

Economic Liberalism/Free-Market
Economy/Capitalism
Popularized by Adam Smith in *Wealth of Nations*, 1776

In theory, this kind of economy is...

- Consistent with *Classical Liberalism* and Enlightenment thought
- Context of creation was in response to the rejection of monarchy and mercantilism
- Role of government is simply to protect private property rights (and natural rights of life & liberty by maintaining law/order).
- Individuals privately own property and exchange goods and services for private profit. People compete for private profit.
- Supply and demand controls prices, pay, etc. This means the “market” or the “invisible hand” (the desires of the public) determine what people provide/produce.
- The **emphasis is on personal choice**. People make free-decisions based on self-interest (for example choosing what work to do, who to trade with, how much to sell products for, what to do with profit earned, etc.). This system of trading voluntarily is thus called a “free-market system.”
- **Rejects the idea that anyone is inherently qualified/better able to make decisions about the lives of others (Enlightenment philosophy).**
- One goal is that competition will work as an incentive, inspiring people to be as innovative and efficient as possible.
- Opportunity for wealth available to everyone but never guaranteed to anyone. The focus is on equal opportunity rather than equality of outcome.
- Unequal distribution of wealth expected, but the greatest good to the greatest number of people will still be provided.
- In its ideal form, is a *meritocracy* - those who advance and earn money do so based on *merit* (because people in society have decided that their actions are valuable). This meritocracy encourages others that advancement is possible if they also meet society's wants/needs.
- Incentive for society's productivity include 1) free-choice or 2) opportunity to be rewarded for one's contribution/achievement.

“The most basic question is not what is best, but who shall decide what is best... Competition does a much more effective job than government at protecting consumers.” – Economist Thomas Sowell

“History suggests that [this economic system] is a necessary condition for political freedom.” – Economist Milton Friedman

“The most important single central fact about a free market is that no exchange takes place unless both parties benefit.” – Friedman

Socialism
Planned Economy/Command Economy

This theory suggests that...

- Inequality is the cause of suffering and is caused by the capitalist system, but if we adjust society properly it will go away.
- Advocates popular control of either the whole economy or major sectors of it. This is a system in which there is no (or minimal) private property.
- The ultimate goal is redistribution of goods and equality of wealth/equal access to all needed resources (which are free)
 - In order to end inequality, the private wealth of individuals would be confiscated and redistributed by government. Society would transition from private ownership, to public ownership (people collectively own goods/resources).
 - Industries would be **nationalized** (owned & controlled by the government rather than by individual people and companies). There would also be collective/governmental ownership & administration of the **means of production** (raw materials, facilities, machinery, tools, etc.). Though these will be “govt. monopolies,” there is no concern of corruption because they are not privately owned. While *individuals* are too likely to act within their own self-interest to the detriment of society, the government is trusted to act without self-interest and therefore make better/more effective decisions for society than the market was.
 - Decision making about how resources were allocated (what projects were invested in, what work people should do), would be made by the state OR by the people “collectively” (e.g., democratically, so a majority rules system would decide and the state would enforce).
 - The government would oversee that goods/services are distributed equally to everyone or distributed based on need.
 - Doesn't declare an outright need for a specific form of government, however, **strong central government power is required to oversee redistribution of wealth.**
- Incentive for society's productivity include 1) the elimination of class differences → the elimination of greed/corruption 2) the understanding that everyone's *needs* are being met 3) Focusing on needs instead of “wants” means that not everyone will need to work all the time. 4) The state will enforce this policy: everyone who can **MUST** contribute
- “From each according to his ability, to each according to his needs.”

“With the natural and technical resources of the world held in common and controlled democratically, the sole object of production would be to meet human needs (as opposed to *wants*). This would entail **an end to buying, selling and money**. Instead, we would take freely what we had communally produced. The old slogan “from each according to ability, to each according to needs” would apply. Everybody would have free access to the goods and services designed to directly meet their needs and there need be no system of payment for the work that each individual contributes to producing them. All work would be on a voluntary basis. Producing for needs means that people would only engage in work that has a direct usefulness. The satisfaction that this would provide, along with the increased opportunity to shape working patterns and conditions, **would bring about new attitudes to work.**”

– *World Socialist Movement, 2017*

Popularized by Karl Marx &
Fredrick Engels
Communist Manifesto, 1848

Communism

In theory, this economic/political system is based on:

- **Phase One: Socialism would act as the step to building a Communist society:**
 - A revolution would get rid of/dispossess the upper class because they had exploited/taken advantage of the workers.
 - A temporary government (**the dictatorship of the proletariat**) would take over to redistribute the wealth of the nation.
 - The concept of personal property and religion would be abolished and the community would rid itself of hierarchy. Eventually, there would be no class distinctions.
- **Phase Two: A Communist society could emerge.**
 - Once redistribution was complete, there would be no need for a state/leader (the government could step down and the stateless community as a whole would move forward calling the shots).
 - A UTOPIAN society would have emerged.
 - Everyone would continue to receive equal access to *needed* resources (food, shelter, medicine, or other basic life needs). These would be allocated based on *need*.
 - Each would give (produce/work on/provide) as much as he/she could according to his or her gifts/talents/abilities
 - The *cause* of the community would be paramount, rather than the needs of the *individual*. Everyone works toward the benefit of the whole group (as opposed to the benefit of one individual/family).
- This revolution should/must spread worldwide in order to be effective.

“The theory of Communism may be summed up in one sentence: abolish all private property.” – Karl Marx

* In practice, countries who have sought Communist outcomes thus far have never moved beyond the first phase (complete/direct state operation of the economy, controlling property, manufacturing, production, pricing, distribution, etc.). These totalitarian states have been accompanied by extreme censorship and brutal/violent removal of opposition, accepted in part because the long-term revolutionary goal is valued above the short-term losses/sacrifices.