



Debate Brief | Socialism vs. Capitalism

Resolved: For the United States, socialism would be a better economic system than capitalism for promoting the well-being of the average person.

*“In my view, it’s time we had **democratic socialism** for working families, not just Wall Street, billionaires and large corporations. [...] It means that we create a government that works for works for all of us, not just powerful special interests. It means that economic rights must be an essential part of what America stands for.” —Bernie Sanders, U.S. Senator from Vermont, “Prepared Remarks delivered at Georgetown University,” November 19, 2015*

“Don’t expect to build up the weak by pulling down the strong.”—Calvin Coolidge, As Governor of Massachusetts, “Have Faith in Massachusetts,” January 7, 1914

BACKGROUND

Since the time of the industrial revolution, a major question facing nations has been: *How should a modern nation organize its economy to achieve the greatest good?*

Two very different ideas emerged, and supporters of each have been in conflict and disagreement ever since.

One system, **capitalism**, holds that the government should take a hands-off approach when it comes to the economy. People who favor capitalism believe that individuals will produce wealth and prosperity if they are left free to pursue their own self-interest, and that this will improve life for everyone. The other system, **socialism**, holds that government should take a very active and controlling role in the economy. People who favor socialism believe that society as a whole owns the means of production, and that the revenue that comes from state-run enterprises should be spent on providing more public goods and services *for everyone*.

The world has rarely, if ever, seen either capitalism or socialism implemented fully and consistently. Most countries are mixed economies that feature some elements borrowed from each system. It is common for European countries (e.g., France, Belgium, Germany) to have relatively free markets but large and expensive systems of social welfare.

Measuring exactly how capitalist or socialist a country is can be difficult. On the capitalist side, perhaps the best current examples are the United States, Hong Kong, Singapore, Switzerland, Chile, Estonia, and New Zealand. These countries have competitive markets, and have relatively unregulated industries, low taxes, low public spending, or some combination of all these things.

On the socialist side, the picture is a little more complicated. Over the past century there have been socialist states that have devolved into murderous and oppressive dictatorships. These include the Soviet Union, China, Venezuela, Cuba, North Korea, and Cambodia. Advocates of socialism rarely try to defend those regimes. More commonly, advocates of socialism hold up examples of more peaceful nations that combine government control of the economy with political democracy. Today, such countries include Denmark, Sweden, England, Canada, Netherlands, Finland, Norway, and Portugal. They are said to be examples of “democratic socialism,” and sometimes earn that label mainly due to their high tax rates, large spending on public services and safety net programs, and by providing universal healthcare.

KEY TERMS

Capitalism: An economic system in which a country's industries are owned and run by private individuals for profit, rather than being owned and run by government.

Under capitalism, businesses are the primary driver of economic activity. Businesses can be owned by small numbers of individuals, such as with partnerships or family-owned businesses, or they can be owned by large groups of individuals, such as how corporations can have tens of thousands of shareholders. The people running the businesses determine what products and services to produce, how to produce them, and how much to charge for them in the context of a market. After workers are paid and other expenses are covered, any profits that are left over go to the owners (and if there are losses, then the owners must cover those or go out of business). In general, wealth and income under this system is distributed to individuals based primarily on what they produce, and they can vary greatly from person to person.

In a capitalist economy, there would still be a military, police, and court system to protect and enforce individual rights, but the vast majority of other infrastructure and services that are often provided for by governments (such as public schools, roads and highways, welfare, and retirement benefits) would instead be provided by for-profit businesses.

Socialism: An economic and political system in which the means of production, distribution, and exchange are owned or regulated by government.

Under socialism, the state owns and operates all factories, businesses, schools, housing, land, roads, and natural resources. Government officials determine what products and services to produce, how to produce them, and what to charge for them. If a given factory is profitable, the money goes to the government, which distributes it to the people. If a given factory is not profitable, the loss is absorbed by government. In general, wealth and income under this system is distributed to individuals relatively equally, with need as an important factor.

In a socialist economy, individuals would still own some personal property (such as one's clothing, shoes, books, and toothbrush), but the vast majority of infrastructure and services would be owned and operated by the government, and the wealth would be spent on public services and distributed to the people as seen fit.

Well-being: A person's general level of comfort, health, and prosperity. A broad concept that can refer to not just material wealth (i.e., houses, computers, televisions, clothing, cars) but also one's overall satisfaction with one's life, occupation, and social relationships.

The Common Man: Ordinary working-class citizens, men and women included. The social group of people who are employed for wages, in contrast to individuals who own factories, large amounts of land, or have other privileges. Also in contrast to government officials or nobility.

The State: The civil government of a country. The term “the state” is frequently used by both sides in discussions of capitalism and socialism. It is simply intended to mean government in general, in contrast to private enterprise, and does not imply any particular level of government (e.g., federal, state, or local).

Central Planning: The main mechanism by which socialist economies allocate resources. Central planners determine which goods and services are needed by society, and direct the necessary raw materials, equipment, and labor accordingly. Planners adjust their actions in pursuit of what they believe is equal and fair.

Market Mechanism: The main mechanism by which capitalist economies allocate resources. Individuals signal to producers that they like or dislike various goods and services by buying or not buying those goods and services. Producers adjust their actions in pursuit of the financial gain they get from selling to consumers. This incentive is sometimes referred to as “the profit motive.”

Free Market: An economic system in which prices are determined by unrestricted competition between privately owned businesses. Businesses can charge what they want for their goods, and either succeed or fail based on how many customers they can attract and retain. New businesses can be started up without first having to get permission from the government.

Laissez-Faire (“LAY-SAY FAIR”): French for “let do” or “allow to do.” It is the policy of having no government intervention in the workings of the market. It is used in conjunction with the term capitalism (as in “laissez-faire capitalism”) to emphasize a pure and consistent capitalism.

Democratic Socialism: A type of political-economic arrangement that combines a socialist economic system with political democracy. The idea is to have social ownership of the means of production, run by a representative government that is freely elected by the people (as opposed to a single political party or authoritarian regime).

Mixed Economy: An economic system that combines some elements of capitalism with some elements of socialism. Examples of pure capitalism and pure socialism are rare both today and throughout history. Most societies are mixed economies, but for expediency, those that are predominantly capitalist can be called capitalist, and those that are predominantly socialist can be called socialist.

Collectivism: The attitude or philosophy that emphasizes the importance of the group over individuals. It places the needs of society above the rights of the individual.

Individualism: The attitude or philosophy that views the individual as an independent, sovereign entity. It places the protection of individual rights above the needs of society.

Two Coolidges

The clash between capitalism and socialism was still young at the time that Coolidge served as Governor of Massachusetts (1919-1921) and President of the United States (1923–1929). In Russia, the Bolshevik Revolution of 1917 had just created the world's first constitutionally socialist state, and people were eager to see what would come of the radical experiment.

Many leaders in the capitalist U.S. wished to reassure their constituents that they, too, were concerned about the plight of the “common man.” In 1920, as Governor of Massachusetts, Coolidge made the following remarks in a radio address entitled *Law and Order*:¹

“It is preeminently the province of government to protect the weak. The average citizen does not lead the life of independence that was his in former days under a less complex order of society. [...] Healthful housing, wholesome food, sanitary working conditions, reasonable hours, a fair wage for a fair day's work, opportunity — full and free, justice — speedy and impartial, and at a cost within the reach of all, are among the objects not only to be sought, but made absolutely certain and secure.”

However, if these early comments make it seem that the younger Coolidge was sympathetic to socialism, then the following remarks he made four years later as President of the United States clarify his mature view:²

“Socialism and communism cannot be reconciled with the principles which our institutions represent. They are entirely foreign, entirely un-American. We stand wholly committed to the policy that what the individual produces belongs entirely to him to be used by him for the benefit of himself, to provide for his own family and to enable him to serve his fellow men.”

Today, Coolidge is remembered as a leader who showed respect for business as well as support for individuals and their communities. This is in contrast to other presidents, such as Theodore Roosevelt, who prosecuted businesses for controlling “too much” market share, and Franklin D. Roosevelt, whose preferred approach for helping people was to institute government aid programs, such as the New Deal.

¹ A recording of Coolidge delivering this radio address is available here: <https://www.loc.gov/item/2004650652/>

² Address to the Holy Name Society, Washington, DC. September 21, 1924

AFFIRMATIVE ARGUMENTS (*Arguments for the Resolution*)

1. Inequality is a major problem in America. Socialism rectifies this problem because it is fairer to everyone, especially the average person. According to data from the United States Census Bureau, 51.5% of all household income is held by the top 20% of households. That means one-fifth of Americans hold more than half of the country's wealth. Compared to the other 28 developed countries in the Organization for Economic Co-Operation and Development, known as the "OECD," the United States has the fourth most *unequal* income distribution. The only more unequal OECD countries are Mexico, Chile, and Turkey.³ Clearly, there is inequality in America.

Socialism leads to more equality because, by definition, the country's wealth is shared across all citizens. To the extent that any vestiges of inequality persist (or somehow arise), they are rectified through Karl Marx's distributive principle of "*From each according to his ability, to each according to his needs.*"⁴ This ensures that no person is left behind, no matter how poor or unskilled he is.

Socialism is necessary to reduce inequality and pursue social justice. According to a report issued by the United Nations, "Social justice is not possible without strong and coherent redistributive policies conceived and implemented by public agencies."⁵ In a new ranking of how OECD countries perform in measures of social justice, the top spots go to Norway (7.9 on a composite scale from 1 of 10), Denmark (7.7), Sweden (7.5), Netherlands (7.1), and the United Kingdom (7.1).⁶ The United States (5.8) ranks 11th out of the 12 countries studied.

Countries that redistribute wealth create better opportunities for people who would otherwise find themselves in the lower classes. Robust social security programs, generous old age/retirement programs, free or state-subsidized college, public housing, and free health care ensure that every citizen gets a fair start in life and no person is left behind. One way to redistribute is to tax people's wealth when they die. These taxes are called estate or inheritance taxes. Countries with especially high inheritance taxes are: Japan (55%), South Korea (50%), France (45%), and the United Kingdom (40%). These taxes help ensure that economic inequality does not persist generation after generation.⁷

Key Fact

In socialized Denmark, the richest ten percent earn 5.2 times more than the poorest ten percent. In the capitalist U.S., that ratio is 18.8.

(Source: OECD, 2015)

³ Organisation for Cooperation and Development, OECD Income Distribution Database, "Table 1. Key Indicators on the distribution of household disposable income and Poverty, 2007, 2014, and 2015 or most recent year," <http://www.oecd.org/social/income-distribution-database.htm>.

⁴ Marx, Karl. *Critique of the Gotha Program*. 1875

⁵ "Social Justice in an Open World: The Role of the United Nations", United Nations. 2006.

⁶ Social Justice Index. International Comparisons. <http://internationalcomparisons.org>

⁷ Tax Foundation, "Estate and Inheritance Taxes around the World" March 17, 2015

2. Capitalism often fails because it there is no profit to be had in things like protecting the environment or building parks. Socialism solves these “market failures.” Markets may be efficient some of the time, but there are also instances in which they fail. The pollution from a factory into a river or public waterway is an example of a market failure. The factory is not charged for the use of the river, or for its cleanup, but still reaps the benefits of selling the products whose production caused the pollution. Meanwhile, the people who live downstream end up bearing the cost of the factory’s actions. The market has failed to assign the costs to the correct people.

Under socialism, such failure does not occur. The government simply makes rules that overcome these market failures. For example, if pollution is a problem, the government passes laws that limit pollution.

Markets can also fail to provide a sufficient quantity of public goods. Public goods are things like parks, sidewalks, and roads. Markets are not good at providing them because other than fencing in a park and charging admission, or putting up a toll on a sidewalk or road, there is no easy way to control who uses them and require just those people who use the services to pay. These sorts of things are best provided for by society as a whole, where they can be paid for collectively and nobody can be excluded.

3. Socialism produces wealth, too. People are too quick to concede that capitalism is the only system that can “deliver the goods.” Socialist countries can be highly productive and can generate wealth, too.

Although it is true that workers in the United States have the highest average wages among large OECD countries at \$60,154 per person, more socialist-oriented countries are not far behind. Norway (\$53,643), Netherlands (\$52,833), and Denmark (\$52,580) rank 4th, 5th, and 6th, respectively.⁸ This suggests that having a more equitable society—a society that is better for the common man—comes at only a small cost overall.

Key Fact

Education is key to success, and in socialist countries it is a public service. In the world education rankings, Finland ranks #1, with Denmark and Sweden all in the top seven (these are countries that tend more toward socialism than the U.S.). The U.S. ranks 21st.

(Source: OECD)

Key Fact

Three of the top five countries in gross median household income lean toward democratic socialism: Norway, Sweden, and Denmark.

(Source: Gallup, 2013)

⁸ OECD data on Average Wages, 2016. <https://data.oecd.org/earnwage/average-wages.htm>

Furthermore, researchers have found that as recently as 1975, the difference in productivity between capitalist and socialist-leaning countries was insignificant.⁹

4. Socialism protects workers against exploitation, injustice, and abuse. The average person would not be able to protect himself or herself against powerful employers and corporations.

Under capitalism, the livelihood of the common worker is completely dependent upon his or her ability to continue to produce and compete in the most efficient way possible. This reduces the common worker to the equivalent of a cog in a machine. Furthermore, under capitalism, there is no inherent security for workers against risks such as becoming disabled, being forced to accept bad working conditions, or having one's employer make a bad investment that puts the company out of business.

By contrast, socialism humanizes and democratizes work by putting workers in control and by making them a part of the ownership structure.¹⁰ Pure models of socialism would eliminate wage labor, directly providing housing, food, education, and other social benefits in exchange for work done.

Moreover, humans are social and naturally arrange themselves to live in collective groups. Even the nuclear family represents a social arrangement in which family members contribute based on their ability and receive benefits based on their need. The cooperative approach of socialism, not the competitive and exploitative model of capitalism, is closer to the natural harmonious state of people living together.

5. Socialism can provide financial security and a social safety net for people who lose their jobs to ever-advancing robots and technology. Automation and artificial intelligence (AI) are rapidly evolving as profit-seeking entrepreneurs seek ways to cut labor costs. If technology continues to advance, many people will lose their jobs. For example, according to one industry forecast, self-driving cars and trucks could cause 25,000 drivers per month (or 300,000 drivers a year) to lose their jobs.¹¹

Key Fact

In a survey of 12,000 American workers, nearly 50% said they felt their job had no "meaning and significance." The same percentage said they were unable to relate to their company's mission.

(Source: World Economic Forum & Harvard Business Review, 2013)

⁹ Burkett, John P., and Borislav Skegro. "Capitalism, socialism, and productivity: An econometric analysis of CES and translog functions." *European Economic Review* 33.6 (1989): 1115-1133.

¹⁰ Chomsky, Noam. "Socialism in an Age of Reaction: Chomsky Interviewed by Vaios Triantafyllou" *Jacobin*, 2016

¹¹ Goldman Sachs Economics Research. Reported by Anita Balakrishnan, CNBC, May 22, 2017

If this trend is allowed to continue, we could face mass unemployment. Unskilled workers and new college graduates are already having difficulty finding jobs. Soon skilled laborers will also find themselves outcompeted for jobs by machines. This is not through any fault of their own. Eventually, owners of high-tech capital items will become increasingly richer while workers will become increasingly poorer. Innovators will win but workers will lose.¹² For the average person, this could mean a future of disenfranchisement and even civil unrest.

Left unchecked, America could become a country where those who own technology become unimaginably wealthy, while laborers are unable to earn a living. Strong socialist policies such as instituting a universal basic income to everyone would reduce the risk that unemployed citizens become marginalized and excluded from society. It would ensure the gains provided by new technology would be shared with everyone, not just the rich.

Key Fact

Up to one-third of U.S. workers could be displaced by 2030. Globally, between 400 million and 800 million individuals will be put out of a job by automation and will need to find new work.

(Source: McKinsey Global Institute, 2017)

¹² Korinek, A. and Stiglitz, J. "Artificial Intelligence and Its Implications for Income Distribution and Unemployment" NBER Working Paper, December 2017

NEGATIVE ARGUMENTS (*Arguments Against the Resolution*)

1. The evidence shows that socialism usually leads to poverty, tyranny, and mass oppression. Historically, socialism has led to disastrous consequences for people. Central planners, with their limited knowledge and inherent inability to set rational prices, inevitably fail to allocate resources efficiently, thus destroying wealth rather than creating it. Until 1989 Russia was officially communist and known as the Soviet Union. *The Soviet Union saw stagnation throughout the 1960s and 1970s, and eventual collapse in the 1980s, with a GDP (gross domestic product) in 1989 at barely half of that of the U.S. (\$2,500 billion compared to \$4,862 billion).*¹³

Key Fact

Life expectancy in post-Soviet Russia dropped to as low as 57 years (for men), and is today still just 65 years. This is compared to 76 years in the United States.

(Source: United Nations Population Division, 2015)

A more recent example of socialist collapse is present day **Venezuela**, which set out on a path of socialism starting in the late 1990s. Today poverty in Venezuela is *increasing*, and at an alarming rate (see chart below). In 2017, 87% were in poverty – that’s basically everyone. Furthermore, basic health indicators such as infant mortality, maternal mortality, and cases of malaria are on the rise.¹⁴ As the *New York Times* has reported, hunger is “killing the nation’s children at an alarming rate.”¹⁵

Poverty Rates in Venezuela¹⁶

Year	Poverty Rate
2014	48%
2016	82%
2017	87%

Note: by contrast, in 2016 the U.S. poverty rate was only 12.7%.¹⁷

To mask such economic failures, socialist regimes resort to persecuting scapegoats, whether it is the bourgeoisie in Stalin’s Soviet Union, “rich” peasants in Mao Zedong’s China, or the intelligentsia in Pol Pot’s Cambodia. *Stalin’s man-made famine (food shortage) in Soviet Ukraine killed an estimated 7 to 10 million people in 1932-1933 alone.*¹⁸ Under Mao, class-motivated

¹³ CIA World Factbook. (1989)

¹⁴ “Health crisis in Venezuela: infant mortality and disease rates are soaring” El Pais, May 11, 2017

¹⁵ Meridith Kohut and Isayen Herrera, “For five months, The New York Times tracked 21 public hospitals in Venezuela. Doctors are seeing record numbers of children with severe malnutrition. Hundreds have died.” *New York Times*, 17 Dec. 2017.

¹⁶ “ENCOVI, Encuesta Nacional de Condiciones de Vida, Venezuela 2017, Alimentación I” [ENCOVI, National Survey of Living Conditions, Venezuela 2017, Food]. Universidad Catolica Andres Bello.

¹⁷ U.S. Census Bureau, 2016 American Community Survey.

¹⁸ Dolot, Miron. *Execution by Hunger: The Hidden Holocaust*. (1985)

killings, poverty, and famine were *responsible for at least 14 million deaths from 1947-1976*.¹⁹ Meanwhile in Cambodia, under the Khmer Rouge government, *government forces murdered between 1.2 million and 2.8 million (between 13 and 30 percent) of the country's own urban workers and educated citizens between 1975-1979*—the most ruthless class purging to date in terms of population percentage.²⁰ These are an inescapable consequence of socialism, which as a collectivist doctrine necessarily sacrifices the rights of individuals to the whims of the government. Clearly socialism would not be good for the common man in America.

2. Capitalism produces unparalleled material prosperity, which benefits everyone in society.

Wherever markets have been allowed to function relatively free from the heavy hand of government, material wealth and prosperity have followed. It was the relatively free markets of the United States in the late 1800s and early 1900s that turned America into a world superpower. Free markets also turned Hong Kong from a small, barren rock into one of the world's most powerful centers of global finance and trade. Whenever the world has had natural experiments in this, such as with North Korea and South Korea, or East Germany and West Germany, it is the country that is freer and more market-oriented that prospers while the other one fails.

Over the past 25 years, the average country that became more capitalist experienced an increase in Gross Domestic Product (GDP) per person from about \$7,600 to \$11,800, an increase of 43%. Moreover, the average citizen in these countries gained almost five years in added life expectancy. Meanwhile, in countries that became less capitalist over the same 25-year period saw their life expectancy drop and their income growth stagnate.²¹

Key Fact

Gross median household income for the U.S. in 2013 was \$43,585, which was 6th highest in the world. The U.S. has by far the largest population of all the countries in the top 30.

(Source: Gallup)

When so much wealth is created by profit-seeking individuals and businesses, not only those at the top benefit from it—*everyone* benefits in society. In order for there to be “enough to go around,” as the expression goes, someone needs to create the wealth in the first place. The system that is the best for the common man, therefore, is the system that produces the greatest wealth overall.

¹⁹ Wu, Harry. "Classicide in Communist China". *Comparative Civilizations Review*. (2012)

²⁰ Patrick Heuveline (2015) "The boundaries of genocide: Quantifying the uncertainty of the death toll during the Pol Pot regime in Cambodia (1975–79)," *Population Studies*, 69:2, 201-218

²¹ Leeson, Peter T. "Two cheers for capitalism?" *Society* 47.3 (2010): 227-233.

3. Capitalism encourages people to work hard and to serve others. Socialism discourages hard work. Capitalism rewards people handsomely for finding ways to satisfy the demands of consumers. Entrepreneurs cannot succeed without serving others by creating things that other people value. There is no bigger market to serve than the *mass* market, which by definition is made up of people who could be referred to as “the common man.” The result? A society full of individuals working to better themselves by providing essential goods and services to other individuals.

Most of the biggest and most valuable companies in the world achieved their success by bettering the lot of everyone. Consider the improvement in well-being that companies such as Walmart, Apple, Amazon, and Google deliver to individuals of low and middle income. Companies like these spring up in capitalist countries like the United States, not in socialist countries. It is no accident that the founder of Google, Sergey Brin, was born in Russia, but started his company in the U.S. Capitalist countries encourage innovative companies; socialist countries do not.

Key Fact

Walmart’s innovative business practices and superior efficiency save the average American family 1.5% - 3% per year. One of the company’s slogans is “Save Money, Live Better.”

(Source: Carden and Courtemanche, Contemporary Economic Policy, 2009)

4. Capitalism improves everyone’s lives, even when it results in some inequality. Capitalism is the superior system for raising the absolute standard of living for everyone, *including* the poor. Critics of capitalism like to charge that capitalism leads to greater inequality. Yet, what matters is the absolute standard of living that an economic system produces, not the relative standard of living between various individuals. Capitalism doesn’t just divide the pie in a different way, it makes the pie bigger overall, which is good for everyone.

From 1979 to 2007, real (inflation-adjusted) average household income in the U.S. grew by 62 percent. The richest one percent of the population saw their incomes grow the most (275%), but all other segments of the population also saw impressive growth. Those households in the middle 60 percent of the distribution saw their incomes grow by 40%, and even those in the poorest 20 percent of the distribution saw growth of almost 20%.

Key Fact

From 1979 to 2007, incomes of American middle class households grew by 62%. Even the poorest one-fifth of households had income growth of almost 20%.

(Source: Congressional Budget Office, 2011)

This very theme played out in Britain’s House of Commons in 1990 in a brief but memorable exchange between a Mr. Simon Hughes and Prime Minister Margaret Thatcher:

<p>Mr. Simon Hughes Member of Parliament</p> <p>“There is no doubt that the Prime Minister, in many ways, has achieved substantial success. There is one statistic, however, that I understand is not challenged, and that is that, during her 11 years as Prime Minister, the gap between the richest 10 percent and the poorest 10 percent in this country has widened substantially.</p> <p>“At the end of her chapter of British politics, how can she say that she can justify the fact that many people in a constituency such as mine are relatively much poorer, much less well housed and much less well provided for than they were in 1979?</p> <p>“Surely she accepts that that is not a record that she or any Prime Minister can be proud of.”</p>	<p>Margaret Thatcher Prime Minister</p> <p>“People on all levels of income are better off than they were in 1979. The hon. Gentleman is saying that he would rather that the poor were poorer, provided that the rich were less rich. That way one will never create the wealth for better social services, as we have. What a policy. <u>Yes, he would rather have the poor poorer, provided that the rich were less rich!</u> That is the Liberal policy.</p> <p>“The extraordinary transformation of the private sector has created the wealth for better social services and better pensions—it enables pensioners to have twice as much as they did 10 years ago to leave to their children.</p> <p>“We are no longer the sick man of Europe—our output and investment grew faster during the 1980s than that of any of our major competitors.”</p>
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5. Capitalism brings out the best in people, giving them a meaningful way to contribute to society. Capitalism rewards hard work, careful spending, and prudent saving. The competitive, profit-seeking behavior of individuals seeking to improve their own lives through productive activity, entrepreneurship, inventions, and trade is what raises both a given individual’s standard of living *and* the general standard of living. For example, Steve Jobs became fabulously wealthy by inventing the iPhone, however, he was only able to become wealthy because he invented something that made others’ lives better.

Under socialism, because reward is detached from work, there is little or no incentive to work hard. The farmer, carpenter, or craftsman who puts in extra effort and extra hours of work to do a little bit better for himself and his family is forced to share any extra income he receives with other people who do not exert the extra effort. When

Key Fact

U.S. workers choose to work more than workers in other countries. U.S. workers worked on average 34.3 hours per week, more than workers in the Netherlands (27.5), Norway (27.4), or Denmark (27.1).

(Source: OECD, 2016)

everything that is produced is put into a single pot, and then distributed based on need, need becomes the “coin of the realm.”

Capitalism, by contrast, drives everyone to succeed. It encourages people to put their best efforts up against the best efforts of others. The incentive it provides to work hard to make one’s life better is in *harmony* with our natural motivation to look after our own self-interests, not in conflict with it.

Appendix A: Economic Indicators of Selected Countries, 2018

Each year, the *Index of Economic Freedom* ranks countries on economic freedom based on many variables, including tax burden, government spending, and business freedom.²² The table below shows the overall ranking, plus four other selected variables that are relevant to the average person.

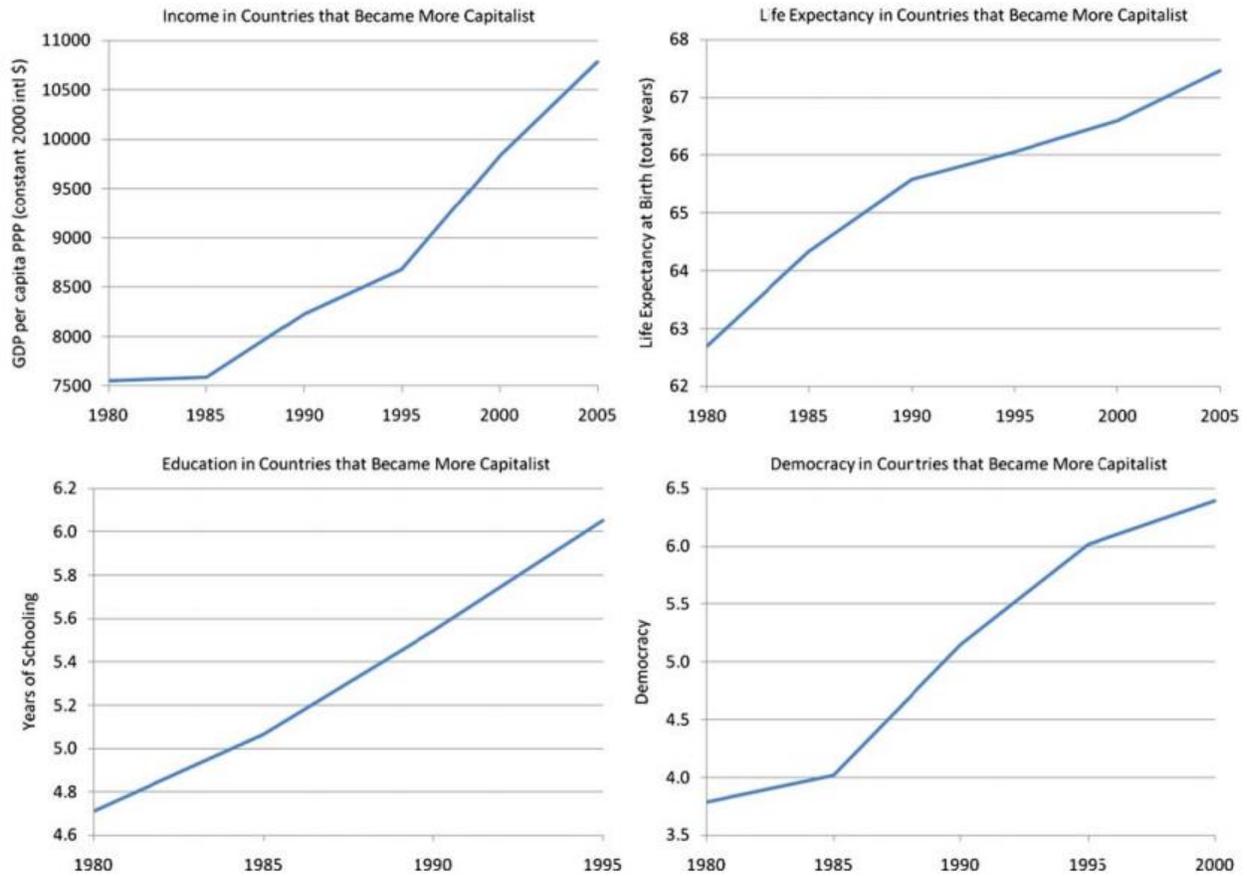
Country	World Rank in Economic Freedom	Income Tax Rate (%)	Gov't Expenditure % of GDP	GDP per Capita (PPP)	Unemployment (%)
Hong Kong	1	15.0	18.0	\$58,321.6	3.4
Singapore	2	22.0	17.7	\$87,855.4	1.8
New Zealand	3	33.0	41.0	\$37,294.0	5.2
Switzerland	4	40.0	34.0	\$59,560.7	4.6
Australia	5	45.0	36.0	\$48,899.1	5.7
Ireland	6	41.0	31.9	\$69,230.8	8.1
Estonia	7	20.0	39.8	\$29,312.9	6.9
United Kingdom	8	45.0	43.0	\$42,480.7	4.8
Canada	9	33.0	39.9	\$46,437.2	7.1
United Arab Emirates	10	0.0	31.2	\$67,870.8	3.7
Iceland	11	31.8	43.1	\$49,135.6	3.8
Denmark	12	56.0	54.6	\$47,985.4	6.1
Taiwan	13	45.0	17.8	\$48,094.8	4.0
Luxembourg	14	42.0	41.4	\$104,003.3	5.9
Sweden	15	57.0	50.6	\$49,836.2	7.1
Georgia	16	20.0	29.8	\$10,043.8	11.6
Netherlands	17	52.0	45.0	\$51,049.0	6.2
United States	18	39.6	38.1	\$57,436.4	4.9
Lithuania	19	15.0	34.7	\$29,972.3	9.2
Chile	20	35.0	25.0	\$24,112.9	6.6
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Norway	23	47.8	48.6	\$69,249.5	4.8
Germany	25	47.5	44.2	\$48,110.8	4.3
Finland	26	31.8	57.1	\$42,164.6	9.0
Japan	30	40.8	39.1	\$41,274.6	3.1
Israel	31	48.0	40.1	\$35,178.7	5.6
Mexico	63	35.0	27.0	\$18,938.3	4.0
France	71	45.0	57.0	\$42,314.0	10.0
Russia	107	13.0	35.3	\$26,489.8	5.7
China	110	45.0	30.7	\$15,398.6	4.6
Greece	115	42.0	51.3	\$26,669.1	23.9

²² Miller, Kim, and Roberts. "2018 Index of Economic Freedom" The Heritage Foundation.

Appendix B: Performance of Countries That Became More Capitalist, 1980-2005

Over time, countries can become more capitalist or less capitalist as they modify their laws, vote new leaders or parties into power, and undergo social change. The graphs below show the average change in income, life expectancy, educational attainment, and democracy²³ for countries that became more capitalist in the 25 years from 1980 to 2005.²⁴

Assuming these areas of life are important and accurately measured, then this is evidence that shifting a nation towards capitalism is good for the well-being of the average person.



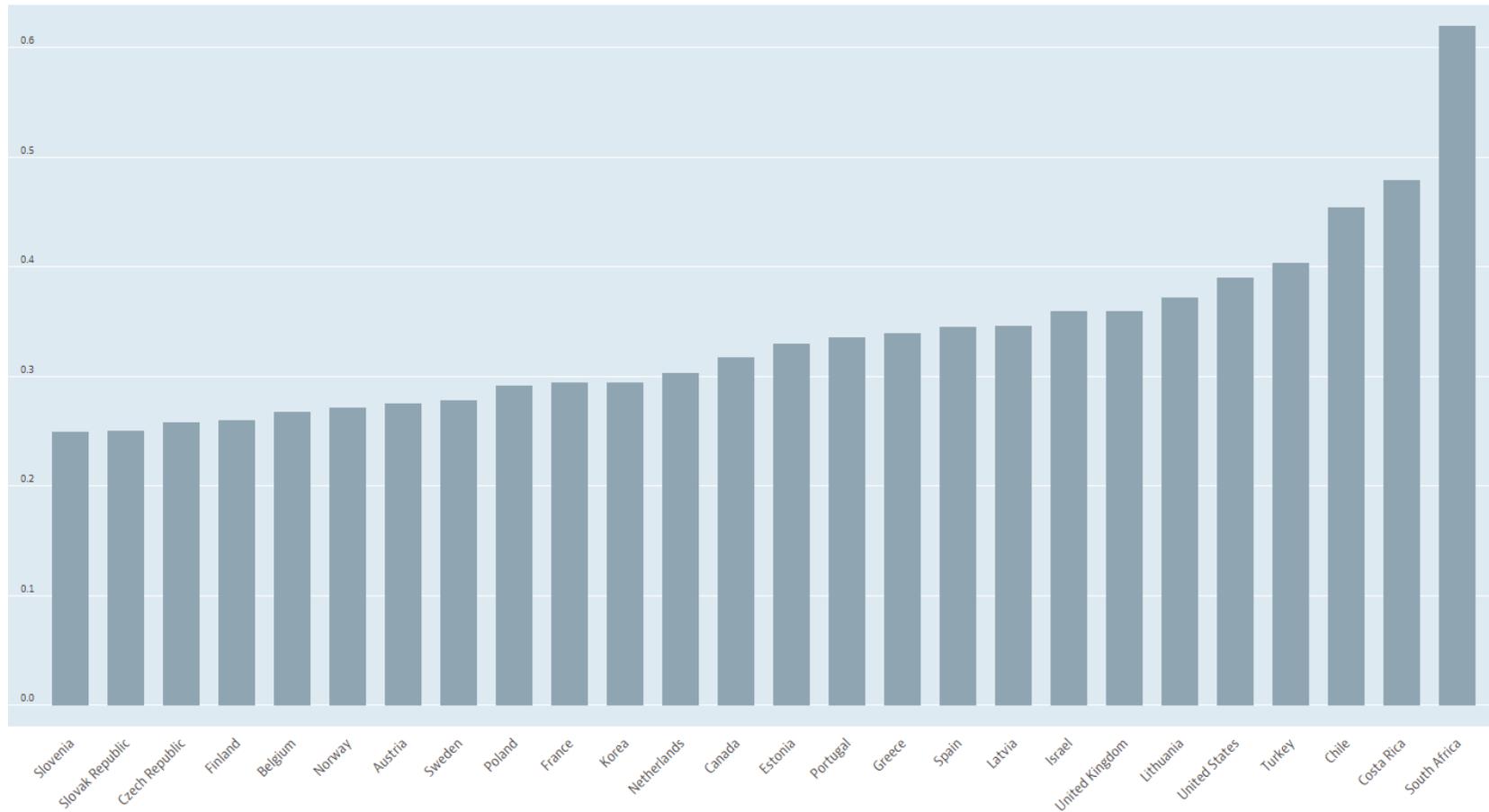
²³ Democracy is measured on a 0 to 10 scale, where 10 represents "complete political freedom."

²⁴ Graphs from Leeson, Peter T. "Two cheers for capitalism?" *Society* 47.3 (2010): 227-233.

Appendix C: Gini Coefficient of Selected Countries, 2015

The Gini coefficient is a representation of a nation’s income distribution. It is commonly used to measure inequality. A Gini score ranges from 0 to 1, with 0 being “perfect equality” (everyone has exactly the same income), and 1 being “perfect inequality” (one person has all the income).²⁵

Finland, Norway, and the Netherlands have relatively low Gini scores. The United States has a relatively high Gini score.



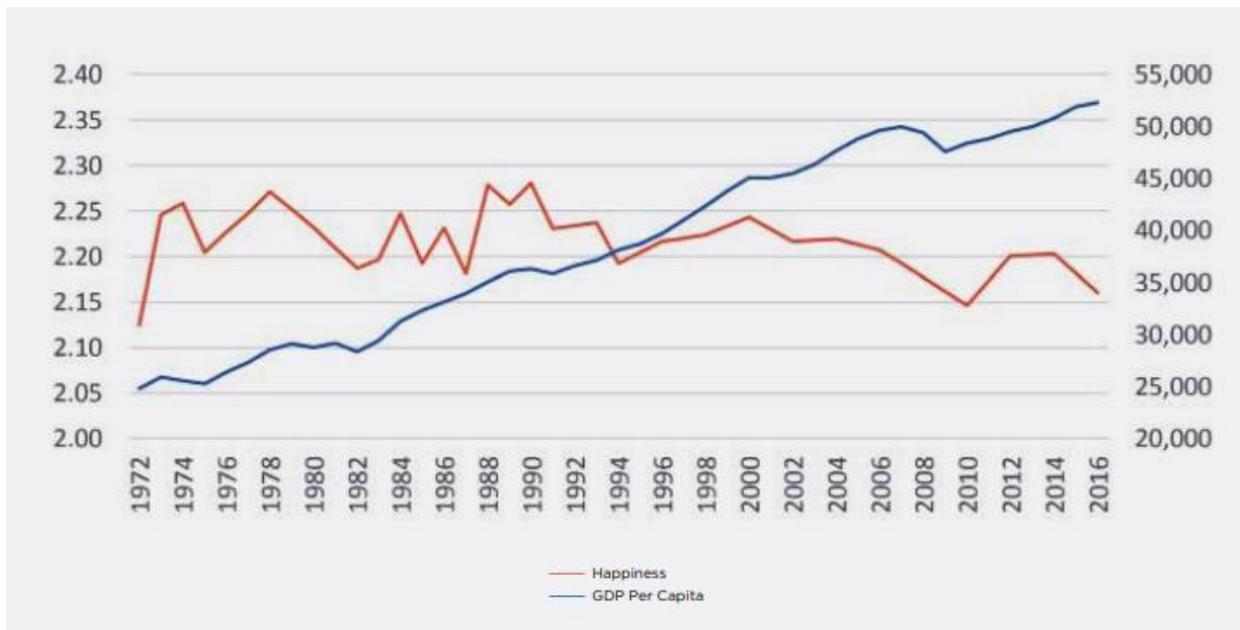
²⁵ OECD (2018), Income inequality (indicator). doi: 10.1787/459aa7f1-en

Appendix D: Average Subjective Well-Being and GDP Per Capita, United States, 1972-2016

It seems obvious that “subjective well-being” (i.e. happiness) should rise as one’s income rises, but some researchers argue that a person’s happiness is actually more influenced by one’s income *relative to others*. In other words, even if the income of the nation as a whole rises, a person’s happiness will not change much if his or her relative position in the “social pecking order” stays the same.

This suggests that an economic system that pursues equality as a goal could in some sense be better for the well-being of the average person.

The graph below shows GDP rising while average reported happiness stays the same.²⁶ This absence of a correlation, which has been questioned by some researchers, has been dubbed the Easterlin paradox after economist Richard Easterlin.



²⁶ Helliwell, Layard, and Sachs, “World Happiness Report 2018” <http://worldhappiness.report>