

# Capitalism, Socialism, and Greed

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If variance is the friend of Capitalism (See previous article, Socialism, Variance and Scalability), what is its enemy? Interestingly, the enemy of Capitalism is the same human characteristic that is its engine, namely, greed. If left unchecked, greed will undermine the forces that drive free markets. In a free society, the mechanism for checking greed is public demand followed by government action. For example, the Interstate Commerce Act of 1887 was in response to public demand for regulation of the railroads. Creation of the Securities and Exchange Commission (SEC) and various anti-trust legislation are other examples. At their core, the goal of these efforts is to prevent greed from distorting free markets<sup>1</sup>

What is the result if greed is left unchecked? We don't have to look very hard for an example. In a Socialist society, there is no check on greed and the result is wealth concentrated in a small ruling class. From Russia to Communist China to North Korea to Cuba to Venezuela the result is the same. Wealth is concentrated in the ruling class, there is essentially no middle class and the working class is held in poverty<sup>2</sup>.

Unfortunately, we may be on the verge of discovering this same effect of unchecked greed on our Capitalist society. In the past, our two-party system along with government oversight agencies such as the SEC have provided the check against greed. However, today, the political party that historically has been the most diligent seems to have lost its initiative. Tucker Carlson (Ship of Fools, 2019), makes a good point that without the Democratic party's liberal argument our society has lost a substantive self-correcting vector.

Consider Amazon. One could argue that it is not only a monopoly (one seller) but is also a monopsony (one buyer). As such it is in a position to exert such control over prices as to stifle the free market forces. However, the Democratic party, traditionally the party that worked to reign in such power is conspicuous in its silence. The same argument could be made for Google and Facebook.

It could be argued that internet entities are exceptions because they have emerged so quickly and our legal/regulatory system is lagging in developing guidance. I agree that life changes faster than the legal system and the latter has always lagged such changes. However, I believe these examples are more than that and may indicate an underlying shift in our Capitalist system.

First, Amazon, especially, has devised a product and delivery system with a seemingly endless market. Simply, crank up the internet, order and in a day or so a package shows up on your doorstep. It's pretty hard to walk away from that even if your long-time electronics store down the street has now

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<sup>1</sup> The downside of such government action is the agency may become permanent even though the problem it was established to address has been solved. For example, once the railroad issue was settled, the Interstate Commerce Commission (ICC) began regulating trucking. Milton Friedman and others have discussed this issue and offered solutions more in line with pure Capitalism. However, in practice, government oversight seems to be the model, like it or not.

<sup>2</sup> It is sometimes argued that Socialism as envisioned by Marx and Engels has never really been tried. If this is so because attempts have always ended up as totalitarian states, that is a pretty good argument that it is unworkable. And by unworkable, an armchair comparison of the conditions in North Korea vs South Korea should be enough to convince anyone. Also, some will point to Sweden as successful Socialism where the population is not held in poverty. However, Sweden is not an example of Socialism. It is free enterprise with at least one major exception and that is health care which is government controlled at the policy level and primarily funded by a high tax rate in the 50% range while the delivery system is controlled locally.

closed its doors for good. Recall, a few years ago Walmart expanded across the country to every crossroads they could find. Now, instead of driving forty miles to the next-larger town, a pretty good selection of goods could be had a few miles away. Of course, the local hardware store that had served the crossroads for generations was now shuttered. The Amazon effect is much larger and far swifter.

Secondly, we seem not to care if the products are from countries that are bent on overtaking the United States not only economically but militarily. Of course, I am referring to Communist China. Allowing China to unfairly compete, steal our technology and even acquire our businesses seems not to concern us. The argument this is how Capitalism works and China is simply offering a better product misses some important points. One of which is while labor cost in the United States is substantive it is miniscule to the government-owned production facilities in China. In the absence of an effective international effort to enforce free trade, tariffs and other means may be the only alternative, Milton Friedman's objections notwithstanding.

Predatory competition by China is, I believe, easy to see and an argument for international oversight justifiable. The case of Amazon is more difficult. In a Capitalist system where the participants play by the same rules, can unfair or predatory competition even be defined? Why is the Amazon model and the Walmart model for that matter not just an example of good competition and if it threatens the local store the onus is on that store's owner to divine a competitive strategy? Why should government intervene? If we conclude it should the question becomes when should it intervene and the horse is then out of the barn. There is something to this Capitalism is Capitalism argument and it leads us to how do we, in fact, define greed.

So, we come full circle and are back to greed. As pointed out at the top, greed is usually checked by public outcry followed by government action. Today, however both are missing. So long as we enjoy the convenience of Amazon why do we care where the products are made or who makes the profit, i.e., no public outcry. And, there doesn't seem to be any government concern with or without the outcry. In the not too distant future we may see the effects of this inaction in the form of Chinese-controlled cyber and real space and a Chinese controlled international economy. And, "controlled" means something far different to Communist China than it does to us.