



Capitalism or Socialism? The Difference Almost Everyone Misses

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Shahram Azhar (SA): Welcome to another episode of the Dialectic at Work, a podcast dedicated to understanding Marxian theory, its politics, its philosophy and its economics. I'm your host Shahram Azhar. I'm Associate Professor of Economics at Bucknell University. One of the major aims of the dialectic at work has been to understand capitalism as a unique economic system that's distinct from feudalism, from slavery and all the rest of it. This has been an area of interest for Marxists pretty much since 1867. But what makes different forms of capitalism unique, different from one another? What makes French capitalism different from American capitalism, different from Ugandan capitalism, from Chinese and Indian capitalism? This is a question that deals with the issue of the various institutional and historical forms of capitalism. To make sense of all of this, we have, as always, Professor Emeritus at the University of Massachusetts in Amherst, Professor Richard Wolff. Hello, Professor, how are you?

Richard D. Wolff (RW): Shahram, glad to be here.

SA: Rick, I wanted to ask you a question that has intrigued me and a number of our listeners. If indeed, as you, Marxist economists have argued, capitalism is a unique historical way of organizing human economies and societies, why do we see differences within different forms of capitalism? When we travel around the world, we see that French capitalism is very different from Swedish capitalism, from American capitalism, from Chinese capitalism. How can we make sense of these differences?

RW: Well, as usual, there are alternative ways to do that, alternative ways of thinking about class structure or economic system or whatever phrase you want. And they clash. They do not agree. They come from different places and they have different implicit and explicit agendas. So, I am going to, because of the time constraint, jump right in and tell you what I think a capitalist system is, and then show you how it can vary in its form. Alright, so here's what the capitalist system is at its core: it is a particular way of organizing the production and distribution of surpluses. In other words, we begin with the basic idea that in all human communities there is an arrangement in which some of the adult able-bodied members of the

community are assigned the task of working with nature to transform it from the form in which it arrives – for example, a tree grows in the forest. But human labor can take that tree, cut it down, and shape it into a chair upon which a human being can then sit. Every society produces – that is, every society of human beings would not be the case with other species, more or less – human beings produce surpluses. What does that mean? It means they produce more than the people who do this work consume. So if there are people making chairs out of trees, they make enough chairs for the community in which they live to have chairs to sit on, but they always make more chairs than they themselves require. What does that mean? It means that there will be people who have chairs but didn't have to participate in making them. There is, in other words, a division of labor such that some people produce chairs, which they deliver to others who don't produce them. And in many early human communities, this was similar to having someone make bread. And that person made more bread than he or she consumed, in other words, a surplus, and they exchanged it one with the other.

Now take this idea one step further: if you add up all the people that are working – those who raise chickens, those who raise corn, those who make clothing, those who make pots and pans – if you add them all up you can get an abstract idea that there is the capacity in human communities for everybody to produce more than what everybody who's in the productive group consumes. You could then have a social surplus. Why would you do that? Answer: in every human community that we know of, the human beings have wanted to sustain among themselves people who did not work, who did not produce a surplus. They were valuable to the community because of other things that they did. And so the community produced a social surplus and delivered it to these individuals who were freed from labor, who were sustained by a distribution of the surplus, and thereby enabled to do all kinds of other things. I will give you a few examples. If it was necessary in a community to protect it from others who lived on the other side of the mountain, or lived down the road, then you might, always an open question, you might set aside a group of people and you give them big sticks and stones and you say to them, "you are going to protect us if and when anybody comes to bother us, and we will provide you with the food, the clothing, the shelter, everything you to perform that function. But, of course, you will not, therefore, be one of those of us who makes food, clothing, and shelter". And you might think of this as a difference between those who produce a surplus and those who enable a surplus to be produced. Those guards I just spoke about enable a surplus because they free the workers from having to worry about being interrupted or overcome by hostile forces.

Human society has gone through, in this view, a variety of arrangements for a social surplus to be produced, to be received by designated people in the community, and in turn distributed by them to those people in this society that are freed from labor, enablers, if you like, who are sustained by distributions of this surplus. And the three great forms that Marx spent much time talking about – there are more than these three, but I'm just going to focus on these three. One of them is called slavery. In that situation, we have human beings who are property of other human beings, and as property they are put to work. And when they work, using their brains and muscles to transform trees or sheep or earth into usable products, they

produce more than they consume. Who gets that surplus? Answer: the masters. In this society, the masters, the people who own and direct the slaves, get the surplus, and they then distribute it to enablers, those they are happy or interested in sustaining. That's what they do. The next example of a different form is feudalism. And there we have the two poles, serf and lord. Now it's different from slavery because the lord does not own the body of the slave. Human beings are not property. That's a crucial difference. However, what is interesting is that the production of a surplus, this basic part of human society, continues in feudalism, even though not in the form of slavery. It's the form of feudalism, in which the serf, born into that status, a serf like his parents or her parents, and then living on the land, working the land as the parents' grandparents did, and on that land producing more product than they themselves consume. In other words, a surplus. All the serfs in a feudal community together produce a social surplus. Who gets it? Answer: the Lord. That system gives to the Lord – and when I say gives, it is a process of tradition, a process of religion, a process of the moral codes developed in such societies – it gives the Lords the position of saying to the serf, "all this surplus you produce, you must give to me, I am the recipient of what we shall call the rent", which is the name for the feudal surplus. It can be delivered as bushels of corn, as chickens, as eggs, or the worker can come and say, "I'm not going to deliver it to you in a product, but I'll deliver it to you in the form of my labor. I'll give you 10 hours of my productive work. You can tell me to do whatever it is you want me to, and whatever I produce in those 10 hours is yours, because I'm delivering to you not just my work, but the fruits of my work".

This is all by way of specifying the capitalist system. It is not slavery because nobody owns anybody else. It is not feudalism because it isn't religion or tradition that leads a serf to deliver the surplus to the Lord. In fact, an entirely different social arrangement is worked out. Here's how it works: some people are considered in a capitalist society to be what shall be called employers. You don't have employers in slavery because there's nobody to employ. And you don't have it in feudalism. Those are different systems of organizing and distributing surplus. But in capitalism, we do have it. The employer hires, buys something from the employee. The employee in capitalism is allowed to sell his or her capacity to work – labor power, Marx calls it. The employee sells the labor power to the employer. And then now here's the way the surplus is arranged: When the employee works, he by his labor or she by hers, adds value to the raw materials, tools, and equipment they use to perform their labor. You don't have that in slavery and you don't have that in feudalism. You have it in capitalism. When the worker adds value and then delivers the output that that added value is embodied in and delivers it to the employer – and why does the employer get it? Because that's the deal. The employer buys the labor power, puts it to work, and then immediately receives the fruits of the labor done by the worker who sold the labor power. When the employer sells the output, he realizes in money form, he sells it, the value of the output that includes the value added by the worker when he works. But what the employer pays to the worker is an amount of value that is quantitatively less than the value added by the worker. And the reason that happens is there would be no incentive for the employer to hire anyone if that weren't true. If the employer paid the worker the value added by the workers labor, if the employer had to buy tools, equipment, and raw materials that the laborer worked with, then the revenue he got would be completely expended by replacing the tools, equipment, raw materials used up plus

giving the equivalent of the value added by the worker to the worker for his work – that's where the difference arises. The capitalist doesn't do that. Or to say the same thing another way, if the workers, in whatever way, were able to demand and to obtain from the employer the value added by their labor, nothing would be left for the employer, and he would shut the business down. Would that mean nothing got produced? Not at all, because you can see right away that if the workers together raised the money to buy tools, equipment, and raw materials, and then added their collective labor and produced output, they could use the revenue to replace the tools, the equipment, raw materials they used up and use the remainder of the revenue for their own income. They don't need the capitalist. They never did. And one of Marx's points is to teach that basic lesson.

Okay, now let's look at different forms of capitalism. First of all, you can have a form that is in some way racialized. You can have a system in which the employers are white and the employees are black and brown. We have lots of examples around the world, both today and in the past. That's a form. That is, if you like, a racialized form. You can similarly, have a gendered form in which the employers are male and the employees are women. Now you can have forms that need a bit more comment. You can have a form in which the employers, the people who hire other people, are members of the state apparatus. They are officials in the government of whatever kind of government you have. They hire people, but they hire them to work in an enterprise that is owned and operated by the government. Is that possible? Absolutely. Has it existed throughout history? Does it exist now? All over the place. What would we call that? Well, we make a distinction. The employer might be someone who does not have a position in any government. We call that person a private individual. And all the word "private" means is they are not part of a state apparatus. In that case we would speak of private capitalism and state capitalism. And by the way, that kind of difference exists also in slavery and feudalism. In slavery there were governments who owned slaves and got those slaves to produce surpluses delivered to the governmental officials who were masters of those slaves. And likewise we've had slave feudalism in which the Lord was someone occupying a position in a state apparatus, a king or something like that. So we've had the private state differentiation among forms of slavery and of feudalism. But here comes one huge confusion for particular historical reasons that I'll go into in a moment. In the history of capitalism, a large number of people, those who liked capitalism and those who didn't, got confused for reasons I'll go over and they began to think state capitalism – that's when the state owns and operates enterprises and hires workers to work in them – there are people who believe that that, when the state does that, is no longer capitalism. Why not? Because the state is doing it, not a private person. Nobody that I know of makes this differentiation when studying slavery. No one I know of makes this differentiation when studying feudalism. But it's an immense deal in the history of capitalism.

So for example, libertarians and other folks like that, the minute the government gets involved they are angry, they don't like it, they are critical of the government, they don't want that. They don't trust it, they think it produces horrible side effects, and so on and so on. But then there are many socialists in the world, critics of capitalism, whose idea of a next system, a different system that is beyond or post-capitalism, is when the state takes over functions

that used to be performed by private capitalists. So for example, the current mayor of New York, Zohran Mamdani, who self-identifies as a socialist, is busily setting up grocery stores that will be run by the city, daycare centers that will run by the city, and so on. And this is what he and the people around him believe is a next stage beyond capitalism. The problem for me in how I read Marx is that – not that I disagree with what Mamdani is doing, I don't, I understand why he's doing what he's doing and I would support him, I do support him – but if you ask me is he doing something that makes the system we have work better? Yes, he is. But is he going beyond capitalism? No, he's not. At least not yet. But I understand it may not be possible at this point to go beyond capitalism. Maybe the best we can hope for is to soften the edges of capitalism, to make it less oppressive by having the government come in and regulate, tax, spend, on all kinds of things that people might otherwise not have access to if they depended on private capitalists to undertake it. Remember for a private capitalist, everything I've said leads to this conclusion. If you can buy tools, equipment, and raw material, and if you can hire workers, you will do so if and only if you can pay those workers less than what they add to the value of your inputs during production. To say the same thing in simple English, in a capitalist system, what happens happens because profit can be made of it. If profit cannot be made of it, well, then it isn't available. When Zohran Mamdani says, "I'm going to put discounted grocery stores in certain neighborhoods in New York", and he explains it, there's no fresh fruit, there's not fresh vegetables, there is no good food in these areas, they are food deserts – and this is very bad for the children, the adults. Private capitalists are setting up supermarkets in the suburbs because it's profitable, in parts of the city it is profitable. But they're not setting it up in poor neighborhoods because it isn't profitable. Notice this has nothing to do with the needs of these people for food, the desire of these people for food. No one cares. If these people get sick because they don't have good food and they infect lots of other people, well, that's considered to be some kind of even natural phenomena. But of course it isn't. It is shaped by what capitalism means.

Alright, last point for this. It may well be that the transition from capitalism to a new system, and what would that mean? A new arrangement for producing and distributing surplus. Let me give you one quick example. Suppose the workers decided to fire the capitalist. Thank you very much, dear Mr. Capitalist, but we don't want you here anymore, please go home and have a nice afternoon. What do the workers now do? Well, they pool their money. If that isn't enough, they borrow some money, maybe from a bank, maybe from a wealthy person in the community, maybe from a local church. And they use that money to buy tools, equipment, and raw materials. Then, being the workers, they transform those tools, equipment, and raw materials into finished products. And they sell those products, and they take the revenue, replace the tools, equipment, or raw materials they used up, and distribute the rest of it amongst themselves. Is there a problem with this? No. Has this been done in human history? Yes. Often. Is it being done now in certain places? Yes. What do we call that kind of an enterprise? Well in our country because of the politics we call it a "worker co-op". In other countries it's called a "commune" or a "communal enterprise" or a "collective enterprise", or a "communist enterprise". But as I say that, and as I'm sure you'll understand, those are dangerous words here in the United States. But that's a different way of organizing the production and distribution of surplus. And the simplest way to describe it is to say it's an

arrangement in which the surplus is produced by people who do not transfer it to anybody else. Unlike slaves, they don't give it to masters. Unlike serfs, they don't give it to Lords. And unlike capitalism, it is not taken by the employer. These people have become their own employers. These people have ended the dichotomy between the producer of surplus and who gets it into theirs because for the first time in modern history those are the same people. Now, I would argue that that's the different system that Marx and Engels and many, many Marxists have had in their minds all along for the last 150 years that this stuff has been talked about. But that doesn't mean that they're against what we could call and what they call state capitalism. For many of them that was a necessary step away from private capitalism on the way to communism, but a temporary in-between that had to be fought for, established, and then the debate could begin: how do we take further steps to make the transition to a new and better system? Which they believed in because they were Marxist critics of capitalism.

SA: How do we make the next step? What is the transition going to look like? What have previous experiments pertaining to transition looked like? This question deserves a lot more attention guys, we've run out of time in this episode, but please stay tuned, we're going to devote at least one more episode to this particular question. As always, I hope you got something out of it. The philosophers have only interpreted the world in various ways. The point however is to change it. I'll see you next time guys.

END

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