

Socialism—Democratic Socialism—Social Democracy Slippery Concepts

People on the right commonly accuse those on the left of being socialists. Several candidates in the last election ran as “democratic socialists.” Bernie Sanders, a Democratic candidate for president in 2016 often describes himself as a democratic socialist. The word socialist has become a political hot button. But what does it really mean and why has its use become such a part of the American political scene?

Over the years, socialism has meant different things. Karl Marx was not the first socialist, but his writings were a culmination of earlier socialist thought and he was among the first to set out a specific definition and goal for socialism: the ownership and control of the means of production by the working class (everyone but the capitalists who would disappear). Marx’s *Das Kapital* was a reaction to the impact on economic society of the industrial revolution in England. Marx’s definition of socialism has dominated the discussion since. Socialism does not necessarily mean the elimination of markets for goods and services, but more specifically a system in which the means of production is held in common ownership. Socialist elements may appear in an economy where there is little or no government ownership of the means of production as a means of accomplishing specific goals.

Social democracy is distinguished from democratic socialism in that democratic socialists are committed to systemic transformation of the economy from capitalism to socialism, whereas social democracy is generally aimed at reforming capitalism. Policies commonly supported by both democratic socialists and social democrats include some degree of regulation over the economy, social insurance schemes, public pension programs, and a gradual expansion of public ownership over key industries. Partly because of this overlap, some political commentators use the terms interchangeably. And it doesn’t help that people often describe themselves and their views incorrectly.

There is considerable overlap between democratic socialists and social democrats on practical policy positions, but democratic socialists believe that reforms aimed at addressing the economic contradictions of capitalism will only see them emerge elsewhere in a different guise. In the view of democratic socialists, capitalism, based on the primacy of private property, generates inherent inequalities of wealth and power and a dominant egoism that are incompatible with the democratic values of freedom, equality, and solidarity. Only a socialist society can fully realize democratic

practices. The internal conflicts within capitalism require a transition to socialism. Private property must be superseded by a form of collective ownership.

So, there is a spectrum of “socialist” thought from a centralized planned economy (what most people think of as communism) to a system where the “socialist” elements are the constraints (regulations and laws) reflecting popular will that are placed on a capitalist system to affect the way it operates.

A large part of the political discussion today centers around a few topics, including the increasing inequality of income¹, healthcare², and the increased political and economic power of large corporations³. Specifically, the role the government should play in these areas. Should the federal government work towards a more equal distribution of income? Should the government ensure that all its citizens receive adequate healthcare? Should the government act to reduce the influence of large corporations on economic activity? Is some political action necessary or should these things be left to the free market—let the chips fall where they may?

Often this issue is described as the choice between two systems: capitalism and socialism. This is far from the truth. The US has never had a completely capitalist system. From the days of the first settlements in the New World, governments both local and national have acted to control economic activity and affect the the well-being of their citizens. To be sure, the role played by government in the economy and society has not been constant over our history. One does not have to look far to identify efforts to limit the impact of freely functioning capitalist markets. Some of these are organic—the rise of labor unions to offset the actions of employers who cared little about the well-being of their workers. Others have been direct responses by the government to actions by companies who put profit above public safety—the Pure Food and Drug Act of 1906.⁴ The Sherman Antitrust Act⁵ was a direct response to the era of the “robber barons,” which saw the establishment of trusts and conglomerates that stifled free competition and concentrated income among a small portion of society.

¹ <https://www.cnbc.com/2018/07/19/income-inequality-continues-to-grow-in-the-united-states.html>

² <https://www.thebalance.com/universal-health-care-4156211>

³ <https://www.marketwatch.com/story/americas-most-successful-companies-are-killing-the-economy-2017-05-24>

⁴ <https://www.u-s-history.com/pages/h917.html>

⁵ <https://www.u-s-history.com/pages/h760.html>

Such issues have returned today as successive administrations have retreated from vigorous attempts to ensure competitive markets in telecommunications, the Internet, pharmaceuticals and other areas of the economy. Labor unions have declined in power, reducing the ability of workers to affect the conditions and terms under which they work. In other areas, the free market, for various reasons, may not yield an outcome that people find desirable. Take healthcare, for example. Both theory and experience show that the free market is an inferior way to deliver healthcare.⁶

The choice is not between capitalism or socialism, but how a nation should blend the goals of each into a system that addresses the issues most important to its citizens. There are no successful “socialist” nations where the state or the public owns the means of production. There are no successful “capitalist” nations where the free market rules without constraint. Singapore is sometimes lauded as the most capitalist country in the world, but in the words of a Singaporean professor: *“I challenge my students to tell me one economic theory, Neo-Classical or Marxist or whatever, that can explain Singapore’s success. The Classical school or Marxist school focuses more on production than exchanges, in contrast to the Neo-Classical school. They make different assumptions, and they are interested in different issues. They each have their weakness and strengths.”*

Likewise, Scandinavian countries are sometimes characterized as “socialist.” but they are really capitalist based systems where constraints have been placed on the operation of the economy to achieve a result more consistent with what the populace desires. In both Scandinavia and Singapore the intent is to maximize the strengths and minimize the weaknesses of both systems even though the resulting systems are not the same.

This is why using “*Socialist!*” as an epithet is counter productive. So-called democratic socialists like Bernie Sanders or Alexandria Ocasio-Cortez are not socialists in the Marxian vein, but they believe that the economic and political system of the US is rigged and does not yield an optimal outcome for its people. For the US, the choice has never been: should we be capitalist or socialist? The choice is how do we blend the elements of the two systems to maximize the welfare of our citizens?

The research team has posted links to several additional pieces on this topic on the club’s message board. Please take a look at them after you’ve read the info sheet. Those submissions provide some useful information on the intersection of capitalism, socialism and democracy.

⁶ <https://krugman.blogs.nytimes.com/2009/07/25/why-markets-cant-cure-healthcare/>