# Encyclopedia of Business Ethics and Society

#### Socialism

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Print Pub. Date: 2008

Online Pub. Date: October 22, 2007

Print ISBN: 9781412916523 Online ISBN: 9781412956260 DOI: 10.4135/9781412956260

Print pages: 1973-1976

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#### 10.4135/9781412956260.n758

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Socialism is an ideology that places great emphasis on eliminating, or reducing, the disparity between social classes, largely through the more equal distribution of resources, including property. Variations of socialist thought have existed for hundreds of years, evidenced by Plato's *Republic* and even the Book of Acts in the New Testament. In a socialist society, the means of production are owned and controlled by the community as a whole. In a capitalist society, however, the resources and businesses are owned and operated by private parties. Furthermore, at the heart of capitalism is the belief in a free market that operates with minimal restrictions.

This entry will briefly examine current versions of socialism, followed by a review of socialism through modern history, and will end with an assessment of the status of socialism today.

## Socialism Today

Despite the fact that North Korea and Sweden both have socialist governments, they are at opposite ends of the spectrum in terms of their political applications of socialism. In North Korea, a socialist country since 1948, all means of production are state owned. Furthermore, it essentially is a totalitarian dictatorship, where the single ruling party quells all forms of dissent, thus alienating the regime from democratic world powers. North Korea's socialist state has also been plagued with difficulties. It has experienced widespread poverty and famine since the end of Russian subsidies in the 1990s.

Socialism in Sweden, however, is characterized by relative prosperity within a multiparty, democratic state and a mixed economy. Sweden, a socialist country since World War II, differs from North Korea in that most business enterprises are privately owned. Socialism in Sweden focuses more on providing social welfare services than on communal ownership and control of the means of production. Northern European socialist movements are often called "social democratic" to indicate their gradualist social welfare agenda and compatibility with democratic values and institutions. To



better understand the variations between countries such as Sweden and North Korea, it is necessary to have some historical background on the socialist movement.

# Response to European Industrial Revolution

Socialism emerged in Europe in the early 1800s, largely in response to the failings, or perceived failings, of the Industrial Revolution. The Industrial Revolution began in Great Britain. Technological innovations, such as the creation of the steam engine in the 1780s, were applied to both manufacturing processes and to new means of transportation. The factory system, coupled with the development of large and complex railroad networks by the 1840s, dramatically enhanced Britain's productive and distributive capacity. Britain's competitive advantage was expressed in the rapid expansion of its international trade, both inside and beyond its colonial empire.

While Great Britain advanced into the industrial age, the rest of mainland Europe lagged behind. The French Revolution and subsequent Napoleonic Era (from the 1790s to 1815) fostered political, social, and economic instability, thus impeding industrial development on the continent. The working class, and its defenders, grew increasingly frustrated with the industrialized society that gradually enveloped them. It was in this context of rising discontent with unfettered capitalism that socialism gained popularity.

### Early Socialists, Including Karl Marx

Early socialist ideas appeared in post-Napoleonic France, as French thinkers and economists attempted to grapple with the new industrial world that was emerging. For example, individuals such as Count Henri de Saint-Simon and Louis Blanc argued that it was the duty of the government to close the income gap between the propertied and working classes. They advocated government intervention to distribute private property more equally.



Germany also had its share of socialist pioneers. German nation-states (Germany was not a unified nation until 1871) witnessed the influx of the cheaper English-made goods during the 1820s and 1830s, devastating individual craftsmen and German society as a whole. Displaced workers blamed the laissez-faire capitalist society they lived in, which allowed a few wealthy industrialists, bankers, and merchants to **[p. 1973**  $\downarrow$  **]** prosper while the working class as a whole suffered. It was amidst this dissatisfaction with capitalism that socialism further developed as a concept under Karl Marx, a German-born philosopher.

Marx differed greatly from the earlier socialists. Whereas earlier French socialist advocates had pleaded for help from the middle classes, Marx heaped scorn on the "bourgeoisie," claiming that the middle classes had no interest in helping out the working classes or changing the status quo. Marx thought of socialism as merely a transitional phase between capitalism and communism, a classless and stateless society where property and resources would be distributed equally among all people. In the *Communist Manifesto* of 1848, written by Marx and Friedrich Engels, another prominent German thinker, the authors predicted a bloody socialist revolution between the bourgeoisie (middle class) and the proletariat (working class). In the end, the numerically superior proletariat would triumph and confiscate all private property and distribute it equally among the masses. The state would also regulate all social, political, and economic decisions, and eventually class divisions would erode and the society as a whole would prosper. Once these gains were achieved, the state would wither away, thus creating a communist society where all worked together in cooperation and harmony.

Marx's ideas fascinated many Germans, as many believed that capitalism was clearly flawed, evidenced by the high poverty rate and unequal distribution of resources in the various German nation-states in the 1840s. As a result, socialist radicals and other liberal nationalist reformers rose up in arms and attempted a hostile takeover of Prussia, the most powerful German nation-state, but they were ruthlessly squashed by the ruling class in the failed revolution of 1848. In the wake of the failed takeover, the Prussian government sought retribution against those who had taken part in the revolution and, as a result, many of the participants fled Prussia in terror.



#### Socialism in the United States

Socialism did not die with the revolution of 1848, as socialist-leaning Germans took their ideas elsewhere in Europe and to the United States. Between the 1840s and 1860s, Germans made up more than 25% of all immigrants into the United States. Socialism's relative popularity can be seen in the U.S. labor movement in the 1870s and 1880s. Socialists, particularly GermanAmerican socialists, were active in a variety of labor struggles. Socialists were especially visible in the struggle for the 8-hour workday, which reached a disastrous culmination in Bayview (Milwaukee, Wisconsin) and Haymarket Square (Chicago, Illinois) in 1886, where state militias and local police opened fire on demonstrating, unarmed workers.

Despite the hostility that socialists encountered in America, a socialist party was formally created in 1901, with Eugene Debs as its presidential candidate. Debs received more than 400,000 votes in the presidential election of 1908 and roughly 800,000 votes in 1912.

Socialism lost power in American politics in the aftermath of the socialist-led Bolshevik Revolution in Russia in 1917. The Bolshevik Revolution essentially destroyed the fledging socialist movement in the United States, as all socialists were viewed as proponents of violent upheaval and, therefore, socialism lost most of its appeal.

#### **Bolshevik Revolution**

As previously mentioned, the Bolshevik (majority) Revolution occurred in 1917, under the leadership of Vladimir Lenin and other prominent Russian socialists. The Revolution took place because of the severe poverty and unequal distribution of resources in the czarist nation of Russia. Further fanning the flames of revolution was the devastation caused by Russia's involvement in World War I.

Leninism was predicated on the belief that socialist change could only occur through a violent revolution. The Communist Party "vanguard" ruling elite exercised autocratic power in the name of the "dictatorship of the proletariat." Dissidents were eliminated

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ruthlessly. Lenin's successor, Joseph Stalin, forced Russian peasants onto collective farms and applied a central planning model to develop heavy industry.

The Bolshevik Revolution created deep fissures within the socialist camp. Many believed that the creation of the Soviet Union was merely an extension of what Marx envisioned. Other socialists, however, believed that a socialist society could be created through peaceful means via democratic methods.

### Huey Long and the New Deal

Socialism witnessed something of a revival in the United States in the 1930s, largely due to the Great Depression. Many Americans looked at the Great Depression as proof of the failings of unregulated [p. 1974  $\downarrow$  ] capitalism and, thus, were more willing to embrace other ideologies, such as socialism. For instance, Huey Long, the abrasive Louisiana politician, firmly embraced aspects of socialism within his Share Our Wealth (SOW) society. As part of his SOW plan, Long stated that every American should have a car, a house, a radio, and other basic necessities. Long also spoke of confiscating all incomes more than \$1 million a year and using the confiscated monies to support SOW. In addition, Long claimed that the state should confiscate all family fortunes in excess of \$5 million.

In the context of the Depression, the SOW program drew widespread support, not only from Louisiana and other poverty-stricken areas in the South but also from around the country. President Franklin Delano Roosevelt (FDR) witnessed the popularity of Long's SOW program and sought to squelch any possibility of Long's ascendancy to the presidency. Therefore, FDR adopted many of Long's ideas and put them forth as part of his New Deal legislation, thus robbing Long of his popularity. The New Deal created many of our contemporary social welfare programs in the United States, such as unemployment insurance and social security.



#### Socialist Setbacks in the United States

After World War II, socialist-leaning thought once again lost appeal in the United States for two main reasons. First, World War II crippled Japan, Germany, France, and Britain, leaving the United States and the Soviet Union as the two remaining superpowers. Even though the two were allies for much of World War II, they became mortal enemies in the postwar years, as each nation sought to prevent the other's ideology and way of life from spreading across the globe. In essence, the world was reduced to a geopolitical chessboard, on which Cold War moves were played.

With the emergence of the Cold War, countless Americans grew paranoid about a possible communist revolution in the United States. The irrational fear manifested itself in McCarthyism, named after the firebrand senator from Wisconsin, Joseph McCarthy. Any group or individual with progressive leanings during this era was labeled as communist and, therefore, was portrayed as a threat to the internal security of the United States. Labor organizations in the United States, such as the American Federation of Labor, engaged in their own leftist witch hunts, so that no one could levy devastating procommunist allegations against them. As a result, socialism in the United States suffered a crippling blow from which it would never recover, even with the worldwide collapse of communism in the late 1980s.

The second reason for the eclipse of socialism in the United States was the relative prosperity of the American working class in the postwar years. World War II generated unheard of sums of wealth, not only for the leading industrialists but also for their workers. Therefore, where the Great Depression provided a fertile testing ground for the spread of socialism, the "Golden Years" of the 1950s greatly dampened the appeal of socialism in America.

#### Socialist Success in China and Elsewhere

Though reduced to a fringe movement in the United States, socialism throve elsewhere. China became the second nation to witness a socialist revolution, as socialists came to power in 1949, largely because of the devastation and turmoil caused by World

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War II. Chinese socialists, led by Mao Tse-Tung, adopted their own brand of socialism that once again focused on the violent seizure of power and redistribution of societal resources, which was viewed particularly favorably by landless peasants. China was also akin to the Soviet Union in that both were totalitarian states.

China was not the only country to undergo a socialist revolution. World War II created a power vacuum throughout the world, as former European imperial powers, such as England, France, and Germany, could no longer afford to maintain their colonial empires. Countless countries in Africa, Latin America, and Asia witnessed liberation movements, some of which were socialist in nature. For instance, many Vietnamese united under a socialist and nationalist movement, led by Ho Chi Minh, to oust the French and form an independent Vietnam.

Socialism also played a prominent role in the Cuban revolution of 1959. The gross social inequality and poverty of prerevolution Cuba provided a perfect breeding ground for socialism. The Cuban revolution was led by Fidel Castro, whose promises of equality and social justice found widespread appeal. Once again, however, the violence associated with this takeover, and the land seizures, was very akin to Leninist socialism.

Numerous African countries experimented with socialism in the wake of their independence movements in the 1950s to 1970s. For instance, Tanzania, under Julius Nyerere, was a socialist nation until the 1990s. **[p. 1975**  $\downarrow$  **]** Various Latin American nations, such as Chile, also turned to socialism in democratic elections in the 1970s, only to have their governments undermined by procapitalist forces, led by the United States.

#### **Current Situation**

Socialism as a whole suffered great losses in the late 1980s and 1990s, largely as a result of the development of the highly interwoven economic system known as globalization. Advancements in communication and transportation technology allowed for the world to become more interconnected than was ever possible before, thus paving the way for globalization. Leading the globalization revolution was the United States, the sole remaining superpower in the wake of the Soviet Union's collapse in the

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late 1980s. Therefore, globalization revolves around the United States and the concept of free market capitalism.

Due to globalization, only handfuls of states currently remain socialist, and among these remaining countries, there is a great degree of variation. For instance, on one end of the spectrum are the socialist nations of Cuba and Vietnam. A much different form of socialism exists in Scandinavian countries such as Denmark and Norway. For instance, the socialist governments in Scandinavia are democratically elected, and most businesses and corporations remain privately owned. The governments are responsible for maintaining a very comprehensive welfare state, however. In addition, socialist countries in Scandinavia are characterized by the lack of an impoverished class, as well as high taxes.

In closing, socialism continues to live on in varying forms and is actually witnessing a resurgence in Latin America. For instance, Uruguay, Bolivia, Chile, and Venezuela all have recently elected socialist-leaning governments. The rise in socialism in Latin America can be explained, yet again, by dissatisfaction with extreme poverty and highly unequal distribution of resources. The newly elected socialist governments in Latin America, however, are more ideologically similar to Scandinavian governments than they are to Cuba, as they feature privately owned enterprises, mixed with some level of state ownership. In all likelihood, however, these newly elected governments in Latin America will soon witness more of an integration of free market capitalism, because globalization appears to be inevitable. Yet the world will continue to witness periodic socialist movements in response to the perceived failings of globalization, as developing countries will have difficulty keeping pace with the more developed countries that are already firmly part of a global economy.

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10.4135/9781412956260.n758

See also

Further Readings

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