

Capitalism, Communism and “Socialism”

Capitalism and Communism – pretty much opposite ends of the spectrum when it comes to the philosophical differences regarding how a country and its citizens should conduct their economic lives. Setting aside the governmental / political issues, and focusing solely on the economics, the essence of the difference relates to the ownership and control over the means of production. Under communism, everything is owned by the state. There is scant consideration given to the idea of an individual having the opportunity to assume personal responsibility for pursuing their own dreams and controlling their own fate. The communist system’s societal philosophy is - *From each according to his ability, to each according to his needs*. So.... What marketplace assessment is available within that type of society to help assess each person’s “abilities”, and what kind of “entity” could possibly be intelligent enough that it can deliver to each specific person, what is needed to fulfill that person’s hopes and aspirations, and satisfies that individual’s specific interests and wants (i.e, beyond their basic day-to-day living “needs” - however defined)?

So, Communism – how has that been working out? You only need to review the results of history to assess the success of the communist system - - consider the ultimate fate of the Union of Soviet Socialist Republics (USSR), East Germany, North Korea, China, etc. The results are in. The USSR collapsed, East Germany re-unified with West Germany and is now more prosperous, North Korea continues to be a basket case, and China has abandoned the primary tenants of communism and is moving towards implementing market based economic policies (but of course, there is still the problem with basic personal freedoms and the one-party political system).

On the opposite end of the spectrum, the knock against capitalism is that it is a system where the major share of profits from the business will go to the owners of the business, while the employees of the business will get a smaller share. This “inequity” is what the supporters of communism would dearly love to eliminate. That is why communists feel that the ownership of the means of production should reside with the people / “the state”. They fail to accept that the owners’ profits represent a return on the owners’ investment, and represents compensation for their investment risk.

The other major philosophical difference is in regards to individual freedoms. Communism asks each person to put the society before the individual, whereas capitalism puts individual freedoms (choices and personal responsibility) before society. Therefore, a second major knock against capitalism is that it plants the seeds of exploitation, where too much wealth and power is concentrated in the hands of a few people. However, from an innovation standpoint, nearly all of the greatest advances in human history (starting with fire and the wheel) have been due to individual creativity and enterprise. In today’s world, capitalism (coupled with patents, trademarks and copyrights) protects the fruits of that creativity and enterprise. Communism, on the other hand, is not a system that nurtures creative aspirations.

So, if capitalism puts too much wealth and power in the hands of a few people, this is where “socialism” steps in. Socialism simply means that some level of societal / governmental regulation is needed. Another knock against capitalism is that it contributes towards class distinction – “haves” and “have-nots” / rich and poor. Socialism is a means to “narrow the multiples” between the rich and poor. In order to minimize the downside effects of class distinctions, the “bell curve” for a healthy capitalist system is a preponderance of the citizenry safely within the bounds of the “middle class”, with the fringe portions of the bell curve being people living below the poverty level on one

end of the spectrum, and a small wealthy elite on the other end (who have earned their right to live out there on that fringe).

Our Editorial Board's definition of "Useful Socialism" is trying to craft the best "tax math" to achieve the best bell curve. No one wants to live below the US government's official poverty guideline level. Every individual's self interest is best served by assuming personal responsibility to do what is necessary to improve their personal marketability, so that they can rise above the minimum wage. (The federal minimum wage should be part of the math for setting the official federal poverty guideline amount). In our conversation piece on *Tax Reform / Tax Simplification* we put forth our recommendation on the best math that should be used to accomplish "Useful Socialism". We are hopeful, that in the short term, the top marginal tax rate can be set no higher than 49%, and this rate could then be reduced in the future, once the cumulative US debt is repaid.

So.... What about federal estate taxes? Should babies be "born with a silver spoon in their mouth"? Yes - - to some degree. Is this amount "open ended"? Probably not. The "rights of the privileged" will always be a source of contention between the "have nots" and "haves". The beauty of our country (the land of opportunity) is that each person controls their own fate in regards to the possibility of becoming a "have".

So... Should some babies get a head start? We don't see how we can possibly answer this question other than by saying "unfortunately/fortunately yes". Should a person be able to pass on the fruits of their labors to their heirs? Absolutely. What is the right amount? We suspect that it's probably somewhat "OK as is". There isn't a right answer or a wrong answer, and you can get different viewpoints from talking to different people. The one thing that the country should not repeat is having the taxable estate amount bouncing around like it did during the past few years. And we shouldn't create a tax environment where people should be trying to time the year in which they should die.....

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