

# **A Common Misunderstanding about Capitalism and Communism**

## **Through the Eyes of Innovation**

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## **Abstract**

This paper argues that the theories of communism and capitalism do not need to be considered opposites or alternatives, but rather systems that satisfy different stages of humanity's technological development. The argument derives from Maslow's hierarchy of needs and a focus on the role of innovation within the systems. It is argued that capitalism focuses on the lower and communism on the higher layers of the hierarchy, which lays the basis for their inability to compete.

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## 1.0 Introduction

The core objective of this paper is to show that communism and capitalism satisfy two different needs in the technological development of society, and therefore they should not be seen as competing systems. The analysis takes a different path than the usual argumentation that communism is only possible if socialism changes the human perception of selfishness.

We argue that a societal system whose core purpose is to provide services and material goods in order to satisfy the first layer of Maslowian needs is a concept that would fail to support the will and ability of its subjects to strive for the higher Maslowian needs. Such a society could not be sustainable on the long run because the population would need continuous innovation to preoccupy itself with trying to fulfil the needs of the physical and basic layer. Such a system would be perfect to push humanity's technological development, as most members want more goods and higher services that satisfy their basic needs and hence need more money, which gives them an incentive to be more innovative. So almost all members engaged with the system would promote some emerging, or uphold mature, innovations. If society is preoccupied with working, innovating, and providing for the basic needs themselves, such a system would be ideal for fast development. Work, for this paper, is to be perceived as neither in a positivistic way. Work is hence neither good nor bad. But what would happen if most of the work and innovation processes are automated at one point? The society would no longer be preoccupied with the basic layer, and if distribution would not be just, it would lead to tremendous social unrest. *Capitalism with an unemployed, bored, poor population without perspectives is not sustainable.* The hypothesis of this paper is hence that capitalism is great economic system for the 'self-development phase' of humanity, while communism is more suitable for a phase in which humans are not occupied with innovation themselves and the first layer of needs is satisfied through other means.

The authors of this paper do not endorse any of the systems. The sole objective of this paper is to show that communism and capitalism are suitable for fundamentally different times in human technological development, and that these systems are not able to compete because they each have an important (yet

fundamentally different) role to play in humanity's technological development. Secondly, we would like to state that we believe that a complete automation of work is not necessarily a desirable objective, as work is also a way to self-worth. Labour has hence an intrinsic value that we do not wish to marginalize, but the current drive towards minimizing human labour and the increasing technological potentials lead to the conclusion that computers will be better than us individuals in everything at some point in time. We write this paper in the spirit of furthering the discussion on the societal objectives regarding human labour.

In order to proceed with the paper, the interpretations of two basic concepts have to be clarified. First, any need is subjective, it is a product of the time, social status and culture of the particular person. This interpretation is adapted from Maslow (1943). The same accounts for human wants that are also always conditioned by the situation and condition of the particular person. Here, it is enough to understand wants as a softer and weaker form of needs that is not accounted as actual needs.

### **1.0 Maslow's Theory of Human Motivation**

Maslow's famous theory about the needs of human beings and hence their motivation has echoed through the decades. It describes a hierarchical system where the lower and basic needs must be fulfilled to enable the development to the higher stages, or as Maslow puts it: '...basic human needs are organized into a hierarchy of relative prepotency.' (Maslow 1943, p.6) The basic layer of needs are physiological needs that ensure our survival and physical well-being. These needs are not urges and appetites, as they can indicate a certain lack of chemicals, but they can also be misleading in regard to certain substances, like sugar. Basic needs are not limited to nutritional aspects. They include activity, sleep, sexual desire and maternal or paternal behaviour. Maslow mentions that it is senseless to provide a conclusive list of all the basic needs, as they are so numerous. For this paper all the layers have such numerous aspects that none will be mentioned conclusively.

The second level of needs is the need for safety. This layer is triggered if the previous layer is mostly gratified. It is focused on such matters as peace, order, health, predictability, organization, unthreatening conditions and outer influences such as extreme weather conditions or criminal activity. One outcome deriving from this layer are all kinds of insurances. The layer also leads to the evolutionary preference of the known above the unknown. It can trigger the search for a protector or strong leader, which was and is often a case if an intangible fear is apparent in a society.

The third and middle layer consists of needs of love and belongingness. The layer begins to develop when the safety is mostly provided. This layer triggers the need for affection and leads to the human need of making friends, sticking to your family, nurturing children and having a partner. It is hence the level of intimacy and connection.

The fourth is the esteem layer. It consists of two different components. One is about self-esteem and self-confidence, self-worth, strength, capability and the perception of usefulness, and the other is about the respect of others, reputation, prestige and need to be unique. The fifth and last layer covers the self-actualization. Its need is related to the final striving towards happiness. Maslow writes: 'A musician must make music, an artist must paint, a poet must write, if he is to be ultimately happy. What a man can be, he must be.' (Maslow 1943; p.10) Every person defines each layer individually, but the top layer is particularly individual, as some aspire athletically, some philosophically, some artistically, some may focus their energy on inventions, some on writing, some on creativity, some on being a brilliant parent and some may choose whatever form they deem fit. The layer is hence thriving for experience, spontaneity, meaning and inner potential.

Humans can get lost in all the layers. They all can be endless and unfulfillable. The evolvment to occupy oneself with another, higher layer of the hierarchy is a highly individual process, but it can be hugely facilitated by a supportive or tremendously complicated by a contradictory economic system. To understand the theory one should define self-actualization in the way it is understood in psychology and not in economic terms. Self-actualization is defined as 'being a mature, fully human person in whom the

human potentialities have been realized and actualized' (Mittelman 1991, p.116), 'This tendency might be phrased as the desire to become more and more what one idiosyncratically is, to become everything that one is capable of becoming.' (Maslow 1954; p.46) or, in even more general terms, 'The process of development which does not end'. The self-actualizing person has also been defined as one 'who is eager to undergo new experiences, and learn new ideas and skills'. (Heylighen 1992, pp. 41-43) A more precise description of self-actualization is provided by Friedman & Schustack (2004) as a congenital tendency towards spiritual growth and towards actualization of the individual potential.

## **2.0 Innovation**

Generally, one can say that the major part of the conscious process of business-driven innovation is focused on the two basic layers of Maslow's concept, as most consciously driven innovation is focused on time saving services, services that increase our comfort or material goods. There are obviously other innovation processes targeted on the higher layers, but these are social innovations that always take an engagement of a larger share of the population and they do not necessarily take up the entire time of the individuals. As always today there are also mixed forms like the approaches of sustainable or responsible innovation that try to merge the pure innovation with aspects of environmental protection or health concerns.

The part of innovation that is important to this paper is focused on the automatization of production, as innovation is one of the most fundamental parts of a capitalistic economic system, while it is also one of the hardest parts to automate. If the entire production and service creation of an economy is automated, but the innovation process would still be required to be conducted through humans, labour would still be an essential part of our economic system. Of course automatization will not proceed like that, but nevertheless the greatest difficulty is the transition period. For that, a tax rate which does not jeopardize the satisfaction of the working people while paying for the income of the jobless has to be found. Hence, a point that enables the fulfilment of the fundamental needs while maximizing an equality of income is

required (van der Veen & Van Parijs 1986). Automation can reduce the time of production oriented work, of services and give the people the possibility to have more free time.

## **2.1 Innovation in Capitalism**

The conscious process of innovation in capitalistic theory focuses almost exclusively on technical-innovation. The first economist who emphasized that such innovation is an endogenous and crucial part of the economic process was Schumpeter (1939) in the milestone work 'Business cycles'. For Schumpeter innovation, or his famous term of 'creative destruction', is the means for economic players to surpass their competitors in costs or efficiency and it alters the prior equilibrium forever. But Schumpeter was not the first to emphasize the importance of innovation. For Walras ([1874] 1954), who inspired Schumpeter greatly, innovation was one of the three fundamental determinants within the economic system, but the entrepreneurial focus on innovation was only emphasized by Schumpeter (1939). In the same book, Schumpeter described the business cycle theory, which includes a short-term, medium and long-term cyclical development. The short term cycle is of rather little importance for this paper as they mostly show the psychological state of the economy and the current investment behaviour (A'Hearn and Woitek, 2001). The cycle time is just too short to represent larger innovation. The medium business cycle, by Juglar ([1862] 2014), focused on excessive speculative behaviour and the providence of credit. His theory was later reinterpreted by Schumpeter on innovation and investment for innovation. (Legrand and Hagemann, 2007) The long-term cycle that usually takes between 50 and 70 years is known because of Kondratiev ([1925] 1984), who wrote that all major innovations develop in waves.

While other researchers of the time like Parvus or Van Gelderen also worked on the topic (Gelderen, 1913; Mandel, 1995), Kondratiev understood this development as being traceable back to the first industrial revolution from the succeeding industrial revolutions. His view on these waves was that the accumulation processes that lead to their creation are the major drivers for technological and economic changes, but also the major source for crises, as each new wave was not yet strong enough to cope with the growth of the fully developed former wave. This basis can still be observed in the structure of Perez

on innovation waves or paradigms (Perez, 2002). The paradigm begins with a rather weak and slow growth in the beginning phase, which coincides with the last phase of the maturity of the former paradigm. The first stage of the concept is the eruption, when the innovation is already booming in the new sector, but it is not yet strong enough to cope on a systemic level. Nevertheless, new technology starts to attract more and more investors and thus the development begins to speed up. This leads to the next phase: The Frenzy phase, where often a boom occurs. The new technologies have proven themselves to be profitable and everybody wants to profit from them. This leads to an overinvestment and hence a decrease in real profitability for the single investor, but still the enthusiasm carries the development of this phase. It only gets problematic when the first companies of the new technological wave start to fail and the enthusiasm of the investors breaks down. Usually this ends up in a bust or financial crisis, which is the beginning of a crucial phase that must be used to reorganize the impacted markets in order to enable a flourishing development for the new technology afterwards. All these bring the paradigm to the Synergy phase in which the so-called 'golden age' can occur. It is a time for most people to profit socially, economically and technologically from the developments of the new technology. The Synergy itself is a phase of coherent growth and development. The employment and production in the new technological sector increases rapidly in this phase, while the externalities also increase. All this leads to the final phase, Maturity, in which the latest new products of the industry are developed and the markets are reaching saturation. Often this phase is met with disappointment, as the growth was estimated to be endless beforehand. This phase, with its disappointment and decreasing opportunities, often leads to a socio-political split and thus economic problems or political conflicts, like the Turning Point phase. After this phase, the next paradigm starts, and a new technological wave makes its development to systemic importance (Perez 2002). The concept of the long-term business cycles is based on fundamental development waves, which Perez (2002) called techno-economic paradigms. The emphasis here lies with the observation that these big waves of innovation are not bound to only one industry, but rather impact all industries and our social lives as well. They impact our way of life, the way we think about and perceive the world. This happened not only in the current Information and Communication Technologies

(ICT) paradigm, but also in the mass production paradigm, as well as during all of the other three previous paradigms (Perez, 2002). Five paradigms or fundamental innovation waves since 1776 have been documented by multiple researchers (Christopher and Louca, 2001; Perez, 2002). The concept is of course not without criticism but it help to make important indications on how innovation develops.

Innovation determines everything in the end, and it substantially alters our social lives. Systemic change through innovation is always backed by a high involvement of the financial markets. In general, banks first hesitate to invest in completely new technologies, as the risk cannot yet be calculated. The market share is covered mostly by venture capitalists. After the first phase of the introduction of a new wave of technologies, like ICT in the current case, more and more investors see the potential. Based on life cycle the profitability of the products from the older paradigms are decreasing and thus losing attractiveness for investors in comparison to the concepts and products of the new paradigm (Kregel, 2007; Perez, 2009). The idea of fundamental social changes, and not only business changes, adds a new and important aspect to the already established concept of innovation cycles.

Crises in general can derive from the fact that development can create some divergence between ongoing innovation and supposedly robust financial structure (Papadimitriou and Wray, 2008), which means that innovations renew the composition and behavioural patterns within a market. Thus, the supervising entities and regulations remain the same while the market and technology develop around them, which in turn leads to a situation that cannot be sustainable in the long run. Thereby regulations need to be timely and technologically adequate (Hodgson, 2001). Minsky (1992, p.8) put the process of destabilization like this: ‘prolonged prosperity, transits from financial relations that make for a stable system to financial relations that make for an unstable system.’ The times of ‘prolonged prosperity’ trigger a continuous process towards destabilization as the source of instability is the use of opportunities for profit making and innovation in the markets. Or, as Minsky briefly put it, ‘...innovations result from profit opportunities’ (Minsky 1986, p.359). This drive towards profit lets the market players innovate, regardless of whether it is in developing new products, structures or forms of market interaction.

Innovations always depend on their particular time, as for example speculations in foreign exchange markets are today seen as a common way of business, but in the interwar period it was seen as a destabilizing factor (Nurkse, 1944). Companies, rightly, develop new ways as the established products and ways of doing business are losing profitability by the increase of competition. Accordingly, the accumulation of these small developments and market internal innovations develop over time.

The basis for Minsky's famous financial instability hypothesis was not only the financial theory by Keynes, but also the credit view of money by Schumpeter as Knell (2014) emphasized. Capital is crucial for technological development and hence economic development. This phenomena was supported both by Schumpeter and Keynes (Pecchi and Piga, 2008). But the generation of economists like Keynes and Schumpeter was not the first to talk about technical development and economic growth. They were the first who emphasized the importance of innovation, but the implicit importance can already be found in the works of classics like 'The Wealth of Nations' (Smith, 1776). Smith starts the chapter 'Of the division of Labour' in the very early book with the famous example of the efficiency gained in the pin making business through the division of labour. The entire introduction to this chapter is hence a testimonial to process innovation and emphasizes the role of the different forms of innovation for the capitalistic system. A more Darwinist approach towards innovation was proclaimed by Hayek (1960), who proposed the theory of cultural evolution. It states that our habits and problem solving methods are a product of evolutionary processes developed by experimenting humans. All of this focus on innovation, however, makes capitalism unstable, as shown by various researchers, some of whom are mentioned in the above. There is no such thing as continuous, stable innovation or growth in the long run. System changing innovation leaps forward and slows down again, as humans must get used to that innovation paradigm before the next wave can even begin to develop. Such development could only be changed by a fully automated innovation process.

Almost all major schools of thought in economics have their approach and grasp of innovation. The importance of innovation within the capitalistic theory and capitalist society can hence not be denied, but

one aspect that is deriving over the innovations of the last years. Is 'Baumol's disease', which claims that a rise in manufacturing productivity generates a rise in income and a heightened demand for labour intensive services still accurate? Automation is here uneven, and thus complete automation will never come. This principle accounted for innovations of mechanical background. It accounts in not all cases to ICT based innovation (Triplett and Bosworth, 2006), but it will not account for the growing influence of Artificial Intelligence (AI) based innovations (Barrat, 2013; Scherer, 2016). Self- learning systems will over time diminish the number of jobs available to humans. Which does not mean that the ability to work or voluntary work will vaporize, but Computers, as they do not have an desire themselves and do not need to rest can do every work more effective and from a certain point on even more emphatic than humans. They can see what a human requires in the particular situation from the data creation on the last and current generations. AI changes all, which means that such an algorithm, with the access to big data based information should be able to predict future social innovations as well. Let's use an extreme example to explain the situation more clearly. In a capitalistic system with such an automation, a worker would not have much possibilities to buy goods or services, as the income possibilities could only be created artificially in order to create a self-containing cycle of demand. A communistic system in which the owners of the AI and hence of the companies would not have the intention for profit making the person could just work on things or ideas that are appealing in the particular situation. A system that is not focused on material and lower layer activities, but supports its subjects actively to pursue their development of the higher layers. This extreme example case sounds utopian, but it is able to picture the differences under the two systems in a purely theoretical and extreme case.

In summary, we can say that the entire capitalistic system is dependent on innovation, as it is the reason why our societies today are able to sustain so many habitants on this planet with the living conditions that we enjoy. The history of capitalism, on the other hand, emphasizes the unrest and instability that derives from the continuous innovation process, while it is the continuous innovation process that keeps the capitalistic system alive.

## 2.2 Innovation in Communism

Karl Marx mentioned that communism would be a positive resolution of private ownership as a form of human self-estrangement and therefore a form of becoming a real human being through and for humans. This process would therefore be a conscious and complete return of humans to a society and hence humane humans, based on all of the already created wealth of the earlier developments of humanity. (Marx 1844; p.134)

This implies that Marx saw, at least in that moment, that communism would not be the catalyst for fast technological development and further focus on innovation, as the transition to communism would imply that another set of factors would shift into the focus of society. As innovation is not really at the core of communist theory. Classical arguments like, 'Communism is utopian as long as man is what capitalism has made him: we need socialism to reshape man, to get rid of his selfishness, his 'Selbstsucht', and to turn him into the altruistic person communism requires', and 'Communism is bound to fail under conditions of scarcity: we need socialism to develop the productive powers of humankind and thus create the state of abundance in which alone communism can flourish' (van der Veen & Van Parijs 1986; p.653), show ideological concerns between capitalism and communism, which implies that they are two different approaches to the same issue and that communism could only work if the mentality of humans would be focused on a more socialistic perception of the world. This might be true if there were no capitalistic competition. This paper argues that communism cannot work with a shift in ideology, but it can only function at a state of almost full economic automation, which means that production, services and innovation must be automated to a large extent. The actual transition from one system is not subject to this paper. In a future, where citizens can work or innovate if they like, but they do not have to, as the basic necessities of the individual are already provided. In such a system where human workforce is not really necessary on a mass scale anymore, full employment is an utopian. In opposition to a system that needs the people to be focused on consumption and the lower layers of Maslows Pyramid, which would then require a massive job creation of jobs completely without purpose. Disturbing is that our current

system is drifting more and more towards such a systemic constellation. (Bregman, 2017) In theory a communistic system could only work in such a situation if everybody could work on whatever they feel like on a particular day, or not work if they do not want, which is also close to an original Marxian thought. (Marx, 1844) Also Schumpeter came close to a similar argument (Schumpeter, 1942). While his reasoning was different, it hints to the same direction and this form of argumentation, of going against a necessary fundamental ideological change can even be found in Hilferding's 'Finance Capital' (Hilferding, 1910). This argumentation is also supported by the concept of a so-called '1848 Moment', which stands for a change in the perception of the markets and the economy. The hypothesis of this concept is that prosperous times trigger a concept of ideological praise of the markets as an objective themselves, which changes to the perception of the markets as a tool for wealth creation in economically unstable or for unsatisfying times (Reinert, 2009). This moment is hence not a complete change, but rather a reallocation of the form of capitalism in use.

The high level oriented system of communism is also not indirectly linked with innovation. As the act of innovating itself is not necessarily an activity that can be accounted for the higher levels. Innovating can have many motivations and only a few of them are linked to higher motivational levels. This is why voluntary innovation will always continue, but it is not the essence that is needed for the survival of the system.

### **3.0 The Conflict between the Two Systems**

The analysis above clearly shows that the two systems are not focused on the same objectives. They are fundamentally different, and hence their ability to further societal development is also completely different. Capitalism is mainly focused on the basic layer of Maslow's concept. Its core interest is to innovate or, as Schumpeter put it conduct 'creative destruction'. The innovation is not a continuous proportionally growing, but rather eruptive process, to which capitalism is perfectly adapted. The system occupies not only the creators, but also the consumers with constant innovations in different markets. The stability of the system derives from the pure number of innovations that occupy the people and create new

desires and needs within the material levels. Most of the population in our world today is still occupied, for the most part of their day with the acquisition needed for the two basic layers. Our hypothesis is that in a society in which these layers are practically provided, if the individual is satisfied with the goods it can afford, less labour needs to be invested and hence a voluntary decrease in labour hours and an increase in the focus on the higher layers can be observed. (Kallis *et al.*, 2013) These developments would also lead to an increased number of groups, societies, and environmentally or socially conscious private people and enterprises. Of course, in our societies these developments are still marginal, but it seems to be the case in the economically richer societies of the world. (Evans, Lippoldt and Pascal, 2001; Hamermesh and Stancanelli, 2015) The full automation of labour is also very much at its beginning at the current time. The possible counter activities can hence not be expected to be fully grown yet.

A communist society, on the other hand, has no ability to develop as fast as a capitalist one, since not all attention within the system is focused on innovation related to the basic layer of Maslow's hierarchy of needs. The communist theory is more focused on the higher layers of needs and hence is built for stability, harmony and internal development. The system cannot compete with the fast materialistic development of a capitalistic system, as the innovation of new goods and services leads to a growth of new needs and desires. If these desires are not fulfilled humans are only partially able to develop their higher needs. So, if the systems compete, the communistic system will not be able to develop its strength as it would have to try to keep up with the needs developed and supplied in the capitalistic neighbouring systems. This competition on the lower layers would make it impossible for its subjects to focus on the higher layers. The communistic society would hence suffer in the long run as no layer could develop ideally, which will result in an unsatisfactory system. Communism can thus not survive in a stage of humanity's technological development in which the society is still actively occupied with developing the living conditions. Which is one way of looking at the reasons of the failed communistic experiments of the past. This theory tries not to state that communistic systems only occur after a period in which basic needs have been fulfilled, but that a communistic system can only excel if the basic needs are provided

externally or at least do not require the majority of time of the people, which in history never has been the case.

Maslow's hierarchy of needs emphasizes the impossibility of communism to be successful in the current or any former development stage, as the providence of the basic layers is not given. Humans have to provide these layers actively. Communism, with its focus on the higher layers gives no incentive to the population for enjoying the lower layers and hence leads to much slower material innovations. Hence, in a not highly automated developmental situation is a communistic system not able to compete with a capitalistic one. The basic layers will always trump the higher levels. A system focused on emotional and immaterial development cannot function if the people do not have the opportunity to eat or to fulfil a sufficient percentage of their other more basic needs. Such a system can never play out its own strengths in such a situation. A system with a lower layer focus on the other hand can develop its strengths perfectly in such a situation.

The situation changes fundamentally if the production and innovation processes are automatized. In such a society where automated machines provide the physiological needs of society, humans would have much leisure time. The automation of supplementary labour is simpler than that of labour directly focused on innovation. However, by the end of the automation process, all necessary human labour can be automated, which means that voluntary labour might still be helpful, while the core and necessary parts are automated (Hemous and Olsen, 2013; Frey and Osborne, 2015). Thus, if the lowest layer of the hierarchy is satisfied automatically and humans are not continuously forced to think about providing the lower two or more material layers for themselves and their families, they have freedom to strive for higher layers. But if there is an increasing limitation for the distribution of income, as most people do not have labour, humans would start to go against the system as their usage of the almost unlimited possibilities provided by the automated processes would be perceived as unjust. It would create a situation like the one described by Akerlof and Shiller: 'Consider fairness. As in the 1890s, the Depression of the 1930s led to an intense feeling of unfairness in employment relations and to a surge of labour disputes

worldwide. Communism emerged into its heyday, as intellectuals around the world began to see it as the solution to the exploitation of working people and the failures of the macro economy. A sense of instability in business institutions developed, with fears that the social contrast would be changed unpredictably' (Akerlof & Shiller 2009; p.68). In this case, Maslow's hierarchy of needs explains that a capitalistic system could not be successful, as the capitalistic incentive for the people to function is gone. An unwanted interest in higher needs would be triggered if the population is provided with sufficient food and other satisfactions of the basic needs, without the constant creation of new desires. If the focus on higher needs cannot be proceeded or if there is no chance of getting new income, due to the automation, social unrest would certainly be triggered, as unsatisfied citizens with lots of time on their hands and little perspectives are not a sustainable basis for any system. Capitalism could hence not be sustainable in such a situation. A more communistically influenced system, with a focus on the development of the higher layers of its subjects, on the other hand, would thrive under such conditions as the basic layers are provided and not of concern for the society and its subjects anymore. Humans would hence be free to focus on the higher layers of Maslow's needs, and a sustainable system would support them. Schumpeter already arrived at a similar conclusion: 'As a matter of fact, capitalist economy is not and cannot be stationary. Nor is it merely expanding in a steady manner. It is incessantly being revolutionized from within by new enterprise...' (Schumpeter 1942, p. 31).

Schumpeter's long term perspective for a capitalistic system can be summarized by the second part of his book 'Capitalism, Socialism and Democracy', which is called: 'Can capitalism survive?' He starts : 'No I do not think it can.' (Schumpeter 1942, pp.59, 61). His perception on a socialist system can be seen in part three, which is called 'Can Socialism survive?' and to the question: 'Can socialism work?' He answers: 'Of course it can.' (Schumpeter 1942, p.167). His main argument why socialism may work is that it inspires people to thrive for higher things and nobler means than within a capitalistic society. The intrinsic and long term motivation is hence higher if the means defined by Maslow are more or less continuously fulfilled.

Schumpeter (1934) claimed that the end of capitalism is the result of innovation being captured within a corporate structure. The rise of such a corporate system could empower the leaders to stunt and control innovation if needed to advance profits. He stated that such a system would be able to survive for a long time, which fits to the argument of this paper. At such a point, capitalism has surpassed its own purpose for the technological development of humanity, which is to innovate as much and as fast as possible and focuses only on its inherent self-interest, which is profit. Schumpeter describes the particular line in the sand that represents the latest stage of a system that has surpassed its purpose. Another purpose is needed at this stage.

A transition to a more socialist approach is hence needed in such an economy to enable a peaceful co-existence, as the people would be provided with all necessary goods and would have the time to develop their own interests, which is one core point of argumentation in the discussion about an universal income. The authors wish to emphasize that this is not a romanticized approach towards socialism, but a merged form between capitalism and socialism. But regardless of the exact design of the system, it is crucial to mention that such a system would be economically stable in the long run as humans are occupied with whatever they like and most of the system runs on autopilot. A capitalistic system on a similar basis would in the end run into a monopolistic, or at least oligopolistic, structure, as the companies, or the algorithms directing them, would compete while one after another would be eliminated or bought by the bigger, pre-existing players, as the markets did not start from same starting conditions. The system would hence lead to extreme inequality in income and capital accumulation, which is not sustainable over a longer period. For the sake of keeping the paper focused, we do not proceed in establishing the differences between socialism and communism, as communism can be understood as one form of socialism, and we leave it at that. Also, we do not want to make any claims about the rise or transition to communism within this paper. We just try to show the different applications and abilities. A societal transition underlies many more influential factors that we cannot get into in this paper.

Labour in capitalistic systems is either directly or indirectly connected to innovation, hence supporting those who innovate or further innovations. The pursuit to fulfil material needs is often projected on the pursuit of money, but it has also repeatedly been shown that money does not enhance the happiness of human beings in general. It enhances their ability to provide for their basic needs, but if that level is reached, it does not impact happiness anymore. Interestingly, the relation seems to be the other way around, meaning that happiness makes it more likely to lead to an increase of a person's income. Individuals with material objectives in life tend to be unhappy in life if they are not wealthy. Hence, money can be a means for happiness, but the systemic economic growth of the last decades in developed economies does not coincide with a similar increase in systemic happiness (Diener and Biswas-Diener, 2002). This supports the claims of the last paragraph, as it emphasizes that a 'non-consciously' or not actively innovating capitalistic system would not be sustainable (Appleby, 2010). The interpretation that communism and capitalism discuss the same issues and the same development stage in human history, just because they are both economic systems, is just not sustainable.

An important aspect that must be emphasized is that this paper is focused on the theories in their purest forms. The real-world, applications have never been, and most probably never will be, the pure form of either system. Still, these purely theoretical utopias have their purpose in motivating human kind (Hodgson, 1995a). The first example for a non-theory dominated aspect of the current application of capitalism are innovations on the Kondratiev cycle. Those long-term innovations are initially not necessarily driven by the motivation for profit opportunities. Many of these innovations are the product of long lasting investment programmes that the private sector is often not willing to support. In various cases, public investment enables the first stage of the development of such fundamental innovations until the markets can take over, as the risk is getting more predictable. This is the development phase that Perez (2002) calls the surge. The fundamental technological innovations leading to the rise of a new technological age are often laid by public entities and public funding. One famous example of that from the recent paradigm is the public funding for the innovations leading to the iPhone, for which the internet,

the basic touchscreen technology, GPS and in total 13 fundamental components, have been publicly funded (Mazzucato, 2013). These public innovations were then provided to the private sector, which then enabled the rise of the most valuable company in the world right now. Hence, a purely private sector innovation is not the case even in the currently most developed countries of the world. The fundamental, long-term innovation that might only pay off after twenty years is often left to public entities.

All these tendencies show that the real world applications of capitalistic systems are shifting between more or less influenced adaptations from communistic and other theoretical thoughts (Hodgson, 1995b). One of rather socialistic influenced forms of economic design is the classical German approach of the Social Market Economy (Drechsler, 1997). Modern tendencies, like shared usage models, social entrepreneurship and green economics, are just newer additions to the broader field of adaptations, which means that a mixture of systems was always in place and our economy is in a constant process of transition between the nuances of the systems. The same accounts for all real-world applications of Marxist thought in human history. Regardless if one is speaking of Leninism, Stalinism, Titoism, Hoxhaism, Maoism or any other form of implementation. None of these systems trying to make communism work in competition with capitalism was able to last long. All of them were eliminated or had to be adapted to survive. These cases are hence also a partial confirmation of our theory that communism and capitalism should have never competed.

At this point is it also worth mentioning that the same logic applies in the competition with other political and economic systems. The feudal system was held by power and brute force, but it had to give in to reform, as the humans on the lower levels of the power hierarchy were pushing for a system that would ensure a satisfaction of the lowest needs at any point in time. Capitalism took over as it was a system that could provide that fact, regardless of all distributional, greedy and even terrifying aspects that the young capitalism created.

#### **4.0 Conclusion**

There should have never been a conflict between the two systems as they are just not able to compete with one another in the particular phase of human development. The mixed forms however are very much

able to compete and their use shows the perceived developmental stage of the society that employs the particular form. The pure and theoretical systems have completely different objectives and, thus, also different appropriate times of usage. Capitalism is focused on innovating material goods and services. The system persists through constant change and occupation for the population. Occupation in both meanings of the word, working, as well as having the mind full with other things. Communism on the other hand is focused on the higher layer development of its habitants. Communism mostly ignores the lower layers, while capitalism ignores the higher layers. Communism cannot compete if the lower layers are not provided automatically, or externally and capitalism cannot persist if the population is not occupied as the needs of the lower layers are fulfilled automatically.

The authors of this paper do not wish to speak for or against either system. The argument is only that communism and capitalism should not be seen as being in competition. Each have their own purpose and their own appropriate applications. Capitalism builds implicitly on the basic desires of humans, while communism focuses implicitly on higher layers of human desire. The paper also shows that mixed forms and tendencies to move between aspects of both systems are crucial for the adaptation of either system to the particular development stage. Tendencies like shared, green, social, sustainable and post growth economics are such partially mixed forms.

The consequence of this paper is that capitalism and communism are not and never should have been treated as competitors, as they are just not focused on the same issues and not even on the same time in humanity's development.

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