

## POM, Capitalism and Socialism

Today in the world there are two main political ideologies, they are Capitalism and Socialism. In the U.S. these terms are treated as if they were polar opposites with conservatives being Capitalists and liberals being Socialists. In other nations the conservatives may be Socialists or Communists (Russia and China) and the liberals may be Capitalists. But in either case, people around the world consider the difference to be significant. Yet, the difference disappears in the absence of physical object money (POM).

We will use ordinary dictionary definitions of Capitalism and Socialism but any of the common understandings of the two terms would probably do just as well.

From Webster's Seventh New Collegiate Dictionary:

"Capitalism - an economic system characterized by private or corporation ownership of capital goods, by investments that are determined by private decision rather than by State control, and by prices, production, and the distribution of goods that are determined mainly in a free market.

"Socialism - any of various economic and political theories advocating collective or governmental ownership and administration of the means of production and distribution of goods."

Now let us examine the common features of these two definitions. Both definitions refer to *ownership* explicitly and *control* implicitly. There is an assumption that ownership and control go together. But in a POM economy, ownership and control are *not* closely tied. If I own some shares of stock in a corporation, I have some ownership but no control of capital goods. As an employee I have control of capital goods (as, for example, a truck or computer) but no ownership. My employer may have the legal right to tell me what to do with the capital but I control it. It is my hand at the wheel of the truck or the keyboard of the computer. The vast majority of capital goods are not owned by those who physically control those goods.

In Capitalism and in Socialism, those who own are not those who control in the immediate sense. It isn't control of capital that's important, it is control of those who *use* that capital and that control is exercised through control of money. (That's why the accountants and budgets in corporations and governments are so important to their functioning.) Notice that this is equally true in both Capitalism and Socialism. From the laborers' point of view, there is no difference. They work for the money. If they do as they are told there is the promise of money in return for their obedience in both systems.

Therefore the ownership distinction between private ownership of capital goods and State or collective ownership of capital goods is meaningless. It is the control of the *money* that matters not the ownership of capital goods. If the State controls the money, it is Socialism and if other organizations control the money it is Capitalism. As you no doubt realize, all nations are a mixture of State and other organizations both of which control money.

Next we come to the market. Both Capitalism and Socialism have markets in which consumers purchase goods and services. How are these markets different? (We will use the theoretical concepts concerning market rather than actual, "real world" markets because there are no *true* free markets anywhere in the industrialized world.) In the Capitalistic market, the "free" market, owners are free to set prices as they choose. In the Socialistic market, the government sets prices. In both cases, those who buy in the market are free to buy or not buy as they choose. In neither case does the buyer make decisions as to what items and services will be for sale. The buyer, in both cases, can only choose from what the owners (producers) make available.

So the only real difference between the two markets is in the number of owners of the goods for sale in the market. In the free(er) market there are supposed to be many owners of products whereas in the Socialistic market there is supposed to be only one owner, the State. Of course, there are actually many sellers in the Socialistic market due to the nature of bureaucracy. There will be many departments, each of which will be responsible for a part of the products for sale. But we can say with confidence that, in theory, in the Socialistic market there will be fewer owners than in a free market.

But this is all in theory. Is this distinction in number of sellers (owners of goods for sale) in the market born out in historical experience? No.

Remember that POM (physical object money) is not controllable, that POM is amoral, that POM simulates a zero-sum relationship. There will be a black market which the Socialist State may try to suppress but which it will be unable to prevent. POM allows too many opportunities for corruption of government officials, especially in Socialist economies. There will also be successful attempts by the participants in a Capitalistic free market to eliminate the freedom of that market for others by fair means or foul so that the market will be controlled by only a few owners to increase their profit. Therefore, the Socialist market will have lots of owners and the Capitalist market will have many restrictions on the number of owners. The two systems come out to be not very different at all in practice. This is the nature of POM economies. This is a consequence for an economy of using a POM. They get a mixed market.

Therefore, there are few differences between economic systems called Socialist and Capitalist. The differences are mainly in the labels and the window dressing. The differences between a State with only one huge corporation (the national government) and a State with a few large corporations (which dominate the government) are minimal. Do we call the top man in the organization President or Chairman of the Board? Does it matter? The relationship is still the same. The top man controls, as best he can, the money regardless of the label on his office. Whether one experiences oppression or freedom depends upon how those top men exercise their power over money.

Compare that situation with a Non-POM economy in which money is not transferable and the free market is between the producers and the Payers. In that case, workers are rewarded for what they do with what they, themselves, control. The person at the wheel of the truck or at the keyboard of the word processor controls that capital and therefore owns that capital in the most meaningful sense. In the post-POM economy the actions of those who control capital will not be controlled by the State nor the head of the corporation because workers don't earn money by being obedient but by producing net benefit. Workers are working for themselves, not in the employ of someone else. Therefore, the distinction between Socialism and Capitalism in a Non-POM society is meaningless. One can say that the society owns all capital goods or say that the capital goods are owned by the workers or any other organizations (businesses?) within that Non-POM society. But the behavior of the workers, the Payers, and the consumers will be unaffected.

The ownership of capital is unimportant in comparison to the control of capital. Does the top corporation officer of Exxon own all the capital of that corporation? No. But that officer has a lot of control of that capital which is the important thing and that control is exercised by control of the money of Exxon. In a post-POM society, the money power is vested in the Payers and their relationship to those who control the capital is that of free market buyers. Therefore, the concepts of Capitalism and Socialism have no meaning in a Non-POM economy even though a Non-POM economy has *only* private property owned by individuals and has true free markets at its heart which one would *think* would make it Capitalist.