

Communism vs. Capitalism

Compare and Contrast

The Cold War

The **Cold War** was the protracted geopolitical, ideological, and economic struggle that emerged after World War II between capitalism and communism, centering around the global superpowers of the United States and the Soviet Union. It lasted from about 1947 to the period leading to the collapse of the Soviet Union on December 25, 1991



Capitalism



How would you define “capitalism”?

What other words come to mind when you think of the word “capitalism”?

Are these associations positive or negative?

Capitalism

An economic system in which the means of production are owned mostly privately.

Capital is invested in the production of goods for profit in a competitive free market.



Dow Jones



Etymology

- Latin, *caput*, “head”
- The term “capitalism” was first used in English in 1854.
- Marxist writers originally popularized the term.



Father of Modern Economics



Wealth of Nations

By Adam Smith [VIEW BELIEFS](#)

Adam Smith



AN INQUIRY
INTO THE
NATURE AND CAUSES
OF THE
WEALTH OF NATIONS
Volume I
Elibron Classics

Adam Smith

A Scottish political economist and moral philosopher (1723-1790).

His *Inquiry into the Nature and Causes of the Wealth of Nations* (1776) founded the modern discipline of economics and provided the rationale for free trade, capitalism and libertarianism.

Mercantilism

Smith criticized mercantilism, the theory that large reserves of bullion are essential for economic success.

The British government acquired colonies in order to acquire natural resources for its factories and markets for its finished goods.

Mercantilism required that colonies not be allowed to industrialize or trade with countries other than the mother country.

The Tariff of 1832



- Mercantilism = Export a lot and import less
- Governments intervened into the economy to achieve self-sufficiency by having a favorable balance on international payments.
- Mercantilism encouraged many of the European Wars
- Fueled European imperialism
- Eliminated competition
- People in colonies could only buy goods made in their home country
- Colonies viewed as source of cheap raw materials

Physiocracy

Smith criticized physiocracy, which taught that wealth originated in land.

Smith argued that labor was the major source of wealth and that the division of labor was the key to economic growth.

As productivity rises, wages will rise.

The Invisible Hand

The free market appears chaotic and unrestrained.

Actually, it is guided by “an invisible hand” to produce the right amount and variety of goods.

If a product shortage occurs, the price rises, establishing a profit margin that provides an incentive for others to enter production.



Government's Role

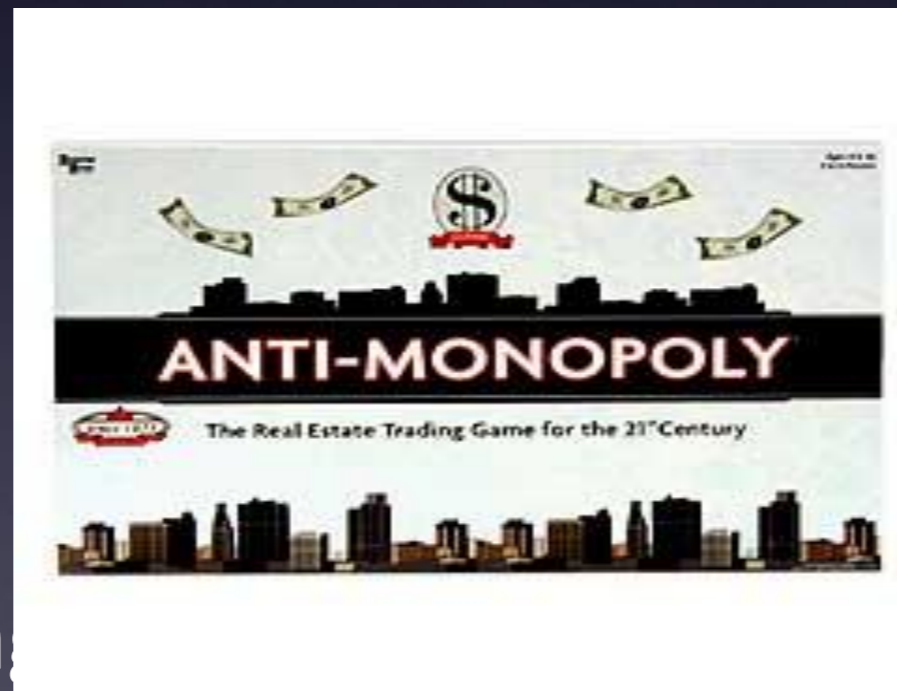
- Capitalist-democracy
 - Stay out of business
 - Laissez-faire economics
 - Protect people, but “let the chips fall as they may” (Social Darwinism)

Political System

- Capitalist-democracy
 - Balance of Power
 - Elections for government officials

Social Benefit

While human motives are selfish and greedy, the competition in the free market tends to benefit society as a whole by keeping prices low, while still building in an incentive for a wide variety of goods and services.



He argued against monopolies.

Social Class

- Capitalist-democracy
 - Upper, middle, and lower class
 - Exploitation more common
 - Rich get richer, poor get poorer

Religion

- Capitalist Democracy
 - Christianity is predominant religion
 - Freedom of/from religion
 - Religion, in general, is encouraged

Economy

- Capitalist-democracy
 - Individuals and businesses control property, prices
 - Individuals free to pursue any job
 - Limited government involvement in economic affairs
 - “Free-market” economy

Laissez-faire

Smith attacked most forms of government interference in the economic process, including tariffs on imported goods.

Government restrictions on trade cause inefficiency and high prices.

“Laissez-faire” means “let them do.”

Self-Interest

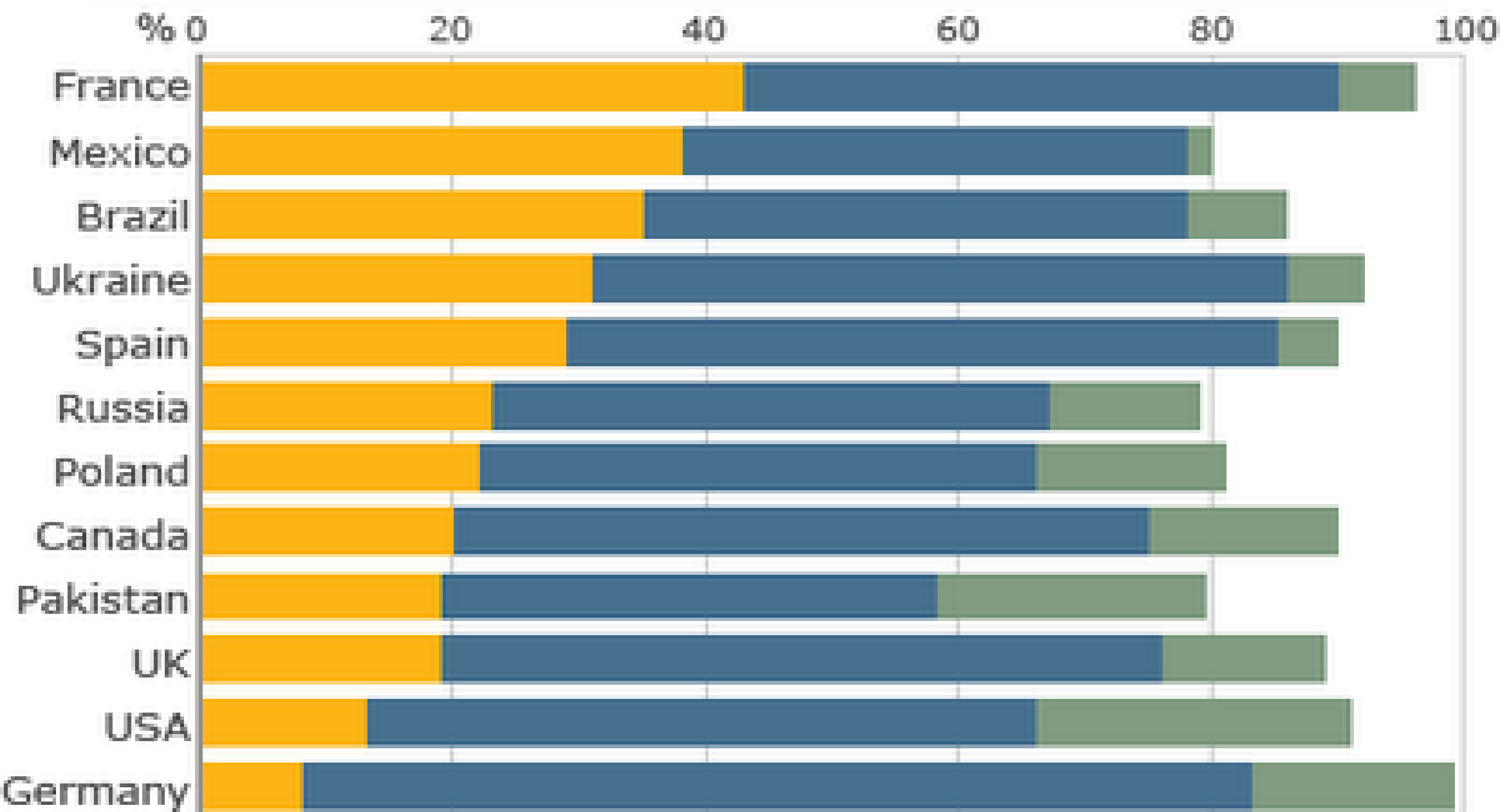
It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.



We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages.

Free market capitalism

- “Is fatally flawed and a different economic system is needed”
- “Has problems that can be addressed through regulation and reform”
- “Works well and increased regulation will make it less efficient”



Source: Globescan poll for BBC World Service

Communism

How would you define “communism”?

What other words come to mind when you think of the word “communism”?

Are these associations positive or negative?

Communism

An ideology that seeks to establish a future classless, stateless social organization, based upon common ownership of the means of production and the absence of private property.



T Rex in:

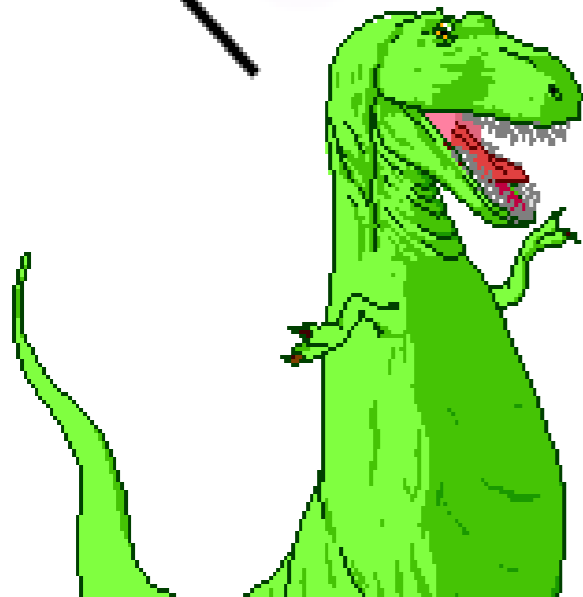
Communism!

Don't you agree that communism is the logical next step in government, Dromiceiomimus? It totally makes sense for people to put the community's needs before their own.

Workers must unite in a violent revolution against the capitalist pigs!

Everyone is equal and resources should be used for the greater good!

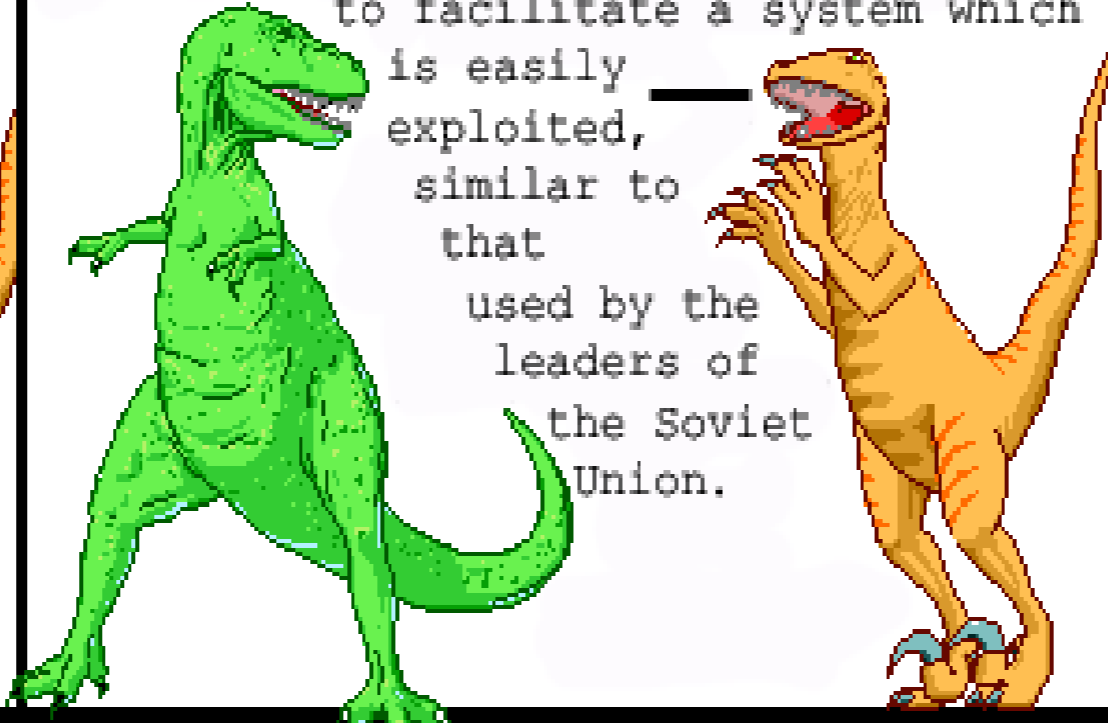
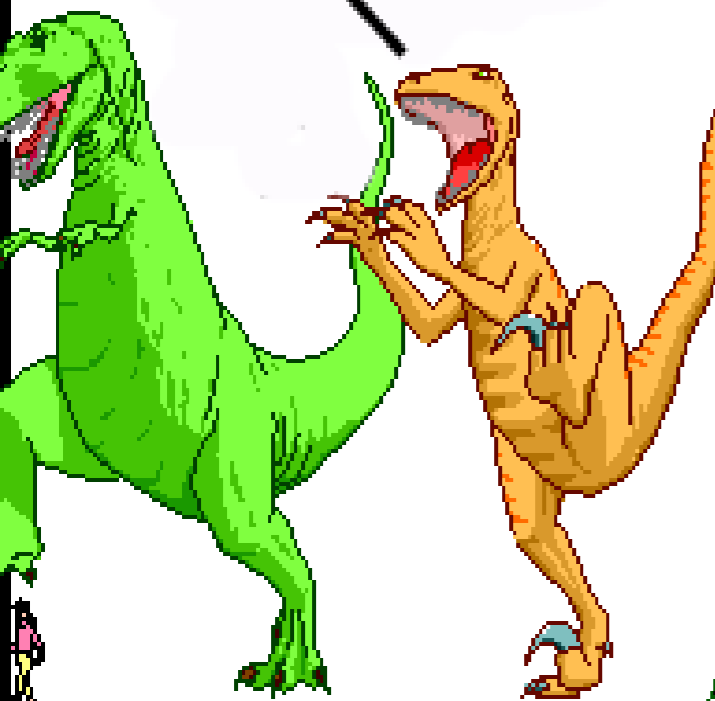
That sounds nice, but it doesn't take into account greed and ambition. It is in people's very nature to put their own needs first.



T Rex, I hear you are interested in communism. Is this true?

Why, yes. Yes, it is.

I hope that you truly believe in it, and aren't just trying to facilitate a system which is easily exploited, similar to that used by the leaders of the Soviet Union.



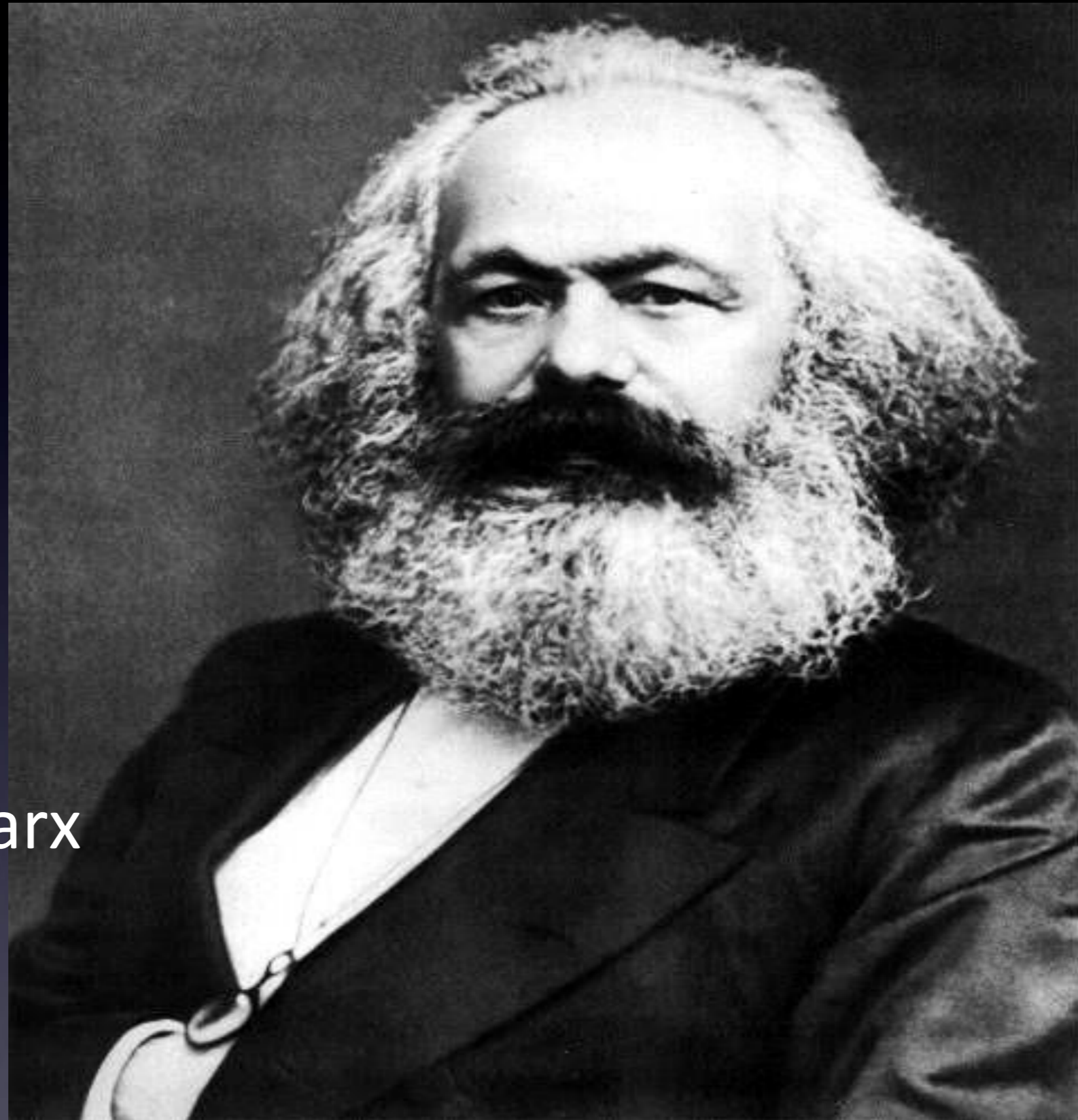
Karl Marx

RESEARCH VIEWS

Karl Marx (1818-1883) was an immensely influential German philosopher, political economist, and socialist revolutionary.

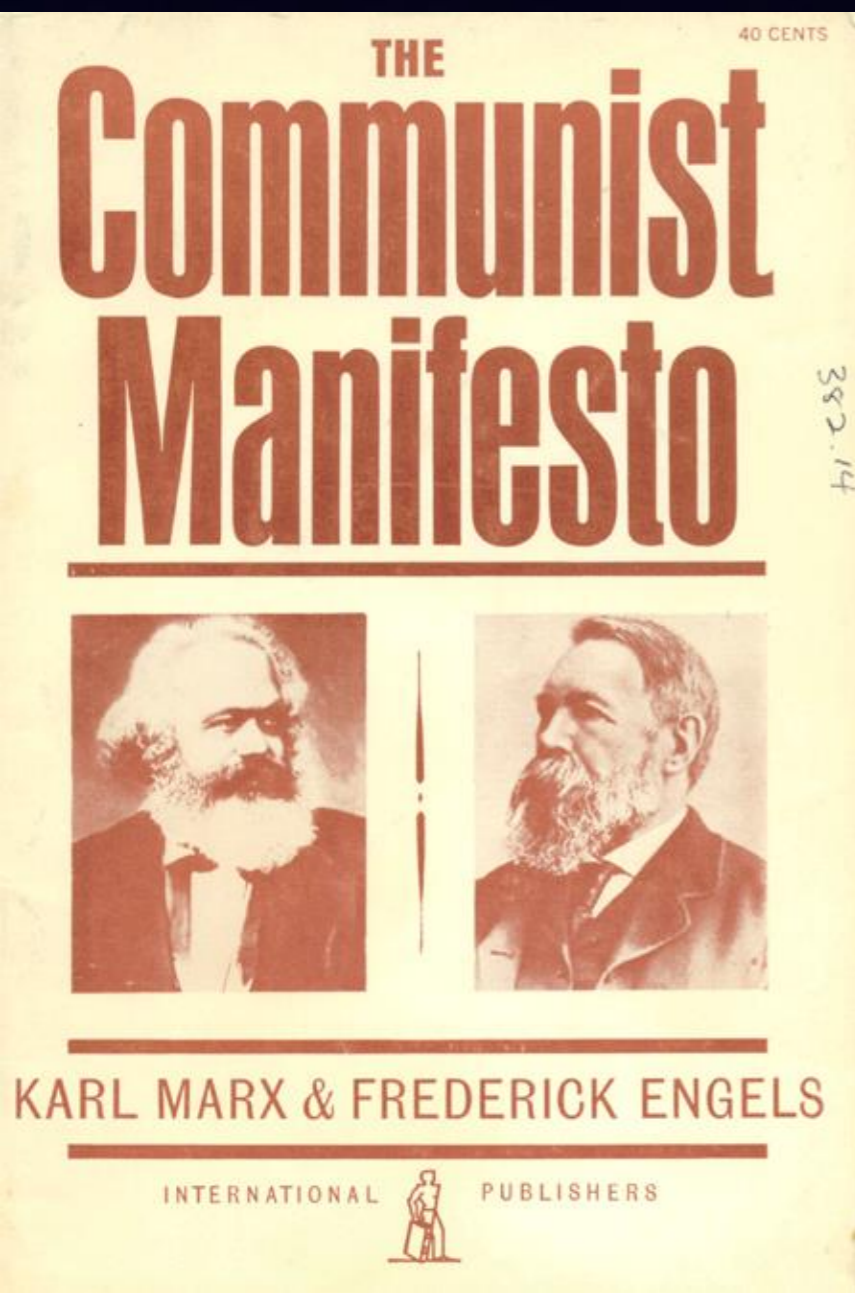
He is most famous for his analysis of history in terms of class struggles.





Karl Marx

Communist Manifesto (1848)



The history of all existing society is the history of class struggles.

Bolshevism

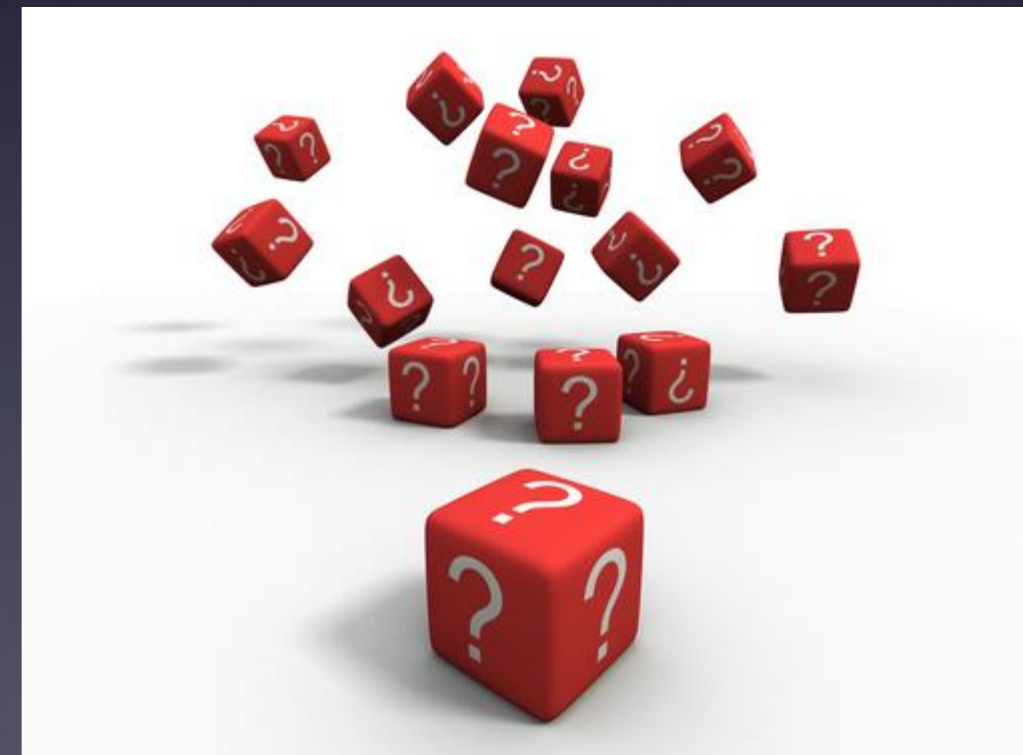
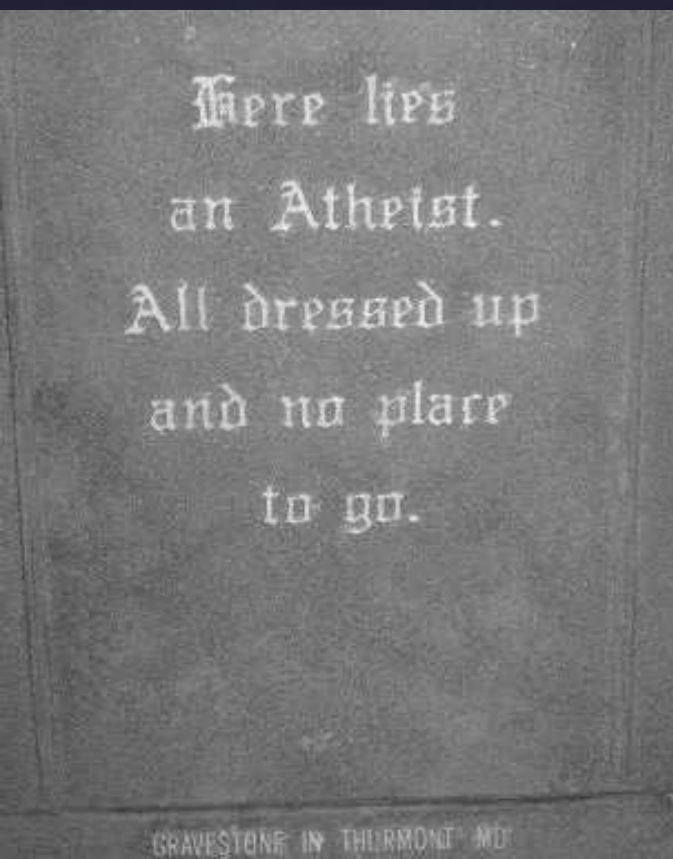
Marx's ideas were adopted by French revolutionaries who founded the Paris Commune in 1871, the Russian Bolsheviks who overthrew the government in the 1917 October Revolution and the Chinese Communist Party which came to power in 1949.

Atheism

Marx was an atheist.

He believed that religion was “the opiate of the people.”

The owners of capital used religion to keep the peasants and workers subjugated by leading them to think, not of their present misery, of future happiness in heaven.



Religion

- Communism
 - Religion is an “opiate for the masses”
 - Used as a tool to control the people (sucker story)

Communist Paradise

Marx taught that paradise would appear on earth, following the destruction of capitalism and the state.

Under capitalism, labor is alienated.

In a communist society, human beings freely develop their nature in cooperative production.

Under communism, there is no government and, accordingly, perfect freedom.



The End Justifies the Means

Marx's moral teaching was that the leaders of the Communist Party, which he termed "the vanguard of the proletariat," were free to commit any crime as long as it served the end—the destruction of capitalism and the ushering in of communism.

This historical process, he said, was inevitable.

Political System

- Communism
 - Dictatorship
 - Little or no elections
 - Autocratic, limited civil rights and freedom

Government's Role

- Communism
 - Government very involved in economy, religion, daily life of people
 - Government's role is to take care of the people and create an equal society

Class Struggle

Those who must sell their labor power are
“proletarians.”

The person who buys the labor power someone who
owns the land and technology to produce, is a
“capitalist” or “bourgeoisie.”

The proletarians inevitably outnumber the capitalists.

Social Class

- Communism
 - Goal is to eliminate social classes
 - “Dictatorship of the Proletariat,” which means let the people lead.

Economy

- Communism
 - State (government) controls land, production
 - State controls prices
 - State determines jobs and business
 - “Command” Economy



Profit

Profit is "theft."

It is the difference between the value of a good produced by a worker and the wages paid to the worker by the owner.

Due to competition among workers for employment, wages will decline, leading to poverty, misery and rebellion.

Revolution

The state is “a committee of the bourgeoisie” and laws support the capitalists, the ruling class.

Class conflict between the proletariat and the capitalists can only be resolved by violent revolution.

A dictatorship of the working class is a temporary necessity before communism is possible.

The Failure of Communism

Why do you think the United States won the Cold War?
Why has capitalism proven much more durable and
attractive than communism?



"...and then there were three!"

Criticism of Communism

In the 20th century, it is estimated that 50 million people were killed in the name of communism.

Most of Marx's predictions were wrong, such as that communist revolutions would occur only in industrial societies.

It is inconsistent with human nature.

It ignores the appeal of religion.