

On the Fence

Socialism vs Capitalism

Socialism and capitalism— We need them both *Why capitalism will always beat socialism*

When President Trump declared in his recent State of the Union speech that “America will never be a socialist country,” he was absolutely correct. Look up socialism in any dictionary and you will find something like this: A political and economic system in which the means of production is owned by the government. Does that sound like anything that could ever happen in the United States? It’s safe to say that no one in any mainstream American political party wants our government in the business of manufacturing consumer products.

But is it then correct to think that America is a capitalist nation? Well, not in any pure sense, because certain portions of our economy are not controlled by private owners for the purpose of making profit. We are actually a mixed economy, where both socialism and regulated capitalism play equally important roles. Capitalism tends to generate the wealth, and socialism tends to support and protect the wealth. If you think of socialism as government employees carrying out government tasks, you quickly realize that socialism provides some essential functions in our society:

- Protecting wealth: police, firefighters, military, laws, courts, jails
- Educating future workers: public schools and libraries
- Building/maintaining transportation infrastructure to facilitate commerce: public roads, ports, bridges, rail lines
- Providing other infrastructure to facilitate commerce: currency, central bank, postal system, rural electrification

Some portray socialism as similar to the totalitarian regime under Joseph Stalin. But the democratic socialism advocated by Bernie Sanders and others is completely different than a centrally planned, authoritarian system. Democratic socialists advocate for a similar mix of regulated capitalism and socialism that most Americans approve of, and which is found in most countries across the world.

The only real difference between the liberal and conservative viewpoint is where each might strike the balance between the systems. Liberals might want the government to do more to regulate and enforce the disposal of toxic waste (increased socialism), but few conservatives would advocate for the complete elimination of regu-



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lations and enforcement (as could theoretically happen under pure capitalism). In other words, both sides of the political spectrum are quibbling about the balance point rather than about adopting one system or the other.

To further explore how we as a society strike the balance between socialism and capitalism, consider health insurance. Almost every country in the industrialized world has chosen to provide universal health care by socializing their health insurance.

By contrast, the United States stands alone with our heavy reliance on for-profit health insurance (even though we do have socialized health insurance in the form of Medicare). So, health insurance is an excellent test of the effectiveness of both systems, and the results speak for themselves. Numerous studies over the years have shown that Americans pay twice as much for health care as anyone else, and that we have relatively poor results to show for it.

For example, a July 2017 study by the Commonwealth Fund concluded “the United States ranks last in health care system performance among the 11 countries included in this study...”

And the Journal of the American Medical Association stated: “In 2016, the United States spent nearly twice as much as 10 high-income countries on medical care and performed less well on many population health outcomes.” The AMA also identified a primary cost driver: “Eight percent of spending goes toward ‘administration and governance...’

By comparison, only 1 percent of health spending goes toward such costs in France and Japan.” That essentially means that Americans are paying eight times as much overhead as other nations that rely exclusively on socialized health insurance.

So, in the United States, there really is no legitimate political debate over whether capitalism or socialism is the better system. Both are superior at what they are intended for, and we need both to maintain balance in our country. None of us want a for-profit military, and none want our government manufacturing tennis shoes.

An increasingly popular sentiment expressed in today’s political environment is that of the desirability of implementing socialism in the United States. Proponents of this ideology cite socialism as a better, fairer economic system than the free market capitalism that has existed in our country since its infancy. The foundational principles supporting socialist ideas may sound good, but they are simply too idealistic. While claims from socialism’s advocates may come from a pure place in their heart, it simply will never produce the same freedom and prosperity that capitalism will.

A claim leveled against capitalistic ideas is that they exist solely to please greedy members of society and their money. Socialism, they argue, calls for the redistribution of wealth so that everybody has a fair share of money, with each individual selflessly working for their fellow man. This idea however, is fundamentally flawed. This is not to say that giving to needy people is a bad thing; voluntary care of those less fortunate than you is a virtue that will benefit any society. Charity and socialism are different because charity is genuine and from the heart, but the moment government steps in, all interactions are coercive. What would be a benevolent interaction then becomes one’s legal duty, and failure to fulfill said duty results in fines or imprisonment. This sort of forced altruism is not beneficial, and only reinforce the false notion that you are entitled to the work of your neighbor.

What is good for one person is often good for their neighbor as well. Take for example, any small business owner or franchisee. If they make a change to their business that displeases the public, less people will buy their product or use their service, forcing them to amend the change. On the opposite end, better products and services will yield higher sales. This is what Adam Smith, the father of economics described in his book, “The Wealth of Nations,” as the “Invisible Hand.” Establishments under free markets are, by nature, incentivized to provide superior service than their competition. The market will regulate itself with no need for government intervention.

Proponents of socialism frequently point to European countries as examples of successful socialism in action and that the United States should follow suit with similar policies. While Norway, Sweden, Finland and Denmark are economically successful countries, to attribute that to socialism is fallacious in nature.



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With the exception of certain social programs in place, the economies of these countries are almost completely free-market based. The aforementioned policies and social safety nets were put in place after prosperity was achieved through capitalism. They could only exist while piggybacking off of Capitalism’s success. None of these countries have minimum wages, and all of them have school choice. These countries don’t fit the bill of socialism at all, and instead look like a vaguely influenced, capitalist-rooted cousin of real socialism. When full-fledged socialism is implemented, we can see its true colors shine through.

A handful of countries have implemented socialism fully, which inevitably leads to communism. To quote Vladimir Lenin, “The goal of socialism is communism.” When Venezuela implemented socialism in 1999, many in the United States said to look to it as an example of a true socialist country. As it turns out, they were right, and two decades later, we can see the effect that it has had. Mass poverty and starvation now plague the country, and there have even been accounts of people eating trash, wild animals, and their own pets. We’ve seen how many innocent lives socialism and communism have taken in countless examples like China, Cuba, Vietnam, and North Korea. When war-torn and economically stagnant countries have adopted capitalism, the effects have been fantastic. During the reconstruction and occupation of Japan after World War II, Japan instituted a new, more market-based constitution and economy. Since then, Japan has flourished with economic prosperity. Imagine your life today without Toyota, Honda, Subaru, Panasonic, or Nintendo. The positive effects of capitalism and negative effects of socialism have been observed time and time again throughout history, and to say otherwise would be foolish.

The economic system of socialism simply does not have a place in any society that wishes to thrive economically and morally. Human nature is not compatible with socialism, and capitalism is the only system has been proven time and time again to create flourishing societies, including our own. As the common saying goes, socialism is people lined up waiting for bread, and capitalism is bread lined up waiting for people.

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