

How Communism Works

BY ALIA HOYT

In a perfect world, everyone would have food and shelter, and a true utopian society would be devoid 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 labor. 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 [source: Engels]. This central goal has caused capitalist nations to keep their guards up, fearing that communist economic practices might spread to their countries.

Who are communists, and why do non-communist cultures consider them radical? Does communism work in practice? Next, we'll take a look at the father of communism.

The political theory of socialism, which gave rise to communism, had been around for hundreds of years by the time a German philosopher named **Karl Marx** put pen to paper. Marx, also known as the father of communism, spent most of his life in exile in Great Britain and France. He wrote the **Communist Manifesto** in 1848, which later served as the inspiration for the formation of the Communist Party. Communism is also known as "Marxism."

Marx believed that a truly utopian society must be classless and stateless. (It should be noted that Marx died well before any of his theories were put to the test.) Marx's main idea was simple: Free the lower class from poverty and give the poor a fighting chance. How he believed it should be accomplished, however, was another story. In order to liberate the lower class, Marx believed that the government would have to control all means of production so that no one could outdo anyone else by making more money. Unfortunately, that proves to this day to be more difficult than he might have realized.

Marx described three necessary phases toward achieving his idea of utopia.

- Phase 1: A revolution must take place in order to overthrow the existing government. Marx emphasized the need for total destruction of the existing system in order to move on to Phase 2.
- Phase 2: A dictator or elite leader (or leaders) must gain absolute control over the proletariat. During this phase, the new government exerts absolute control over the common citizen's personal choices -- including his or her education, religion, employment and even marriage. **Collectivization** of property and wealth must also take place.
- Phase 3: Achievement of utopia. This phase has never been attained because it requires that all non-communists be destroyed in order for the Communist Party to achieve supreme equality. In a Marxist utopia, everyone would happily share property and wealth, free from the restrictions that class-based systems require. The government would control all means of production so that the one-class system would remain constant, with no possibility of any middle class citizens rising back to the top. (You can see the full text of the manifesto at this Web site.)

Marx also detailed the 10 essential tenets of communism, namely:

- Central banking system
- Government controlled education
- Government controlled labor
- Government ownership of transportation and communication vehicles
- Government ownership of agricultural means and factories

- Total abolition of private property
- Property rights confiscation
- Heavy income tax on everyone
- Elimination of rights of inheritance
- Regional planning

In the communist society that Marx described, the government has supreme authority through its total control of land and means of production. Because the government distributes land and property among the people, communism sets a standard of equality -- both economically and socially -- among its followers.

The system seems to work in theory, but how did communism work in practice? Read on to learn about the rise of the first communist nation.

How Capitalism Works

BY JULIA LAYTON

The essence of capitalism is economic freedom. Practices like ill-conceived subprime lending and crippling corporate fraud 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).

There are really only two basic approaches to a modern (non-barter-based) economic system, although you'll find endless variations on these two approaches throughout the world. One type of economy is the **free market economy**. That's capitalism. The other is the **planned economy**, which some people call a **command economy** or a **Marxist economy**.

In this article, we'll explore capitalism: its roots, principles and effects, benefits and shortcomings. We'll find out how capitalism compares to the alternative method of doing business. Incidentally, the United States doesn't actually practice capitalism. No one does these days.

Before the Industrial Revolution in the 1800s, countries like Britain and the United States had true capitalist economies. With industrialization, though, came sweat shops, social protest and resulting government intervention in the form of fair labor laws. That's when real capitalism ended.

Today, the economies of nations that are typically referred to as capitalist are in fact **mixed economies** -- they incorporate certain aspects of capitalism and certain aspects of planned economies. In pure capitalism, things like child labor laws, Social Security, anti-discriminatory hiring practices and a minimum wage have no place. Capitalism rejects all government intervention in economic matters.

The basis of capitalism is **individualism**. The economic system stems from humanistic ideals of the 18th century European Enlightenment -- beliefs that each human being is individually unique and valuable. This mode of thinking was a turning point. Before the Enlightenment, governments didn't talk about human rights. But in this vision of humanity, a society made up of unique individuals who pursue their individual interests is healthy -- it's characterized by progress, spiritual and worldly wealth, and liberty. Individuals are not just free to pursue self-interested goals; they should pursue self-interested goals.

It's easy to see how this shift in social consciousness became the basis of capitalism. If self-interest is a good thing, and personal wealth is a self-interested goal, then widespread personal wealth is a good thing. And if individual welfare leads to overall social welfare, then individual wealth leads to overall social wealth.

The added philosophical view that turns the social concept of individualism into the economic concept of capitalism came from Adam Smith in the late 1700s. His book, "An Inquiry into the Nature and Causes of the Wealth of Nations," had a profound effect on economic principles. Before Smith, the economic self-interest of the individual was seen as counterproductive -- or at least non-contributory -- to the economic welfare of society as a whole. Smith disagreed with this belief. He suggested two concepts that ultimately became the basis of capitalism:

- Because self-interest guides producers to create exactly what people want, the pursuit of personal gain eventually benefits society.
- An economy has a natural design. Left to its own devices -- and removed from politics, religion and all other pursuits -- it will regulate itself. As long as no one throws a spoke in the wheel, the economy will work the way it's supposed to, and everyone will benefit.

Smith's overall view is that an "**invisible hand**" guides the economy through the combination of self-interest, private ownership and competition. The end of this natural economic balance is general social wealth. In other words, everybody benefits.

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 (money), 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. Profit results from obtaining or producing goods for less than you sell them for. This core value of capitalism dates back thousands of years to a practice known as **mercantilism**. On the next page, we'll look at how capitalism may owe its very existence to the spread of Islam from the Middle East to Europe.

Capitalism clearly goes beyond economics. It's impossible to talk about capitalism without talking about political and social viewpoints. Capitalism is rooted in views about individual rights, liberty and human nature. In theoretical capitalism, the world revolves around the individual, the individual is inherently good, and individual self-interest benefits society as a whole.

But what happens in the actual practice of capitalism is sometimes quite a different story. With the establishment of an owner class and a working class, the distribution of wealth becomes extremely uneven. When the laborer is dependent on the capitalist for his livelihood, distrust, anger and unrest may develop. These basic truths have led to the end of pure capitalism throughout the world. What we now call capitalism is in fact a mixed economy. The exclusion of government from economics just didn't work.

Beginning in the early 1900s, governments started intervening to protect the working class from the owner class. In the U.S., Congress passed laws that made child labor illegal, capped the length of the work day and banned monopolies. To some, the anti-trust laws of the 1920s seemed to go against the values of capitalism,

which they partly did. However, competition is also crucial to the self-regulation necessary for capitalism. Monopolies eliminate competition, which means the economy is no longer in its natural state.

The 1929 stock market crash and the subsequent Great Depression brought about more changes. Franklin Roosevelt's New Deal administration created jobs with the purpose of raising employment levels and poured government money into the economy to try to end the depression. Congress passed the Social Security Act -- removing the worker's complete control of his or her earnings. The mandatory withholding of pay was meant to protect workers from capitalism's natural ups and downs. Mandated unemployment insurance did the same.

In the 1930s, the British Economist John Maynard Keynes published a new take on capitalism. Keynes believed that government intervention can help stabilize a capitalist economy. By varying taxes and spending and manipulating interest rates, the government can keep the money supply level and protect the economy from the "boom and bust" periods inherent to the capitalist system.

Keynes' economic theories contributed to the U.S. Congress passing the Employment Act of 1946, which put the responsibility of economic stability squarely in the hands of the federal government. With that, laissez-faire economics was officially dead in the United States.

No one is sure what the future holds for our evolving economy. The "market" is now the entire world. China, which was the last major country to maintain a Marxist economic system, has in recent decades introduced elements of capitalism to its economy in order to join the global marketplace. Traditionally capitalist countries like Britain, Canada and the United States have increasingly introduced restrictions on economic activities in order to promote the general social good.

The call for universal healthcare in the United States hints at a further swing toward the socialist economic viewpoint that individual self-interest does not necessarily lead to overall social welfare. With no purely capitalist nor purely planned economies left among the world's major financial players, and with the expansion of far-reaching trade agreements, the future of economics seems to point at a broad market that, economically at least, all but erases national borders and connects the world through financial mobility.

Summary of On Liberty by John Stuart Mills

On Liberty is one of Mill's most famous works and remains the one most read today. In this book, Mill expounds his concept of individual freedom within the context of his ideas on history and the state. On Liberty depends on the idea that society progresses from lower to higher stages and that this progress culminates in the emergence of a system of representative democracy. It is within the context of this form of government that Mill envisions the growth and development of liberty.

Chapter I defines civil liberty as the limit that must be set on society's power over each individual. Mill undertakes a historical review of the concept of liberty, beginning with ancient Greece and Rome and proceeding to England. In the past, liberty meant primarily protection from tyranny. Over time, the meaning of liberty changed along with the role of rulers, who came to be seen as servants of the people rather than masters. This evolution brought about a new problem: the tyranny of the majority, in which a democratic majority forces its will on the minority. This state of affairs can exercise a tyrannical power even outside the political realm, when forces such as public opinion stifle individuality and rebellion. Here, society itself becomes the tyrant by seeking to inflict its will and values on others. Next, Mill observes that liberty can be divided into three types, each of which must be recognized and respected by any free society. First, there is the liberty of thought and opinion. The second type is the liberty of tastes and pursuits, or the freedom to plan our own lives. Third, there is the liberty to join other like-minded individuals for a common purpose that does not hurt anyone. Each of these freedoms negates society's propensity to compel compliance.

Chapter II examines the question of whether one or more persons should be able to curtail another person's freedom to express a divergent point of view. Mill argues that any such activity is illegitimate, no matter how beyond the pale that individual's viewpoint may be. We must not silence any opinion, because such censorship is simply morally wrong. Mill points out that a viewpoint's popularity does not necessarily make it correct—this fact is why we must allow freedom of opinion. Dissent is vital because it helps to preserve truth, since truth can

easily become hidden in sources of prejudice and dead dogma. Mill defines dissent as the freedom of the individual to hold and articulate unpopular views.

Chapter III discusses whether people who hold unpopular views should be allowed to act on them without being made social outcasts or facing a legal penalty. Actions cannot be as free as ideas or viewpoints, and the law must limit all actions whose implementation would harm others or be an outright nuisance. He states that human beings are fallible, and therefore they need to experiment with different ways of living. However, individual liberty must always be expressed in order to achieve social and personal progress.

Chapter IV examines whether there are instances when society can legitimately limit individual liberty. Mill rejects the concept of the social contract, in which people agree to be a part of society and recognize that society can offer certain forms of protection while asking for certain forms of obligations. However, he does suggest that because society offers protection, people are obliged to behave in a certain way, and each member of society must defend and protect society and all its members from harm. In brief, society must be given power to curtail behavior that harms others, but no more.

Chapter V summarizes and elucidates Mill's twofold argument. First, individuals are not accountable to society for behavior and actions that affect only them. Second, a person is answerable for any type of behavior or action that harms others, and in such cases it is the responsibility of society to punish and curtail such behavior and action. However, Mill does note that there are some types of actions that certainly harm others but bring a larger benefit to society, as when one person succeeds in business more than his rival. In the rest of the chapter, Mill examines particular examples of his doctrine.

Analysis

The key concept in *On Liberty* is the idea that liberty is essential to ensure subsequent progress, both of the individual and society, particularly when society becomes more important than the state. This state of affairs would be attained in a representative democracy in which the opposition between the rulers and the ruled disappears, in that the rulers only represent the interests of the ruled. Such a democracy would make the liberty of the individual possible, but it would not guarantee it. When society becomes free of the constraints of government, it begins to entrench the interests of a select and powerful few, which threatens individual liberty in a new way. Mill grapples with the problem of envisioning society progressing in such a way as to prevent the repression of the individual by the ever more powerful and confident majority. Social progress can only take place if limits are placed on individual liberty, but it also necessitates the freeing of the individual from such limits.

Mill sidesteps this dilemma by delving into moral theory, where the only important thing is the happiness of the individual, and such happiness may only be attained in a civilized society, in which people are free to engage in their own interests, with all their skills and capabilities, which they have developed and honed in a good system of education. Thus, Mill stresses the fundamental value of individuality, of personal development, both for the individual and society for future progress. For Mill, a civilized person is the one who acts on what he or she understands and who does everything in his or her power to understand. Mill holds this model out to all people, not just the specially gifted, and advocates individual initiative over social control. He asserts that things done by individuals are done better than those done by governments. Moreover, individual action advances the mental education of that individual, something that government action cannot ever do, for government action always poses a threat to liberty and must be carefully watched.

"SparkNote on John Stuart Mill (1806–1873)." SparkNotes.com. SparkNotes LLC. 2005. Web. 23 Feb. 2017.