

Editorial: What is socialism?

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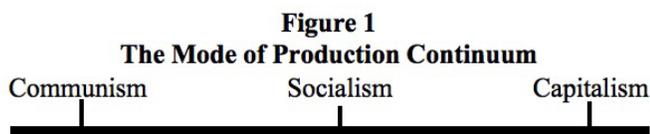
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I have been distressed from reading Facebook posts in which writers stress the evil that emerges from socialism. In several different posts, authors have used Nazi Germany as an example of socialism. Germany was much more of a capitalistic state. In fact, Hitler *hated* communism and socialism and believed these were instruments of the Jews. The question must be “What is socialism?”

Two characteristics exist for classifying economies (or “modes of production”). First, one must realize that socialism is not a discrete entity. Modes of production exist on a continuum. Currently, socialism falls between capitalism and communism. Thus, one would see a continuum as illustrated in Figure 1:



By employing Figure 1, we can immediately understand that some countries are more capitalistic than others; some are more socialistic than others; some are more communistic than others.

How can a person make such a statement? The answer lies within our second characteristic known as “control over the means of production.” By control over the means of production, we mean the degree to which a government regulates the economy. A government that nationalizes industry and sets strict standards for workers would fall in the left side of the continuum—communism. If a government offers no regulations to dictate the direction of the economy, it would fall on the right side of the continuum—capitalism.

In the United States, President Trump believes that our government should not control the means of production. He stresses that control over the production of goods and services should be *self-regulated* by those who own business enterprises. Businesses should make their own decisions unfettered by government regulation. In a communist economy, control over the means of production falls into the hands of the agents within the government. The government makes regulations that control the means of production. Socialism is in the middle of these extremes.

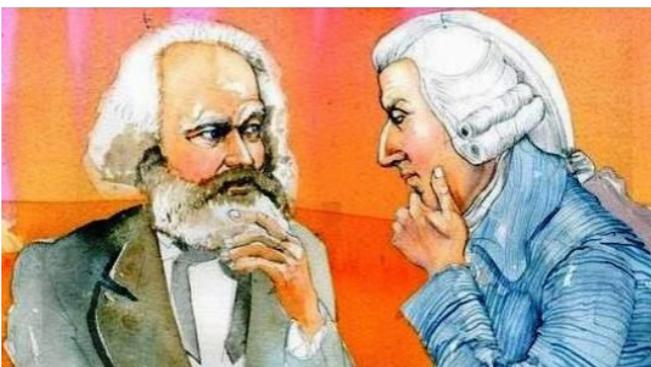
In the early part of the 20th century, the United States was located on the right; but after the Great Depression, the country moved slightly to the left. Social Security, welfare benefits, and farm subsidies emerged. Later, Medicaid and Medicare were born. These programs and many others reflect a socialist economy—our government began to control social services that formerly were under the economic purview of the private sector (i.e., churches). Thus, in the United States, we have many characteristics of a socialist economy.

Which mode of production is best? This is the wrong question. The quality and efficiency of an economy is based on the integrity of the governmental agencies that handle economic decisions. In Nazi Germany, for example, the control over the means of production was rooted in business with one exception—Jewish-owned businesses. Their property was commandeered by the government and transferred to white “Aryans.” If Germany had a socialist economy, they would have never been able to create such a powerful army. Keep in mind: It took the resources of three countries to defeat Germany. Nazi capitalism produced a surplus to

enable Germany to have a powerful army. Socialist economies have their priorities elsewhere and would not have the surplus to produce powerful armies.

What about North Korea? Relatively speaking, the country is much more communistic than are China and Cuba. It is a nuclear powerhouse that frightens South Koreans and Americans. How can North Korea have a powerful military without having a capitalist economy? The answer lies in the assessment of governmental leadership integrity. That government is failing to provide for citizens' needs as outlined by Marx. If North Korea provided the expected services to its citizens, the country couldn't afford a nuclear program. North Korea's nuclear program emerges from foreign aid. Once it is denied assistance, its citizens and particularly its elite class would be limited to a subsistence economy. Over time the country will collapse.

Where did the ideas of capitalism and communism emerge? Adam Smith popularized capitalism in 1776, while Karl Marx popularized communism in 1867. Although Marx and Smith are considered the fountainhead of their theories, both capitalism and communism existed centuries earlier. It is frequently stated that Marx debated with the ghost of Smith. Simply stated, Marx wanted the government to control the means of production, while Smith wanted private enterprise to control the means of production. The middle position is socialism.



Karl Marx

Adam Smith

So, who is the creator of socialism? There isn't one! Although online sites often refer to Marx as the father of socialism, *he is not*. Except in footnotes

where he addresses the work of others, Marx does not mention socialism in *Capital*. Marx was an advocate for communism, not socialism.

Socialism is a hybrid of capitalism and communism. Government officials of both economies tinker with their modes of production to resolve practical problems for their citizenry. For example, FDR established Social Security. Make no mistake, the Social Security legislation is a socialist strategy to address a problem that emerged from capitalism. Medicaid and Medicare from President Johnson's administration is also socialism. Governmentally controlled and funded fire departments *do not* fall in the realm of capitalism. Fire departments emerged out of socialism ideology. As a capitalist society, why do we permit socialistic governmentally controlled services? The answer is simple: Medicaid, Medicare, Social Security, and fire departments are more efficient and cheaper when they're governmentally controlled. First and foremost, we are a pragmatic society. We want to address problems in the best *but* least expensive manner. Sometimes socialism is the least expensive and most efficient pathway to achieve a particular goal.

People often use fire departments, Social Security, Medicare, and Medicaid as symptoms of socialism creeping into the U.S. economy. However, if we focus on governmental control over the means of production, these social programs are *not* a significant move toward socialism. The most glaring symptom of socialism *or communism* in the United States today is the income tax structure. Our income tax structure grants our government an unprecedented control over the means of production, which is commonly seen in communist economies. Our income tax structure has been designed to nurture some business enterprises while creating a liability for others. Research by Rafael Efrat (California State University Northridge, College of Business and Economics) demonstrates growing evidence that our income tax structure has increasingly become the prime cause of bankruptcy and failure of new business enterprises. Our income tax structure is *highly centralized* and has

a profound impact on *decision-making* within business enterprises. Centralization and control over production are key components that Marx strongly advocated in *Capital*. In a true capitalist economy, the government has no business to control business. Our federal income tax structure is a clear characteristic of communism not socialism. What alternatives are available for a tax structure that strips governmental control over the means of production? The answer may lie in a national sales tax. Nevertheless, our current income tax structure is clearly an inspiration of Marx's writings about communism.

The real problem lies in our preoccupation with labels. The questions we must ask are: "If a policy resolves a problem, should we employ it?" "If an idea that emerges from capitalism solves a major problem, should we use it?" Of course. "If an idea that emerges from socialism solves a major problem, should we use it?" The fact is, at this point in our country's history, a socialistic solution to a major problem will *not* gain political support. It will not gain political support merely because of the label. Ideas that solve problems are important, not the human-made labels that undergird the idea. Fear of employing a solution to a problem because the idea emerges from something with an unsavory reputation is a mindless exercise. It is robotic and doesn't reflect the mind of a thinking person.

In the end, we can confirm the adage: Within a communist economy, man oppresses man; while in a capitalist economy, it is the exact opposite. If you would like to comment, email smarson@nc.rr.com and I will print your email in the next issue.