

# The Origins of Modern Socialism

Freedom & Democracy cannot exist alongside tremendous inequalities of wealth

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The specter of socialism is again haunting the minds of the corporate elite, from the Americas to Europe and beyond. This, after decades of pro-capitalist campaigning from the corporate media, which has always confused “capitalism” with “freedom.” But of course freedom and democracy cannot exist alongside tremendous inequalities of wealth — or next to corporations wielding absolute power over elections and governments.

These facts helped form the social movements in Latin America that now advocate 21st Century Socialism, a name that implies the prior century’s experiments needed either updating or improving, while also implying that the general socialist “project” was progressive.

What are the progressive aspects of last century’s socialism? And from where did the original ideas come? These are extremely relevant questions in light of the international economic and political upheavals.

Modern socialism was born alongside capitalism and in opposition to it. When the basic features of industrial capitalism first came into existence — in the early 1800’s — people instantly recognized that drastic changes needed to be made: the large industries that emerged created dehumanizing conditions for the majority of people — forcing people to work twelve and fourteen hours a day for starvation wages — while a tiny minority were becoming fabulously wealthy. This is not what most people had fought for in the English, American, and French revolutions.

The “utopian socialists” in the early 1800s tried to correct these social inequities by proposing grand schemes that, if adopted by governments, would help harmonize society. These reformers, however, soon learned that those in power wanted little to do with their ideas. They also learned that “alternative economic models” set up next to the large capitalist enterprises were soon crushed by these corporations, due to the superior wealth encapsulated in the giant machines the capitalists owned, as well as the state machinery that the corporate elite controlled.

The Utopian’s failure was partially due to a lack of understanding. At the time, people were attempting to grasp what was happening to society; capitalist industrialization was happening at a lightning pace, with little preparedness or understanding from the majority of people. Blind economic forces seemed to be advancing uncontrollably.

Karl Marx was the first person to really study and dissect the capitalist system. His greatest work, *Capital*, is an extremely thorough analysis and critique of the capitalist economic

system. He was the first to diagnose “what was happening,” and through his assessment a “solution” logically emerged.

In fact, modern socialism can be theoretically reduced to correcting the economic contradictions that inherently exist in capitalism. Marx listed these contradictions in his *Capital*; the “socialist solution” is merely the correction of these fundamental problems of capitalism.

For example, in capitalism’s embryonic stage, the capitalist ran a small shop, where perhaps he sold wagon wheels. But as capitalism evolved, a thousand times more goods were produced after the whole town was organized to make wagon wheels, each person performing a different, very small task, but all working cooperatively to produce the final product. The profit, however, went to one person — the owner, or owners. The result was that wagon wheels were immensely cheaper, and those who could not afford the high cost of the factory-approach of production — machines, labor costs, and raw materials — were pushed out of the market.

Eventually, those capitalists unable to compete evolved into workers, while more and more money was needed to purchase the giant machinery and infrastructure needed to stay a competitive capitalist; through this dynamic wealth increased at one pole and decreased at the other.

This shows a fundamental contradiction of capitalism: all of society is organized to produce goods and services; workers work “collectively” to build products, i.e., they work “socialistically,” but the vast majority of the wealth produced goes to a small minority of non-working, very wealthy shareholders. Thus, to correct this problem, the wealth produced by society should be distributed to those who create it, not funneled into the pockets of the rich. This would require transferring the vast majority of the productive machinery from private ownership of a few to the control of vast majority.

But the capitalists may argue that, without these wealthy capitalists, there would be no wealth-producing enterprises, and everybody would be consequently poorer. This argument may have been true 250 years ago, but no longer.

To out-compete their rivals, capitalists — organized in corporations — invested hordes of money in labor-saving technology, which produced greater and greater amounts of goods, in turn creating more and more wealth. But despite the capacity to produce more and more goods, unintended consequences emerged.

Capitalist competition naturally evolved into monopoly capitalism, as the winners of the free-market took over their competitors’ businesses and machinery. The free market soon became the private property of the mega-corporations, which no longer left the production of their goods to blind market-forces.

After all their competitors were defeated, and the market was dominated, the capitalists were better able to plan out their production to the finest detail: how much raw material they would use, how many products they would produce, what prices to sell the goods at, never knowing how much could actually be consumed by the workers in the marketplace, especially since corporations were constantly driving down workers’ wages to boost profits.

So another contradiction emerges: large corporations produce a massive amount of goods according to a plan, but leave the distribution of these goods to a very limited, un-planned market, which shrinks as workers get paid less and are laid off, due to the introduction of machinery.

Inevitably, this dynamic produces recessions, some small, others larger. The obvious, socialist answer is thus: distribute the produced goods according to a plan as well! But doing this would take the “market” out of the picture, and thus the capitalist too.

When recessions happen and corporations fail, the capitalist state intervenes and may temporarily take over these companies (as in the case of GM, Fanny and Freddie, etc.), but these takeovers are not done with the general social interest in mind. Instead, they are a form of socialism for the rich — the bank and corporate bailouts used public money to save the rich from themselves, at the expense of everybody else. These bailouts imply that the market economy (capitalism) needs socialist measures to ensure its further existence, meaning that an element of planning needed to be injected into the unplanned, chaotic market economy to help stabilize it.

Indeed, John M. Keynes and others realized long ago that capitalism was too unstable a system for it to be run entirely by market forces. This is why, in most capitalist countries, the state is responsible for planning the more fundamental parts of the economy: mail, communication, energy, central banks, education, military, highways, bridges, welfare, etc. These fundamental parts of the economy are planned “socialistically” in an attempt to give the commodity-producing companies more stability, i.e., allow them to make more consistent profits.

Finally, it must be noted that modern capitalists — shareholders/investors — serve absolutely no social function. Unlike their capitalist ancestors, modern capitalists neither work for nor run the companies they own — they hire managers instead (CEO’s and VPs). But these parasitic capitalists still hold a virtual trump card over society as a whole: they have all the money, and companies are not built unless these investors are assured stable and large profits.

When large recessions happen, the investors pull their money from the market, and demand that wages drop drastically before they allow jobs to reappear. This type of social extortion is on international display for all to see; the mainstream media says that we cannot raise taxes on the wealthy or corporations because they will simply leave, and there will be no jobs for anybody.

The socialist solution? If there are businesses unwilling to produce jobs, we must be willing to take them over. If there are billions of dollars in bank accounts not being lent, the money should be managed by the people, and run as a public utility.

The final, logical outcome of Marx’s *Capital* is that, under capitalism, nothing happens unless the rich allow it to happen. The corporations wield an undemocratic death grip over society. For any social progress to be made, this grip must be smashed, requiring a social revolution.

Marx lists other important contradictions of capitalism in his books. They are as relevant today as ever, as the Venezuelan revolution is discovering the more it matures. There, a government attempted to distribute society’s wealth to the workers and poor, and the rich

fled to Miami, sabotaged the economy, and continue plotting to re-take “their” country (with the help of the U.S. military).

President Hugo Chavez first tried to bargain with this group, but soon learned that they would only accept absolute power. Now, the Venezuelan revolution is in the process of taking over enterprises the rich have purposely shut down (due to low profits), while taking over part of the parasitic banking sector, to be used instead as a community development bank.

But the revolution in Venezuela is not the brainchild of only Hugo Chavez. Like all revolutions, masses of formerly passive workers have become directly engaged in politics: many have taken over their workplaces or land, in the attempt to run them democratically; neighborhood “communal councils” have been formed to decide how local funding is to be distributed; community media have blossomed all over the country to educate the people about local and national politics, etc.

This democratic aspect of the Venezuelan revolution is the key to the potential success of 21st century socialism. If the above contradictions of capitalism are resolved by the active, democratic participation of the working class in Venezuela and beyond, then a viable alternative to capitalism would be visible to the international working class, which would instantly recognize it as a superior form of social organization.

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