

# The True Legacy of Communism

**MAHFUZ R. CHOWDHURY**

Professor of Economics  
State University of New York, Farmingdale

## Abstract

The socio-economic system that we used to live in was known as capitalism, where people could use their private properties for their personal gain. With the advent of the industrial revolution in the late eighteenth century, the exploitation of the labor class under capitalism became very prominent. To counter this, communism then proposed policies for achieving economic progress and equality for everyone by eliminating personal property rights and exploitation. Thus, economic prosperity under communism was to be achieved through its central planning system.

For sure, communist ideas had attracted attention. Many even thought the communist system would be a viable one. But in the end, the system couldn't deliver what it had promised. So communism had to surrender to capitalism. Today, the communist system, as we knew it, is no longer in practice in the world, except possibly in North Korea.

There are lots of books and articles written on why communism couldn't succeed. I was mostly inspired to write this article to show what, if anything, we have learned from the failed system. Well, if the communist system was a bad system, why have the capitalist countries decided to adopt so many of its ideas? Although we may have disliked or disagreed with the workings of the system, we couldn't somehow ignore the benefits of some of the communist ideas. I have tried to point out here what kinds of communist ideas capitalism has adopted.

**Keywords:** *Communism, Communist ideas, Failure of Communism, Capitalism*

## Introduction:

The rise and fall of communism in the twentieth century was a very momentous event for the world! At the height of its power, communism had directly or indirectly influenced almost half of the world. It all began with the establishment of a communist regime in Russia in 1917. Within the next four decades of the Russian Revolution, communism swept through Eastern Europe, China, and parts of South East Asia, and established itself as a formidable force against capitalism. Russia, having formed the Soviet Union with some of its neighboring countries, emerged as a communist military super power against the capitalist super power – the United States. At one time, Russia along with China, was involved in bitter proxy fights with the United States in Korea and Vietnam. Though Vietnam was a complete loss, the United States somehow managed to hold on to the southern half of Korea. Though there is an armistice, the United States is still technically in war with North Korea.

As noted, the communist system itself set out with a big bang on a clear mandate to establish a classless society with equality and opportunity for all. The achievement of such a promising society was to be made without practicing any kind of exploitation where goods and services would be freely exchanged based on need.

The communist doctrine had attracted many followers, especially in the developing countries. But, about the time when people began to believe that the communist system was here to stay, cracks within the system started to appear. First, there was the policy difference between Russia and China on the approach to communism – Russia had taken a conciliatory approach of peaceful co-existence with capitalism, which China opposed. This was followed by serious internal dissent in both countries. In the end, the system faltered, and communism practically surrendered to capitalism. The communist parties, which are still in power, have all embraced capitalist policies in some modified ways. What went wrong with such a promising system, and what may be the legacy of communism? Economics may shed some light on such questions.

## The economical way of life:

Economics has always played a key role in human lives. It would simply be impossible to separate economics from any aspect of life. Indeed, from the early primitive days, people have been deeply engaged in learning the method of economizing - figuring

out the best way to utilize their available limited resources for the fulfillment of their ever increasing demands. There seems to be no end to human demand. Yet, the fulfillment of one demand also requires sacrifice of another demand since available resources are insufficient for obtaining everything. In other words, people are constantly faced with the problem of choice, like what to buy or not to buy, with their available money resource. As the study of a process of providing for the material well-being, economics has tried to explain the consequences of choices made by an individual or by a society.

The main driving force of every individual or society has been to amass wealth. Individuals make up society, and collectively also influence society. When we talk about a society achieving progress, we are basically talking about having more goods and services available for human consumption. Human society has evolved over many years, and the process is still continuing. At one time, colonization provided the main source of wealth for a society, but after a period of political and economic destabilization following decolonization, globalization of the market has come to replace colonization for wealth accumulation. In this way, with the change of circumstances, society's method of economizing or accumulating wealth has also changed.

Production and distribution are two key elements of economics. Human society has mostly struggled over the ages to determine what to produce, how to produce it, and who should exactly benefit from it. In fact, every society's material well-being is directly related to and depends on its production capacity and its distribution process. The struggle to increase production and achieve an equitable distribution of output has been an ongoing struggle for human society. First, society needed to develop plans or institutions to mobilize human energy to deal with the problem of production. Second, society had to devise programs or systems to distribute the produced output to its members.

Economists have identified three types of generalized systems that, either separately or in combination, enable society to resolve its economic challenge. These systems are classified on the basis of whether a society's economics is run by tradition, or managed by command, or driven by the market.

Not until too long ago, the most prevalent way of resolving societies' economic challenges was by tradition. In a traditional society, birth usually determined one's role of life – where one was expected to follow in the footsteps of one's family. It was thus customary for a farmer's son to become a farmer, and a barber's son to become a barber. In other words, tradition would settle the continuity of work from one generation to another. This kind of tradition has not by any chance vanished from the society altogether, but in the present day, it is no longer considered to be the main influencing force of economic activities. In any case, in non-industrialized societies, not only had tradition settled the method of production, it had also established a system for dividing the output.

The tradition-based system had determined its own distinct way of distributing the output, based on both the size and quantity, among the members of one's extended family or even clan members. In that male-dominated system, women have typically received a smaller share of the output. However, aside from other social conflicts, the major drawback of this traditional way of solving the problem of production and distribution in the society was that it greatly suppressed personal or self-generated economic change. With no freedom to choose one's own profession, the system is supposed to perpetuate without much deviation. As a result, the traditional society would remain mostly stagnant, as it would fail to bring about rapid economic or social change.

The other method of solving the economic challenge was by economic command or by imposed authority. Historically, both tradition and command have played major roles in shaping society. The roots of economic command could be traced to the traditional system, where the head of the family or a clan leader would order its members to a specific task in production or distribution. Later, when the slavery system came into being, it also played a significant role. The slavery system itself would serve as a great example of what was achieved through economic command. Like tradition, economic command offers solutions to the problem of both production and distribution. Unlike tradition, however, economic command could aid a society achieve rapid economic change. As a matter of fact, economic command is considered to be the most powerful instrument for implementing changes thereby achieving faster growth. At a time of crisis, such as war or natural calamity, it may be the only way for a country to organize its workers to achieve its objectives. Even in normal circumstances, economic command can be used as a great push for change. Indeed, in modern times, every government, be it democratic or autocratic, tends to use its authority to promote or achieve a particular economic goal or objective.

Countries like Japan, South Korea and Taiwan as well as city states of Hong Kong and Singapore may be cited as prime examples of how their governments, through economic command, have promoted and achieved economic miracles. At the other end of the spectrum, although the communist authorities of Russia and China succeeded in bringing a radical change in their system of

production and distribution, they couldn't fulfill their own expectations. Undoubtedly, the stakes in the undertaking of these communist authorities were high and so were their hopes for making improvements. But, as it turned out, their very systems failed to achieve the desired economic progress. If economic command is thought to be the most powerful instrument for economic change, why then did these authoritarian communist regimes fail?

Before attempting to look for an answer to this question, let us first briefly consider how the market system would resolve the problem of production and distribution. Although we are quite familiar with the markets where we buy and sell goods and services on a daily basis, understanding how the market system actually resolves the problem of production and distribution may be another matter.

## **The workings of market system or capitalism:**

In an ideal market system where competition would exist, both buyers and sellers would work freely based on their self-interest. It is assumed that consumers could obtain almost any product that they would want from the market, for a price. Now, how would that be possible? Economists have tried to answer this question through the model of supply and demand. The very simple lesson of this model is that a supplier would supply a product as long as he makes a profit by selling it, whereas a buyer would only buy the product at a price that is most beneficial to him. The market, on the other hand, by reconciling the demand for the product with its supply, would establish a selling price for the product. Subsequently, if the overall demand falls, the price would have to come down. But when the price falls below its production cost, the product would not be produced or supplied.

Conversely, when demand for the product goes up, its price would go up. This would then encourage the suppliers to increase their supply because it would increase their profit margin. This kind of haggling between the independent buyers and sellers would go on in the market, and in the end, it's the price that would regulate the market supply and demand of a product. Theoretically, there would be no shortage of goods or services in the market as long as buyers are willing to pay a price that would be profitable to the sellers. Thus, through the market system, the society would only allocate its resources for the production of those goods whose demand would be on the rise, and vice versa.

The above explanation of how the market system would work may be easy to follow. If the real situation were as simple as that, the world would be quite a different place today. But the true circumstances are much more complicated. Take the example of the United States, the main benefactor of the market system, or capitalism. There are more goods and services available here than in any other country. But could everyone here buy everything they would want? The answer is an emphatic no. Experience tells us that the market system works well for those who can afford the price. A person would simply be left out of the market if he cannot afford to pay the market price for the product he wants or needs. The rich can afford but the poor cannot, so the poor wouldn't reap the benefits of the market system no matter what.

The crux of the problem of the market system is, therefore, the ability to pay. Obviously, the market system protects the rich, but neglects the poor. This then raises another question – how did some people become rich and others remain poor, or for that matter, why are some countries richer than others? To fully understand this very question, it would require a broad study of social and economic history. Aside from that, we could try to get an understanding about this from the simple theory of economics.

The fundamental idea of economics is that economic resources are limited at a given time, and, therefore, one couldn't get rich without making others poor. To put it more bluntly, for anyone to acquire more wealth, others would have to be deprived of their due share. We could consider the case of gold as an example. Historically, possessions of gold made people feel wealthy. Since the world supply of gold is limited, everyone would attempt to grab as much of it as possible. If everyone had equal opportunity, all would get equal shares of gold and nobody would then become rich. But if by some luck or through a special effort or manipulation, a person or a nation could get hold of more of the gold, the person or the country with more of it would then automatically become rich. Whether the acquisition of that gold would be considered fair or unfair is a different matter. But the accumulation of wealth, in this case, would definitely come at the expense of others. In a very general sense, this is how people or countries gained their initial wealth, and later, with the help of the market system, they kept multiplying it. This is one of the reasons why the rich get richer and the poor remain poor. The capitalists of course would have argued that they have acquired and continue to acquire their wealth through a fair game – the market game. Nevertheless, the great controversy on the question of fairness continues to rock every society!

## The fundamentals of the communist system:

Karl Marx (1818 – 1883), the preacher of communism, who had personally witnessed the birth of the Industrial Revolution in England in the late nineteenth century, had effectively put forward the argument that exploitation was actually the main source of wealth accumulation in society. He forcefully reasoned that after having first acquired the power to govern, the ruling class, along with its cronies, went on to use its power to exploit the masses to produce a product for commercial purpose. In other words, the ruling class manipulated the working people to create a product from crude resources at very low or well below fair wages. The final product, with added value, would sell for a higher price, which then helped the ruling class acquire its wealth.

The difference between the cost of production and the selling price of a product is commonly known as profit, which Marx called surplus value that was created by labor. He maintained that the ruling class, by simply confiscating the surplus value created by labor through the production process, not only would accumulate their initial wealth but would also continue furthering their wealth through the same process. This is the reason why the rich would continue to get richer.

Marx's solution to such exploitation was simple- the immediate overthrow of the ruling class by the proletariat or the working class, and thereby the elimination of exploitation altogether. While capitalism prospers on private ownership, under communism, private ownership of production facilities would be replaced by public ownership, and after the initial phase, the production of all goods and services would take place based on the contribution by each as per ability, and the output would be distributed based on one's need. Until such time, however, everyone would be obliged to share equally whatever output could be made available through the public ownership of mass production. Essentially this was the basic theme of communism, though Marx himself was a little vague on the fundamental workings of communism, or exactly how to achieve and maintain economic progress under a communist system.

In any case, the Russian Bolsheviks, under the leadership of Vladimir Lenin, having accepted Marx's communist doctrine, established the first communist regime in Russia in 1917. Within five years, Communist Russia came to form the Union of Soviet Socialist Republic with Ukraine and a few other neighboring countries. And during World War II, having conquered or overtaken the central and Eastern European countries, the Soviet Union created an Eastern Bloc of communist countries.

Some thirty-two years after the Russian Revolution, the Chinese Communist Party, under the leadership of Mao Zedong, accomplished another milestone achievement by establishing its communist regime in China. Both Russia and China, though different in many ways, represented what communism stood for. When communist parties came to power, these countries' economies were pretty much in shambles. And communism had successfully turned that situation around. In the case of the Soviet Union, besides becoming a military super power with nuclear arsenals, it made significant technological achievements by launching the first satellite and the first human space flight ever. Though not comparable, China also quickly made very impressive economic improvements through its communist system. The very fact that central planning transformed these distressed societies and put their economies on the right track to achieve such gains was in itself a great achievement of communism.

However, having made such an achievement, the communist system seemed to have stumbled. The system couldn't keep the communist countries moving forward, nor did it help to bring the ultimate economic prosperity they all had yearned for. For example, the advancements that the Soviet Union made came at a tremendous cost of consumer goods and services compared to the capitalist country - the United States. And the Chinese undertaking of Cultural Revolution proved to be especially a big disaster. Obviously, the people under those communist regimes were getting very impatient with such a situation. So, after experimenting with the communist system for about seventy-three years, Russia abandoned its course, and its union with Ukraine and others fell apart in 1991. In the late 1970s, China too had initiated some market-oriented economic reforms. What really went wrong with such a promising system? There may not be a simple answer to this. But one important way to evaluate the situation might be from the economic standpoint of equality and incentive, or fairness and efficiency. Capitalism provided incentive and efficiency, while communism offered equality and fairness. In the end, the society seems to have opted for the former.

In his explanation on, "Why Did Communism Fail?" Robert Nielson put forward three most powerful arguments on the failure of communism. First, the communist regimes were dictatorships with a repressive environment, large military expenditure, misallocation of resources, and the absence of procedures to remove incompetent decision makers. Second, it could not provide a decent standard of living for its people as the system was notable for its crippling inefficiencies, gross mismanagement and a lack of accountability. Third, it failed to provide incentives for workers and citizens to work hard and be productive, and there was little, if any, reward for hard work or innovation and a lack of punishment for poor or inefficient work.

## The surrender of communism to capitalism:

Capitalism is a social or political system that recognizes private property rights where individuals enjoy freedom of choice to use their property for personal gain or benefit. And, by relying on consumer preferences to achieve economic efficiency, capitalism or the market system thrives with the private ownership of property. On the contrary, communism emphasizes equality for all through public management and public ownership of property. Thus, the principal difference between the two systems is the ownership of property and its use in the production of goods and services. Though capitalism is known to achieve efficiency through competition, it also, at the same time, gives rise to monopoly and creates profound inequality in society. As an example, the top 20 per cent of the people in the United States controls and earns nearly 50 per cent of national income, while the bottom 20 percent lives well below poverty level. Communism would, however, settle the question of equality by creating an egalitarian or a classless society with no competition. But the problem arises when it fails to achieve efficiency for lack of proper motivation – the kind of efficiency needed for production and economic growth with limited resources.

To further illustrate, the communist system would depend on bureaucrats where central planners would set the production priorities and the local authorities would act on them. The factory management's objective would be to meet the set quota, and in accomplishing such quantity-based quotas, the basic quality would often be compromised. As the system rewards quantity over quality, most products under communism would simply fail to reflect the wishes of consumers. Therefore, rapid progress in improving the general living standard mostly escaped communism because it failed to generate the kind of incentives needed to achieve economic efficiency. The basic premise here is - why should anyone work hard if everyone could share the benefits equally? On the other hand, under capitalism, the private business enterprise must consider consumer preference before producing a product, and if the quality isn't good, the market would punish it as no one would buy its product. In this way, through competition, capitalism fosters frequent innovation.

Additionally, there were other factors that had played against communism. From its inception, the capitalist countries bitterly opposed communism and virtually dragged its system into serious confrontations with the capitalist system. In fact, both groups soon became locked in various kinds of proxy fights and were thrust into a situation that came to be known as the Cold War. As a result, the communist countries had to divert most of their scarce resources for arms build-ups, which obviously came at a very high cost. Their economy was weak to begin with, so when faced with such a confrontation, their consumers suffered tremendously. Naturally, this kind of situation didn't sit too well with the general public in the communist countries. Finally, both internal as well as external pressures precipitated the collapse of the communist system both in Russia and China, and other communist countries just followed them, except defiant North Korea.

Although some communist parties are still in power, they are communist in name only, as the governments have adopted the market system in some modified ways to suit their purposes. Yet, the Russians, even with more precious resources such as oil and natural gas, seem to be facing a more daunting task in coping with the new system. This is because of the escalation of internal and external conflicts, including the rise of crime related gang wars in the society. So, their economy has mostly remained stagnant. The Chinese authorities, however, appear to have a much better grip over their system, and are using their economic command very effectively to achieve faster economic growth. In fact, having achieved a yearly growth rate of about 10 per cent (currently, it is lower), China has since overtaken Japan to become the second largest economy after the United States. Even though their growth rate may have slowed a bit, China still continues to remain one of the fastest growing countries in the world. Their current system is essentially a mixture of two systems. They have adopted a modified capitalist system for urban development, while pursuing or not fully dismantling the communist system in rural areas. So far, this system has worked well for China. Will it continue to succeed, or will it eventually find followers in other developing countries whose economies have remained quite stagnant? Only time will tell.

What can be said for certain, though, is that capitalism or the market system hasn't achieved the kind of prosperity needed to help everyone, and the system is very much rigged with profound exploitation – the very argument that Karl Marx made in advocating communism. Indeed, the huge difference that exists between the advanced and developing countries, and between the rich and poor within each country, bear full testimony to such an argument. But, at the same time, communism has also failed to deliver what it promised - economic prosperity, because it lacked the proper motivation needed to achieve it.

Thus, communism has failed to bring efficiency for lack of motivation, and capitalism has failed to achieve fairness because of exploitation. To be sure, there are conflicts and tradeoffs involved in pursuing either the communist system or the capitalist system, since fairness wouldn't bring efficiency and efficiency would require giving up on fairness. Now the big question is, why did communism's failure lead to its apparent end, but capitalism's failure didn't lead to its destruction? Could it be because society has regarded freedom and efficiency as more important than equality or fairness? Opinion varies. These questions will

no doubt receive a thorough scrutiny, especially when economic exploitation continues to severely affect the lives of the underprivileged in society.

## The true legacy of communism:

The communist system itself may have ended, except in the case of North Korea, but the controversy lingers, essentially because capitalism continues to increase wealth at the top without at least first eliminating poverty at the bottom. The fact remains that, about one third of the world's population still live below poverty level with not enough food, drinking water or sanitation. Rampant corruption in developing countries, where poverty is much more acute, continues to remain a serious hindrance to improvement. If capitalism fails to remedy the situation, it's not clear whether that will help revive communism again as a strong and viable system in some modified way. What is clear though is that people lived under capitalism before ever experimenting with communism. Later, it was the exploitative nature of the capitalist system that led to communism, and then, of course, under pressure of communism, capitalism had to change, mostly for better.

Capitalism had originated in Europe to essentially supersede the social system known as feudalism. The ultimate transformation from feudalism to capitalism, however, came through a process of democratic movement to replace autocratic regimes with rule by well-to-do middle class men. Democratic ideas grew primarily to facilitate the growth of capitalism, and not necessarily to give political rights to the public. The term capitalism was used to describe a system to promote private investment and industry with little or no governmental control. Of course, capitalism has since undergone many changes.

European countries, from where capitalism began its journey, have since transformed themselves into different welfare states by adopting many of the socialist policies that communism had advocated. In Sweden, for example, the government plays such a role that public spending makes up more than 50 per cent of its total gross domestic product. Even the United States, the main benefactor of the capitalist system, have taken up a number of these policies, though to a somewhat lesser extent. Universal health insurance, unemployment benefits, social security for the elderly, welfare benefits for the poor and the disabled, government regulation of private industries, workers' rights to unionize, and minimum wage that the industrialized countries have been forced to adopt are good examples of the type of changes that the communist movement has successfully brought to capitalism. These changes didn't come easy - they were achieved through long and sustained labor and democratic movements over time.

It should be noted that the European countries provide a much better safety net for the people than the United States because in the United States, big business can sway government policy for its benefit, while in Europe, the public is able to exert more influence over government policy. Thus, while pure communism may have ended, so has pure capitalism. Though capitalism has become the dominant system now, what the world actually has is a mixture or combination of the two systems, and the system itself may not be uniformly practiced everywhere.

## Conclusion:

For now, communism may have lost its war, but capitalism hasn't necessarily won the battle yet. That battle is fundamentally about the elimination of poverty from society – which is the very basis of the argument for communism. And even if technological progress somehow achieves the goal of ending poverty, capitalism faces another critical problem: the exercise of political power in its system.

In the United States, for example, the concentration of money in just a few hands enables a handful of people to have disproportionate influence on the political outcome. In this way, capitalism, through the creation of rising inequality, may be destroying democracy. This is a serious danger and it may be one of the biggest future challenges for capitalism. Somehow, society needs to establish equal political power for all even when economic power is unequally distributed. This may be achieved – as in some European countries – by the public financing of elections. That process may not fully ensure that the rich and the poor will have equal political power, but it's more likely to limit the political clout of the rich and possibly open more opportunities for the poor.

Another serious threat to capitalism is social unrest, especially among the critically distressed people of developing countries who see few ways to achieve their goals. Invariably, such hopelessness fuels social unrest. Although social unrest is not at all likely to go away, ending today's massive worldwide poverty and providing equal opportunity for all, would go a long way in creating a less contentious society. The affluent countries indeed have an obligation to make that happen. So, what lies ahead for the world, and whether communism resurfaces in some different form, depends entirely on how the present capitalist

system meets these and other challenges that may come in its way.

Finally, we may wish to continue celebrating the end of communism, but we should give credit where credit is due and properly recognize how communist ideas have helped to improve the capitalist system. Since not all countries have implemented these changes uniformly, some countries are doing better than others. In order to bring prosperity to the common people and establish social harmony, our future research should, therefore, focus on making yet further improvements to the existing socio-economic system by not only incorporating all of the good aspects of the communist system but also with other good ideas that we may come across.

---

## References

- Gilpin, Robert. 2000. "The Challenge of Global Capitalism." New Jersey, USA. Princeton University Press.
- Greaves, Bettina. 1991. "Why Communism Failed." <https://fee.org/articles/why-communism-failed/>
- Marsh, Milly. 2012. "The Legacy of Communism in CEE." E-International Relations Students. <http://www.e-ir.info/2012/05/23/the-legacy-of-communism-in-cee/>
- Nielson, Robert. 2013. "Why Did Communism Fail?" <https://whistlinginthewind.org/2013/04/11/why-did-communism-fail-1-dictatorship/>
- Sullivan, Lawrence. 1961. "The Collapse of Communist Economic Theory." <https://fee.org/articles/the-collapse-of-communist-economic-theory/> White, Stephen. 1983. "What is a Communist System?"

*Professor Mahfuz Chowdhury was born in Chittagong, Bangladesh. After obtaining his bachelor's degree from Chittagong College, Bangladesh, he migrated to the United States in 1969. While pursuing his Master's degree, he held a full-time job and obtained his M.A in Economics in 1975 from The New School in New York. He held executive positions in two Multinational Corporations. After taking up college teaching in 2000, he obtained his Ph.D. in 2005. He has published articles on developing economies, population growth, failure of communism, SAARC and on socio-economic-political issues of Bangladesh. Two of his articles were published by The Washington Post, one by Cengage Learning in the Current Controversies "Developing Nations", and one by Icfai University Press in the "Economic Integration". He appeared on VOA and BBC Bangla radio and other TV programs. His book "Economic Exploitation of Bangladesh" was published in 2004. He can be reached at [chowdhury.mahfuz@gmail.com](mailto:chowdhury.mahfuz@gmail.com)*