

# Differences between capitalism and marxism

[Government](#), [Capitalism](#)



In the wake of the current – and unprecedented – economic recession being felt not only across the United States but also the world over, it merits noting that the once-sound structures of modern economies are, more and more, being placed under the lenses of theoretical review and scrutiny. Concretely, there are those who seek to inquire – notwithstanding the risks of proffering politically unwelcome ideas about the current crisis – whether or not the world’s unqualified embrace of the principles of Capitalism has reached its limits, if not has finally backfired.

Anthony Faiola for instance contends that the American “hands-off” – read: deregulated – style of handling its market economy is the sufficient explanation to the range of its present economic problems (2008, p. A01). Faiola’s review, more than anything else, should invite people to seriously question the structure of modern economies which has been in place for the longest time.

In view of such felt need, what this paper attempts to do is to bring into the fore the contrasting themes of Capitalism and Marxist Socialism, in the hope of gleaning from such juxtaposition certain insights as to which economic structure best addresses the present crisis haunting the affairs of world economies in the present and in the near future. Differences between Capitalism and Marxism Capitalism is catchall term which pertains to the conduct of market economies marked by adherence to the laws of free trade and private operation.

Under such scheme, private individuals act as the primary controllers of the prices of goods and services within a given economy; albeit, such control is

confirmed by laws that stipulate the parameters and range of the conduct of free trade. Capitalism is thus a principle of economic affairs. And any country can adapt such principles according to its exigencies and needs, depending on which expression of Capitalist approach would benefit the people in the process.

For as long as an economy subscribes to the fundamental affirmation of a private citizen's right to freely conduct the nature, type and scope of his or her business affairs, such structure must be deemed an expression of Capitalism. Key to understanding Capitalism, as indeed any type of market economy, lies in identifying the locus of control being exercised between the private citizens on the one hand and the State regulators on the other hand. In a Capitalist economic structure, the locus of control leans towards the side of the private citizens.

This is because private citizens have a right to dictate on the forces of the market economy according to their desire – e. g. , they can decide outright on the amount of the goods and services which they want to produce, inasmuch as they can demand the correlative prices which shall be exacted in view of the volume of their production. Conversely, the State does not enjoy significant latitude in determining the prices of goods and services under the Capitalist model.

While they can frame limits in respect to fair trade, it nevertheless cannot directly interfere with the more intricate details of a market economy, such as those that pertain to the determination of prices and volumes of goods. In a manner of speaking therefore, any market economy which operates under the banner of Capitalist foundation appears to operate a world of its own.

<https://assignbuster.com/differences-between-capitalism-and-marxism/>

Samuelson and Nordhaus, in evaluating the merits of Adam's Smith's *The Wealth of the Nations*, have this to say:

But of all his (Smith's) contributions to economic analysis, the boldest was his recognition that the market mechanism is a self-regulating natural order that the price system organizes the behavior of people and does so in an automatic fashion without central direction. (Samuelson & Nordhaus, 1989, p. 824). In other words, most Capitalist economies operate under the a scheme where private individuals are free to take in as much as they want, so long as their efforts and resources permit. By way of contrast, the Marxist economic model – which too often is called Socialism – takes cue from Marx's criticisms of unregulated Capitalism.

It should be pointed out however that Marx's critical take of Capitalism stems largely from his embrace of socialist ideologies. Early on in life, germinal seeds of anti-Capitalist leanings have already peppered much of Marx's writings. Chief to his contentions lies in his belief that human persons are creatures necessarily called towards greater societal function. Says Marx: "man's nature makes it possible for him to reach his fulfillment only by working for the perfection and welfare of his society" (as qtd. in Giddens 1).

This is his basic ethical principle; i. e. , that persons are measured by how well they contribute to the wellbeing of society. And by putting higher premium than most on the welfare of the society over the capricious desires of the individuals, Marx had therefore set the record straight about his stance on economics. According to Marx, the most viable way by which the world can ensure communal progress lies in the adoption of the communist ideals.

This entails implementing a radical form of socialism – i. e., where private control is supplanted by State bureaucracy, where the right to own is overtaken by the State's prerogative to allocate resources, as indeed where individual welfare is taken secondary only to the welfare of the majority (Samuelson & Nordhaus, 1989, p. 833). Marx further believes that this type of socialism must give way to Communism, where not only all productive individuals are considered as rightful citizens of a country, but all people – including those “ which do not exist for a political economy” such as beggars, thieves, the unemployed and the underprivileged – are made to share the fruits of the economy (Giddens 10).

By Way of Conclusion: A Path that Treads in Between Having presented thus the theories of Capitalism and the socialist ethics of Marx, it behooves us to therefore inquire – now that most Capitalist economies are at the brink of recession, if not already in a state of recession, which economic paradigm best represents the solution to our problem: Capitalism or Communism? I believe that the answer lies in how well our world governments are able to integrate the reasoned premises of Capitalism with the moderate truths espoused by Communism.

Put in simpler terms, I believe that there is a wisdom that lays in taking both theories in moderation. On the one hand, the world needs to acknowledge that an unregulated type of Capitalism is bad for the country. This is what, in part, Fiola has in article contended. The extremely liberal conduct of economics, so much so that world governments are left in no position to regulate much of the affairs of a market economy, would end up wholly unmanageable in the long run.

The recent turn of events is a witness to this. The fact that many private companies are seeking for bailout only goes to show that government intervention is needed, not only in times when privately-owned companies are at the brink of collapse, but also in times when it is expansive and prolific. In this way, world governments can check whether the principles of free trade are translated into beneficial returns for all citizens.

On the other hand, it is certainly not wise to adopt, in its entirety, the principles of Communism. Surely, governments cannot take over all private ownerships in a manner being radical and swift. Given that the operation of market economy is fueled by free trade, any hostile takeover would spell doom for all the constituents of a given country. Instead, world governments must learn that liberal trade does not give private citizens full and inviolable right to determine all the forces of a given economy.

What this present economic turmoil teaches is summed in the idea that leaving private citizens to conduct all areas of the economy by themselves cannot serve the best interest of the society. Thus, there are reasons to think that what is needed right now is to correct the extremely liberal principles of Capitalism, by giving world governments greater latitude to regulate free trade in a manner that serves greater interests well.