

# What “Capitalism” Is and How It Affects People

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Capitalism is defined as an economic system in which a country's trade, industry, and profits are controlled by private companies, instead of by the people whose time and labor powers those companies. The United States and many other nations around the world are capitalist countries, but capitalism is not the only economic system available; throughout history, other countries have embraced other systems, like socialism or communism, so it's important to explore what capitalism actually is.

CNN recently reported that 66% of people between the ages of 21 and 32 have nothing saved for retirement. However, according to *Salon*, the reason many millennials haven't been investing in mutual funds or building up their own financial nest eggs isn't because they're too broke, or that they lack personal responsibility — it's because they think our current economic system, capitalism, will cease to exist by the time they are in their 60s.

The millennials *Salon* spoke to expect to see a grand societal shift in their lifetime, either toward socialism — a political and economic system in which the means of production are collectively and equally owned by everyone — or toward a sort of dystopian Mad Max nightmare in which resources have dwindled, rich plutocrats own everything, and ordinary people need to band together in small, autonomous communities to survive. To conservatives' dismay, the modern idea of socialism, which has roots in Greek philosopher Plato but emerged as a popular political idea in the early 19<sup>th</sup> century among German radicals like Karl Marx and Friedrich Engels, has become increasingly popular among young people in the past several years, following Democratic Socialist Bernie Sanders's underdog run for president and the authoritarian creep of the ultra-capitalist, anti-socialist Trump regime.

In contrast, capitalism has become markedly less popular among the younger generations, with *The Washington Post* noting in April 2016 that in one survey, a majority of young adults ages 18 to 29 said they reject it outright.

You have probably heard the word “capitalist” floating around in the past couple of years — maybe in relation to the anti-fascist, anti-capitalist protests at the Trump inauguration. So, what is capitalism, and why are people so passionate about it, one way or the other?

## **Where did capitalism come from?**

The origins of capitalism are complicated, and stretch back to the 16<sup>th</sup> century, when the British systems of power largely collapsed after the Black Death, which was a deadly plague that killed off up to 60% of Europe's entire population. A newly formed class of merchants began trade with foreign countries, and this newfound demand for exports hurt local economies and began to dictate overall production and pricing of goods. It also led to the spread of colonialism, slavery, and imperialism.

The death of feudalism — a hierarchical system often seen as oppressive that kept poor people bonded to their masters' land, which they farmed in exchange for a place to live and military protection — also left rural British peasants with no homes and no work, which eventually funneled them away from the countryside and into urban centers. These former farm workers then had to sell their labor in a newly competitive work environment in order to survive, while the state worked in concert with the new capitalists to establish a maximum wage and “clamp down on beggars.”

By the 18<sup>th</sup> century, England had converted into an industrial nation, and the dawn of the Industrial Revolution saw an explosion of manufacturing overtake the island. It is within those smoky factories and flammable textile mills that our modern idea of capitalism — and the opposition to it — began to fully flourish. In 1776, Scottish economist Adam Smith published his treatise, *An Inquiry into the Nature and Causes of the Wealth of Nations*, which is regarded as the bedrock upon which modern capitalism stands. Though some of his specific ideas about value and labor differ from those of modern economists, Smith is often called “the father of capitalism.”

## **What does it mean to be capitalist?**

Individual capitalists are typically wealthy people who have a large amount of capital (money or other financial assets) invested in business, and who benefit from the system of capitalism by making increased profits and thereby adding to their wealth. A capitalist nation is dominated by the free market, which is an economic system in which both prices and production are dictated by corporations and private companies in competition with one another, and places a heavy focus on private property, economic growth, freedom of choice, and limited government intervention. Generally, those to the right of the political spectrum tend to be pro-capitalist; those on the left veer toward anti-capitalism.

## **How does capitalism impact people?**

The kind of impact that capitalism has on your life depends on whether you’re a worker or a boss. For someone who owns a company and employs other workers, capitalism may make sense: The more profits your company brings in, the more resources you have to share with your workers, which theoretically improves everyone’s standard of living. It’s all based on the principle of supply and demand, and in capitalism, consumption is king. The problem is that many capitalist bosses aren’t great at sharing the wealth, which is why one of the major critiques of capitalism is that it is a huge driver of inequality, both social and economic.

Capitalism takes the position that “greed is good,” which its supporters say is a positive thing — greed drives profits and profits drive innovation and product development, which means there are more choices available for those who can afford them. Its opponents say that capitalism is, by nature, exploitative, and leads to a brutally divided society that tramples the working classes in favor of fattening the rich’s wallets. For an example in recent history, the Occupy Wall Street movement began as an anti-capitalist protest against “the 1%” — the richest of the rich of the capitalist class — and asked why they are allowed to grow fat and happy while 20% of all American children live in poverty.

## **Why do people support capitalism?**

Capitalism’s supporters believe in several key points: Economic freedom leads to political freedom and having a state-owned means of production can lead to federal overreach and authoritarianism. They view it as the only sensible way to organize a society, insisting that alternatives like socialism, communism, or anarchism are doomed to fail. As former British prime minister

Margaret Thatcher, whose pro-capitalism stance is said to have devastated the British working classes, once said, “There is no alternative.”

When asked to consider capitalism’s negative impact on the environment and our shrinking natural resources, many say that those resources will only become more valuable and able to generate more capital as they continue to diminish. They also believe that the competition between companies benefits consumers by making products more affordable, and that capitalism’s dog-eat-dog atmosphere encourages people to work harder to achieve their dreams. They are likely to dismiss anti-capitalists’ concerns about inequality and oppression by saying that rich people are rich because they are more productive than their poorer counterparts.

Placing central importance on the individual, rather than the collective, is a classic hallmark of capitalism and is at the heart of the “pull yourself up by your bootstraps” narrative that capitalists find so compelling.

## **Why do people oppose capitalism?**

Anti-capitalists view capitalism as an inhuman, anti-democratic, unsustainable, deeply exploitative system that must be dismantled. They see it as inherently at odds with democracy because of how capitalist bosses hold power over workers in the workplace and the fact that, the more capital one accrues, the more power they have. As German Communist philosopher and economist Karl Marx — perhaps the most famous opponent of capitalism in history, who ironically enough helped to popularize the term — wrote in his book *Capital, Volume 1: A Critical Analysis of Capitalist Production*, “Just as man is governed, in religion, by the products of his own brain, so, in capitalist production, he is governed by the products of his own hand.”

The essential anti-capitalist argument is that “the hallmark of capitalism is poverty in the midst of plenty.” They say the immense suffering and violence that has been forced upon the laboring classes, the ruthless emphasis on profits over people, the proliferation of wage slavery — in which people have no choice but to sell their labor, which we see in every industry from fast food to corporate office work — and the social alienation.

Marx also emphasized the system’s capacity to dehumanize workers, writing that capitalist methods of productivity “mutilate the labourer into a fragment of a man, degrade him to the level of an appendage of a machine, destroy every remnant of charm in his work and turn it into a hated toil.” As the looming threat of automation and erosion of public health care puts more pressure on the working class, its opponents worry that capitalism’s thirst for profit over everything else means that those who sell their labor will be worked to death.

As Martin Luther King, Jr. — a firm anti-capitalist — said in his final speech to the Southern Christian Leadership Conference in 1967, “One day we must ask the question, ‘Why are there forty million poor people in America?’...When you ask that question, you begin to question the capitalistic economy.”

## **What is the difference between capitalism and socialism?**

Capitalism and socialism are generally seen as polar opposites, and discussions of either system are often framed as in opposition to the other. There are many forms of socialism, but at its root, socialism is an economic system in which a whole community — not just bosses or

private companies — control the means of production equally. It assumes that people are naturally cooperative, instead of competitive. The goal of socialism is an egalitarian society run by democratically elected representatives for the benefit of all in accordance with a set of collectively determined parameters; unlike under capitalism, industry and production is run by the state, and the acquisition of private property is seen as counterproductive. Capitalist critics of socialism believe that the system slows economic growth, rewards worker laziness, and can stifle individual rights and free expression.

In a capitalist country, the focus is on profits over anything else; in a socialist country, the public is seen to be more important, and social welfare is a major priority. The United States, the U.K., and Germany are examples of modern capitalist countries. In contrast, China, India, and Cuba are examples of modern socialistic, non-capitalist countries, as was the former Soviet Union. Many other countries like Norway, Sweden, Canada, and the Netherlands incorporate socialist ideas into their societies, as does the United States to some degree; for example, universal health care and Social Security are both socialistic concepts.

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