economic progress as leading toward the freedom and equality of the individual in the free and equal society"[42]. J.H. de Soto defines socialism "*as system of institutional aggression on the free exercise of human action or entrepreneurship*"[43] [italics in original]. Two, presented above perspectives of the economic systems very briefly show why the system of the market economy (capitalism) is more competitive than the system of planned economy (socialism).

[41] M.E. Porter, *op. cit.*, p. 1.

[42] P.F. Drucker, J.A. Maciariello, *The Daily Drucker. 366 Days of Insight and Motivation for Getting the Right Things Done*, HarperBusiness, New York 2004, p. 318.

[43] J.H. de Soto, *Socialism: Economic Calculation and Entrepreneurship*, Edward Elgar Publishing, Cheltenham, Northampton 2010, p. 4.

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