

When a person calls themselves a communist or a socialist or a capitalist, what does that even mean? What are the basic foundational principles behind each economic ideology? Why does understanding these systems at even just a basic level matter so much? I take these complex economic systems and make them approachable in today's episode on communism, socialism, and capitalism.

Welcome to Wiser World, a podcast for busy people who need a refresher on all things world. Here we explore different regions of the globe, giving you the facts and context you need to think historically about current events. I truly believe that the more we learn about the world, The more we embrace our shared humanity.

I'm your host, Allie Roper. Thanks for being here.

The other day on social media, I made a poor choice. I read the comment section on a political post. Not smart. What I discovered were people throwing around words like socialist or communist. Willy nilly. Many of them, I noticed, had no clue what they were talking about. It was like they had heard these words at some point, had forgotten what they actually meant, and then were hurling them around in ways that were completely nonsensical and honestly kind of offensive, and I thought, okay, full stop here.

I think we need a refresh. And with as much fun as I've been having with holidays lately, I decided it was time for some meaty stuff. And today's the day. I'm going to teach these economic ideologies because I believe that they are powerful words and words matter, and I want to do it in a really basic and approachable way so that you can use them correctly and be better educated when you see them misused.

I'm not an economist and I don't know everything, but I did take a lot of political and economic theory classes and I taught these things to 14 and 15 year olds. And if I, if they can understand them, I believe that we adults should know them too. So I believe it's important to say facts and a little background history and then let you create your own judgments and opinions of what you believe.

This is also very much a gloss over of the systems, they're very complex, and I encourage you to do more deep dives into them after listening as you might have more questions when this is over. So I definitely don't cover everything, like their entire careers based off of these things, so this is just a foundation, but let's get to it.

Economic Systems 101. Every country on earth has an economy, right? The economy is the resources and wealth of a place and how those resources are produced and consumed. So in overly simplified terms, let's say we have a country with a lot of oil, for example. Theoretically, that's a resource that this country would want to use for its benefit.

It needs rigs to drill the oil. It needs ways to transport the oil. It needs labor. It needs a way to sell the oil. And then other countries would theoretically pay for the oil that they don't have. And

then we'd use that money toward buying things we don't have a lot of, like maybe we don't have a lot of fertile land.

So we would use some of that money we made from oil to buy food. The means of production of the oil is just how. Are we going to produce this in every place on earth is different and has different resources, and humans have used resources to create wealth for centuries. Long, long time ago, people just traded things for services.

They would like say, Hey, I grew these bananas and you build my hut, or I'll trade these bananas for your nuts. Right. And now we have much more complicated economic systems and a lot of different opinions on how the economy should be run. Who gets to decide what to produce in a country? Who gets to decide how it's going to be produced?

Who gets to decide how it's going to be distributed? Like who's going to get access to the goods? Does the government decide? Do private individuals decide? Or is it a combo of the two? And because this all has to do with money, you. You know, people can get rich and people can also be very poor. And then there's obviously a whole spectrum in the middle, right?

And so naturally people have had and still have very strong opinions on how economies should be run. And people have been theorizing, what is the best way to run an economy for a long, long time? Now, the Age of Enlightenment, as it's sometimes called, was this era from the late 1600s to the early 1800s, when people began strongly challenging a lot of things.

And one of those things were the monarchs of Europe. Basically, is it right for these kings to be ruling over us? And if we did away with these monarchies, what would replace them? How should a government and an economy run, right? Like, that's the question. The French Revolution, the American Revolution.

This is all age of enlightenment and one of the Enlightenment era ideas was individualism, which focuses on the individual on self-reliance on independence, and the rights and needs of the individual Trump the rights and needs of the society. During this time, there was a Scottish economist and philosopher named Adam Smith, and he wrote a book that was published in 1776 called An Inquiry Into the Nature and Causes of the Wealth of Nations, or.

I've read it, and in it, he discusses division of labor, free markets, productivity, how nations gain wealth, and he also talks about something called the invisible hand. This invisible hand is the idea that if people are allowed to use their individual self interest and freedoms to decide what to buy for themselves or what to make to sell at the market, then the best interests of the society at large just kind of naturally happen.

It doesn't need to be controlled by the government. There is a natural movement of prices and flow of trade if people are allowed to freely choose what to produce and consume, and then people are incentivized by their own self interest to to produce what the society needs. That's the basic theory. So, here's an example.

Let's say that we live in a town and there's a need for milk. People are going to notice this, so a few people will find a way to get cows to produce milk, and then they'll sell that milk. Now, if there are too many people selling milk, the supply will be too high, so the price will go down, and some of them might go out of business.

Right? Now, if there are too few people selling milk, demand goes up, the price will go up, and more people will want to make money, so they'll buy cows to sell milk, and eventually the market will naturally reach an equilibrium. This is the basic concept. idea of capitalism, this system that individualized citizens run the economy and the government doesn't interfere with pricing or production.

Pricing is set by this invisible hand of the free market. There's a flow to it. How much value a product has is based off of supply and demand and the relationship between price and demand. Producers and consumers. To say it again in different words, private individuals and businesses decide what is made in an economy, how it's distributed, and who gets to have what.

A completely free market means no government intervention at all in the market. Another word for pure capitalism is is a market economy. There aren't really any pure capitalist economies in the world right now. And I'll talk about that a little bit later. Now, immediately when the ideas of capitalism became more widespread, obviously, Adam Smith, Smith's book was read widely, there were critics and many felt that this kind of system doesn't always produce outcomes that benefit society at large.

Like for example, the market is not benevolent. It doesn't care if you're in a wheelchair or you can't work or you broke your wrist, right? The critics would say that this system also encourages greed and inequality that creates a hierarchy of haves and have nots. This leads us to socialism. Socialism, put simply, is a theory that advocates for more collectivism, right?

Less individualism, more collectivism, or governmental ownership of certain industries in an economy. It's the idea that the government or a centralized group should, in some degree or other, decide how things are produced in a country and also decide the distribution of those goods. The ideas of socialism Are centuries old.

There are mentions of it in Greek philosophy, in Islam, in Christianity. It's talked about in the New Testament of the Bible, this idea of a collective whole, everyone sharing things, but current modern socialism was developed in contrast to individualism. So I'm talking more about modern socialism right now.

The founding fathers of the United States built the U. S. around a more capitalist system back to that individualism. But during the industrial revolution, which was about 1760 to 1840, the early days of the United States being independent, there were a lot of people who felt like this free market idea made a lot of people rich.

And also a lot of people were very poor. It's like, wait, hold on. I work 60 hours a week and my boss works 10 hours a week and he has a mansion and I can barely feed my family. That just doesn't feel right. How do we fix that? And there were a lot of different ideas from early socialist thinkers on how to implement more government control for what they believed is the benefit of society.

At first, early days, some people believed in a meritocracy, which is the idea that the government would plan the economy. instead of a free market. But not everyone would be paid the exact same. The government would give people what they deserved based off of their contribution to the collective whole.

So the plumber might not make as much as the doctor based on his contribution, but the government gives that salary. So there's still some hierarchy there. Not everyone is equal. But no one becomes wildly successful while others are living on the streets. So lots of different theories going on in these early days.

By the 1860s, socialism began to mean group ownership and regulation of the means of production. So this means that the government should own and regulate businesses, like they decide what the country produces and makes. But the people, the individuals, would still get to decide what they bought. or what they consumed.

And throughout Europe, groups began to try this out to see if it worked. And a German philosopher named Karl Marx watched these experiments go down, and he wanted to take this idea of collectivism, or of government control of the economy for the benefit of society, to another level. He thought the best way to run a society would be to have it be classless.

So no classes, no hierarchy. In theory, everyone would be equal and Karl Marx and Friedrich Engels wrote a book called The Communist Manifesto. I've also read that and there are many, many ideas in this book, but the major ideas are that for all of time, the rich minority has oppressed the impoverished majority and the majority needs to rise up.

bottom up, create a system where there is a collective command economy. So instead of a free economy like we've talked about with pure capitalism, instead there would be a collective group that planned the economy, planned what was going to be made, how it was going to be made, who was going to be making it, and who had access to what was produced.

And Marx and Engels didn't believe that someone should come in and seize power and top down create this system. They believed it would be worldwide, it would be from the ground up with the poor working class. And they had ideas for how to equalize everyone, such as getting rid of inheritance. They wanted to get rid of child labor, have free education.

They wanted the government to own more, if not all land. They wanted the government to control transportation like railroads and communication like newspapers. And the government

would hire people, obviously, to work in these industries. And they wanted a centralized bank or a bank that the government owned.

And these theories began spreading throughout the world in the late 1800s and early 1900s, not that long ago. And they had a lot of supporters because there are some pros to this depending on your perspective. Like, many people liked the idea of very little economic decision for citizens because there's no risk.

If everything is centrally planned and you trust the government, then in theory, everyone gets the same, which theoretically eliminates fights over how much another person has. You know, if your neighbor's making the exact same money as you, you aren't comparing. There's not a rich, there's not a poor, right?

That's the theory. And communism, just like all other systems, had a lot of critics as well. Because if theoretically everyone's equal, that means that if the economy is run poorly by this centralized government, Then everyone's just poor together, and that's not fun. And additionally, if we're all the same, then there are no incentives to rise above your current state or choose a new job because that job has been chosen for you, and that's that.

So the government also gets to decide how much you're entitled to, so you don't have You know, the freedom to buy what you want to buy when you want to buy it. If the government only offers one style of jeans because they're in charge of the jean factory, right? Then you got to wear that one style of jeans.

If the government owns all property, you don't own your own home, that kind of stuff. So for some people that sounded really relieving, less risk. Right? Others were like, no, absolutely not. This is dangerous ideas. In 1917, Russia went through something called the Bolshevik Revolution and later became the first communist country or economy called the USSR.

And if you want to learn more about this, I have episodes on it, episodes three and four. They're called The Last 100 Years in Russia, Parts One and Two, and they go into a lot of detail on Lenin and Stalin. I highly recommend you listen to them to see how communism played out in the USSR. And shortly after, uh, Russia became the USSR, China became communist through its own revolution, started the first full command economy where everything was centrally planned by the government.

There was Only one political party. I have episodes on this, uh, as well. They are the last 100 years of China, episodes seven, eight, and nine, and they show how China implemented this command economy and how the theory and the reality ended up being quite different from each other. Now I've taught the three economic systems.

Let's kind of combine this knowledge to have it make sense. The truth is that in the current world we live in, there is no perfect system and no system has been implemented perfectly. I want you

to imagine in your head right now a straight horizontal line. On the left, we have pure communism. This is a full command economy.

The theory of collectivism, you know, we do what's best for society as a whole, not the individual. The government controls and plans every aspect of the economy, including what's produced, how it's produced, who gets to have it. You know, when you hear stories of people in history who want to buy milk and they have ration cards that tell them how much they can buy and when they can buy it, you know, that's a command economy.

Far left of this line that we have in our heads, okay? On the far right, let's go all the way over, we have pure capitalism, individualism. This is where there is no government control at all. The markets move by supply and demand that individually owned businesses and individuals control, just based off of what they choose to make and buy.

The theory is that this market regulates itself. People have full freedom to choose what they want to produce, to create, to buy for themselves. Higher risk. theoretically higher reward. And in the middle between these two polarizing different options, right, we have socialism, which in modern terms means that the government controls some parts of the economy.

It owns some businesses and regulates some parts of the economy to a certain degree. But other parts of the economy are run by a free market, by private businesses. This, in other words, is a mixed economy. It's a mix between these two, right? And it's a full spectrum between the two. If we were to line up all countries of the world onto this spectrum based off of their economic system, we'd run the whole length of the spectrum.

Most countries today practice a mixed economic system. Even China does this. We often talk about how China has a communist economic system. Eh, not fully, no. China has some parts of the country that has free markets and other parts of the economy that are centrally planned by the government. I talk about that in my China episodes.

Every country kind of has its own ratio of how much of the economy is controlled by the state, how much is controlled by the private sector. In more socialist countries, the government employs more people than the private sector does. There are usually higher taxes. There are also more, quote, free services such as free health care or, you know, government run daycares in every neighborhood, things like that.

And I say free in quotations because, you know, people pay for them just through taxes. Those taxes are then used by the government to provide goods and services that they have deemed to be for the public good. The government decides that. So, like I said a second ago, a common one is socialized health care.

The idea is the collective whole. pays for everybody to get health care. It plays out differently in different socialist countries, but that's the theory. The U. S. on this spectrum we've talked about,

left to right, it leans more capitalist. So it often defines itself as a capitalist economy. But there are some industries that the government runs in the United States.

For example, there's free public school in the U. S., there's Social Security, Medicare, public parks. I'm not saying that the United States is socialist, but it does have a mixed economy. It has a percentage of its economy that is run by the government, but the majority is run by private industry in the United States to give some other examples.

Currently, North Korea is really close to a full communist system. You can learn more about that in my North Korea 101 episodes. Singapore leans quite capitalist in the middle. We have everyone else. Iceland is more so. Socialists left leaning from the middle, if we're again thinking of the spectrum, UK is somewhere in the middle, Sweden leans slightly left of the middle.

Again, it's all ratios, right? History shows that large communist economies have not been able to survive. been successful at providing high quality of life for their citizens. People are not trying to get into North Korea right now. Neither socialism nor capitalism have perfected high quality of life for their citizens either.

No system has been perfect. We currently see a large gap between the rich and the poor in many capitalist countries and the reasons why are hotly debated. So currently today, if someone says to you that they are a communist, they are saying that they believe in collectivism, that the economy should be centrally controlled.

If someone is a socialist, they are saying they believe that the government should control more of the economy, but not all of it. And capitalists would believe that the government should control less of the economy, more individualism. Most people generally agree that there should be some regulation of the market, but everyone has different opinions on how to go about doing that.

I hope this is helpful to lay a groundwork for the economic systems. In the future, I'll do an episode explaining political or governmental systems so that we can combine them to make sense of things. So for example, if you hear someone saying, I'm a democratic socialist, they're saying that they believe in the political system of democracy and the economic system of socialism.

But you have to know what both of those things mean in order for it to make sense. So now that we've covered the economic systems and then we'll cover the government systems, we can combine them so that we're not just throwing around these words and not knowing what they mean. Personally, I believe that if someone says they're a communist or a capitalist or a socialist or they believe in those systems, they need to know the pros and cons of those systems because there are pros and cons to all of them.

We also need to understand the history of the countries who have tried those systems out. If a person's a communist, I believe that they need to read up on China. North Korea, USSR, other

communist countries, you just do same with capitalism. Same with socialism. We need to know more of the history before we're using these words willy nilly.

I also want to say that theories like we've talked a lot about theories today. They do not always match reality in my political science courses. You know, I read Karl Marx, Adam Smith, other philosophers on these topics, and All of them have different ideas that I found beautiful in their own ways, but theories don't always match reality.

And I think that is where the power of history comes in. Why I do this podcast, why I believe in history, idealism or theories, they can't stand alone. They need history to educate them. Because if we don't have history to understand what's been done in the past, we just end up repeating the same mistakes.

So that's just my, my opinion, but that's what I believe. Well, there you have it. As always, I've barely scratched the surface, but I hope that you will continue researching a wide variety of sources to continue learning about these ideologies and forming your own opinions. And until next time, let's go make the world a little wiser.