Capitalism and Socialism: Crash Course World History #33

Crash Course: World History
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Hi, I'm John Green, this is Crash Course World History, and today we're going to talk about capitalism.

Yeah, Mr. Green, capitalism just turns men into wolves. Your purportedly free markets only makes slaves of us all.

Oh God, Stan, it's me from college. Me from the past has become me from college. This is a disaster! The reason he's so unbearable, Stan, is that he refuses to recognize the legitimacy of other people's narratives. And that means that he will never ever be able to have a productive conversation with another human in his entire life.

So listen, me from the past. I'm gonna disappoint you by being too capitalist. And I'm gonna disappoint a lot of other people by not being capitalist enough. And I'm gonna disappoint the historians by not using enough jargon. But what can I do? We only have twelve minutes! Fortunately, capitalism is all about efficiency.

So let's do this, me from college: Randy Riggs becomes a best-selling author, Josh Radnor stars in a great sitcom, it is NOT going to work out with Emily, and do NOT go to Alaska with a girl you've known for ten days. Okay, let's talk capitalism.

(Intro)

So capitalism is an economic system, but it's also a cultural system. It's characterized by innovation and investment to increase wealth. But today, we're going to focus on production and how industrial capitalism changed it. Stan, I can't wear these emblems of the bourgeoisie while Karl Marx himself is looking at me, it's ridiculous.

I'm changing! Very hard to take off a shirt dramatically.

So let's say it's 1200 CE and you're a rug merchant. Just like merchants today, you sometimes need to borrow money in order to buy the rugs you want to resell at a profit, and then you pay that money back, often with interest, once you've resold the rugs. This is called mercantile capitalism, and it was a global phenomenon, from the Chinese, to the Indian Ocean trade network, to Muslim merchants who would sponsor trade caravans across the Sahara.

But by the 17th century, merchants in the Netherlands and in Britain had expanded upon this idea to create joint stock companies. Those companies could finance bigger trade missions and also spread the risk of international trade. But the thing about international trade is that sometimes boats sink or they get taken by pirates, and while that's bad if you're a sailor because, you know, you lose your life, it's really bad if you're a mercantile capitalist because you lost all your money. But if you own one-tenth of ten boats, your risk is much better managed. That kind of investment definitely increased wealth, but it only affected a sliver of the population and it didn't create a culture of capitalism.

Industrial capitalism was something altogether different, both in scale and in practice. Let's use Joyce Appleby's definition of industrial capitalism: "An economic system that relies on investment of capital in machines and technology that are used to increase production of marketable goods."

So imagine that someone made a Stan machine (by the way Stan, this is a remarkable likeness) and that Stan machine could produce and direct 10 times more episodes of Crash Course than a human Stan. Well, of course, even if there are significant upfront costs I'm going to invest in a Stan machine so I can start cranking out 10 times the knowledge - Stan, are you focusing on the robot instead of me? I AM THE STAR OF THE SHOW. Stanbot, you're going behind the globe.

So when most of us think about capitalism, especially when we think about its downsides - long hours, low wages, miserable working conditions, child labor, unemployed Stans - that's what we're thinking about. Now admittedly, this is just one definition of industrial capitalism among many, but it's the definition we're going with.

All right, let's go to the Thought Bubble. Industrial capitalism developed first in Britain in the 19th century. Britain had a bunch of advantages - it was the dominant power on the seas, and it was making good money off of trade with its colonies, including the slave trade; also, the growth of capitalism was helped by the half-century of civil unrest that resulted from the 17th century English Civil War.

Now, I'm not advocating for civil wars or anything, but in this particular case it was useful because before the war, the British crown had put a lot of regulations on the economy: complicated licenses, royal monopolies, etc. But during the turmoil it couldn't enforce them, which made for freer markets.

Another factor was a remarkable increase in agricultural productivity in the 16th century. As food prices started to rise, it became profitable for farmers, both large and small, to invest in agricultural technologies that would improve crop yields. Those higher prices for grain probably resulted from population growth, which in turn was encouraged by increased production of food crops.

A number of these agricultural improvements came from the Dutch, who had chronic problems feeding themselves, and discovered that planting different kinds of crops, like clover, that added nitrogen to the soil and could be used to feed livestock at the same time, meant that more fields could be used at once. This increased productivity, eventually brought down prices, and this encouraged further innovation in order to increase yield to make up for the drop in prices.

Lower food prices had an added benefit: since food cost less and wages in England remained high, workers would have more disposable income, which meant that if there were consumer goods available, they would be consumed, which incentivized people to make consumer goods more efficiently, and therefore more cheaply. You can see how this positive feedback loop leads to more food, and more stuff, culminating in a world where people have so much stuff that we must rent space to store it, and so much food that obesity has become a bigger killer than starvation. Thanks, Thought Bubble.

So this increased productivity also meant that fewer people needed to work in agriculture in order to feed the population. To put this in perspective, in 1520, 80% of the English population worked the land. By 1800, only 36% of adult male laborers were working in agriculture, and by 1850, that percentage had dropped to 25.

This meant that when the factories started humming, there were plenty of workers to hum along with them. Especially child laborers. So far all this sounds pretty good, right? I mean, except for the child labor - who wouldn't want more, cheaper food? Yeah, well, not so fast.

One of the ways the British achieved all this agricultural productivity was through the process of enclosure, whereby landlords would reclaim and privatize fields that for centuries had been held in common by multiple tenants. This increased agricultural productivity, but it also impoverished many tenant farmers, many of whom lost their livelihoods.

Okay, for our purposes capitalism is also a cultural system, rooted in the need of private investors to turn a profit. So the real change needed here was a change of mind. People had to develop the

capitalist values of taking risks and appreciating innovation. And they had to come to believe that making an upfront investment in something like a Stan Machine could pay for itself and then some.

One of the reasons that these values developed in Britain was that the people who initially held them were really good at publicizing them. Writers like Thomas Mun, who worked for the English East India Company, exposed people to the idea that the economy was controlled by markets. And other writers popularized the idea that it was human nature for individuals to participate in markets as rational actors.

Even our language changed: the word "individuals" did not apply to persons until the 17th century. And in the 18th century, a "career" still referred only to horses' racing lives.

Perhaps the most important idea that was popularized in England was that men and women were consumers as well as producers and that this was actually a good thing because the desire to consume manufactured goods could spur economic growth. "The main spur to trade, or rather to industry and ingenuity, is the exorbitant appetite of men, which they will take pain to gratify." So wrote John Cary, one of capitalism's cheerleaders, in 1695, and in talking about our appetite, he wasn't just talking about food. That doesn't seem radical now, but it sure did back then.

So here in the 21st century it's clear that industrial capitalism - at least for now - has won. [Aside to Marx] Sorry buddy, but you know, you gave it a good run. You didn't know about Stalin.

But capitalism isn't without its problems, or its critics, and there were certainly lots of shortcomings to industrial capitalism in the 19th century. Working conditions were awful. Days were long, arduous, and monotonous. Workers lived in conditions that people living in the developed world today would associate with abject poverty. One way that workers responded to these conditions was by organizing into labor unions. Another response was in many cases purely theoretical: socialism, most famously Marxian socialism.

I should probably point out here that socialism is an imperfect opposite to capitalism, even though the two are often juxtaposed. Capitalism's defenders like to point out that it's "natural," meaning that if left to our own devices, humans would construct economic relationships that resemble capitalism. Socialism, at least in its modern incarnations, makes fewer pretenses towards being an expression of human nature; it's the result of human choice and human planning.

So, socialism, as an intellectual construct, began in France. How'd I do, Stan? Mm, in the border between Egypt and Libya.

There were two branches of socialism in France, Utopian and revolutionary. Utopian socialism is often associated with Comte de Saint Simon and Charles Fourier, both of whom rejected revolutionary action after having seen the disaster of the French Revolution.

Both were critical of capitalism and while Fourier is usually a punchline in history classes because he believed that, in his ideal socialist world, the seas would turn to lemonade, he was right that human beings have desires that go beyond basic self interest, and that we aren't always economically rational actors.

The other French socialists were the revolutionaries, and they saw the French Revolution, even its violence, in a much more positive light. The most important of these revolutionaries was Auguste Blanqui, and we associate a lot of his ideas with communism, which is a term that he used. Like the Utopians, he criticized capitalism, but he believed that it could only be overthrown through violent revolution by the working classes.

However, while Blanqui thought that the workers would come to dominate a communist world, he was an elitist. And he believed that workers on their own could never, on their own, overcome their superstitions and their prejudices in order to throw off bourgeois oppression.

And that brings us to Karl Marx, whose ideas and beard cast a shadow over most of the 20th century. Oh, it's time for the Open Letter? An Open Letter to Karl Marx's Beard.

But, first, let's see what's in the secret compartment today. Oh, robots. Stan Bots! Two Stan Bots, one of them female! Now I own all the means of production. You're officially useless to me, Stan. Now, turn the camera off. Turn the ca-- I'm going to have to get up and turn the camera off? Stan Bot, go turn the camera off.

Hey there, Karl Marx's beard.

Wow, you are intense. Karl Marx, these days there are a lot of young men who think beards are cool. Beard lovers, if you will. Those aren't beards, they're glorified milk mustaches. I mean, I haven't shaved for a couple weeks, Karl Marx, but I'm not claiming a beard.

You don't get a beard by being lazy, you get a beard by being a committed revolutionary. That's why hardcore Marxists are literally known as "Bearded Marxists." These days, that's an insult. But you know what, Karl Marx, when I look back at history, I prefer the bearded communists. Let's talk about some communists who didn't have beards: Mao Zedong, Pol Pot, Kim Jong-il, Joseph freakin' Stalin with his face caterpillar.

So, yeah, Karl Marx's beard, it's my great regret to inform you that there are some paltry beards trying to take up the class struggle these days.

Best Wishes, John Green

Although he's often considered the father of communism, because he co-wrote *The Communist Manifesto*, Marx was above all a philosopher and a historian. It's just that, unlike most philosophers and historians, he advocated for revolution.

His greatest work, *Das Kapital*, sets out to explain the world of the 19th century in historical and philosophical terms. Marx's thinking is deep and dense and we're low on time, but I want to introduce one of his ideas, that of class struggle.

So, for Marx, the focus isn't on the class, it's on the struggle. Basically Marx believed that classes don't only struggle to make history, but that the struggle is what makes classes into themselves. The idea is that through conflict, classes develop a sense of themselves, and without conflict, there is no such thing as class consciousness.

So, Marx was writing in 19th century England and there were two classes that mattered: the workers and the capitalists. The capitalists owned most of the factors of production (in this case, land and the capital to invest in factories). The workers just had their labor. So, the class struggle here is between capitalists, who want labor at the lowest possible price, and the workers who want to be paid as much as possible for their work.

There are two key ideas that underlie this theory of class struggle. First, Marx believed that "production," or work, was the thing that gave life material meaning. Second, is that we are by nature social

animals. We work together, we collaborate, we are more efficient when we share resources.

Marx's criticism of capitalism is that capitalism replaces this egalitarian collaboration with conflict. And that means that it isn't a natural system after all. And by arguing that capitalism actually isn't consistent with human nature, Marx sought to empower the workers.

That's a lot more attractive than Blanqui's elitist socialism, and while purportedly Marxist states like the USSR usually abandon worker empowerment pretty quickly, the idea of protecting our collective interest remains powerful. That's where we'll leave it for now, lest I start reading from *The Communist Manifesto*.

But, ultimately socialism has not succeeded in supplanting capitalism, as its proponents had hoped. In the United States, at least, "socialism" has become something of a dirty word.

So, industrial capitalism certainly seems to have won out, and in terms of material well-being and access to goods and services for people around the world, that's probably a good thing.

Ugh, you keep falling over. You're a great bit, but a very flimsy one. Actually, come to think of it, you're more of an 8-bit.

But how and to what extent we use socialist principles to regulate free markets remains an open question, and one that is answered very differently in, say, Sweden than in the United States. And this, I would argue, is where Marx still matters.

Is capitalist competition natural and good, or should there be systems in place to check it for the sake of our collective well-being? Should we band together to provide health care for the sick, or pensions for the old? Should governments run businesses, and if so, which ones? The mail delivery business? The airport security business? The education business? Those are the places where industrial capitalism and socialism are still competing. And in that sense, at least, the struggle continues. Thanks for watching, I'll see you next week.

Crash Course is produced and directed by Stan Muller. Our script supervisor is Danica Johnson. The show is written by my high school history teacher, Raoul Meyer and myself. We're ably interned by Meredith Danko. And our graphics team is Thought Bubble.

Last week's phrase of the week was "the TARDIS," so you can stop suggesting that now! If you want to suggest future phrases of the week or guess at this week's, you can do so in comments, where you can also ask questions about today's video that will be answered by our team of historians.

Thanks for watching Crash Course, and as we say in my hometown, Don't Forget To Be Awesome. All right, Stan, bring the movie magic... Yes!