

## A variety of goods on the shelf...

"Just look at all the goods available to Americans on store shelves. In Russia, they have to stand in long lines to get anything, store shelves are bare, and consumers have to accept shoddy goods, if they can get them at all." Easily understood, it was a potent argument for democracy and free enterprise during Cold War times. The American grocery store shelf stood as the ultimate proof of the superiority of democracy over communism. Socialism sounded good in practice, it was said, but capitalism and the right to private property was a system which really worked. And the availability of consumer goods proved that.

The Russian launch of Sputnik, on October 4, 1957, directly challenged that assumption. Traveling at 18,000 mph, it took 96 minutes to circle the earth. A system condemned as a failure had pulled off a spectacular success. Khrushchev himself, the champion of communism, seemed surprised. "Frankly, I never thought it would work," he told his scientists, before going back to bed.

The West could point to more ominous examples of failure than empty store shelves. Millions of peasants had died, and millions of farm animals had been destroyed, under forced collectivization, Millions more would have starved without aid provided by the U.S. in 1923. Stalin had executed hundreds of thousands in the Great Purges. His show trials were potent symbols of a powerful police state.

The collapse of the Soviet Union gave capitalism an unexpected victory, not on the economic side, where it was expected, but on the moral side. Capitalism, criticized for its indifference to the poor and disadvantaged, had avoided the mass killings and repressive actions of the Soviet Union while providing its poor with basic needs. A moral victory allowed capitalism to avoid questions about the soundness of the economic assumptions it credited with its victory.

As capitalism found itself alone on the economic stage, it stumbled - badly. It was caught unawares by the economic collapse of 2008, just as it had been surprised by the Crash of 1929. Its ability to accurately predict the future proved little better than that of the Russian, French, or Chinese peasant, who was aware that famine might come but could not say exactly when that would happen. Having championed the free market, the West now found that the market forces it had unleashed were, at best, an unreliable ally. It had been easy to compete - when there was no competition.

### Poverty, Wealth

### Dictatorship, Democracy:

Resource Scarcity and the Origins of Dictatorship

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Published by Pericles Press

ISBN-10: 0-9610224-0-X

ISBN-13: 978-0-9610224-0-2

535 Pages

Paperback

Price: \$21.95

Pericles Press

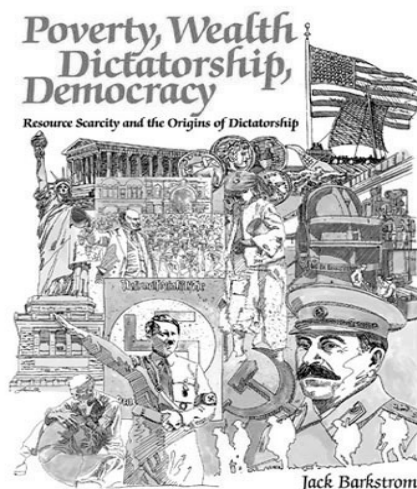
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While capitalism was proclaiming the benefits of a globalized market economy, capable of providing consumers with a variety of low-cost choices, it seemed unable to exercise any degree of control. It was at the mercy of saturated markets, shifting consumer tastes, and competitors who could bring innovative products to market while intensifying competition for raw materials.

In what was almost an exercise in doublespeak, free market advocates now incorporated what they had so strenuously condemned in socialist economies - failure. Some businesses succeeded and some businesses failed. Moral hazard, the idea that enterprises must face the consequences of bad decisions, was now part of the vocabulary. Victory over communism suggested to capitalists that the free market represented a unique form of commercial activity - the final evolutionary goal of all earlier economies. Yet, the market rules which had been given elevated status after Adam Smith, were not particularly new. Phoenician and Athenian shipowners had known about risk, given the likelihood of storms or dangerous reefs, thousands of years ago. Merchants joining caravans on the Silk Road also knew that no land route was entirely safe, no journey risk-free.

Capitalism, like communism, now seemed to have an excuse for every failure, an explanation for every bad prediction. Perhaps the criticism leveled so effectively against communism was not limited to that system alone.

**Sounds good in theory....**