

How Capitalism and Socialism Differ in Regard to Property Rights

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Throughout history, the rules related to and defining property have been regularly disputed in regard to its philosophy and justification. There are three historically significant terms defining property rights; private, common, and collective property. However, property rights were a contested debate between philosophers throughout the 18th century. John Locke advocated for the theory that private property was a natural right. Jean-Jacques Rousseau believed property was not natural, while Karl Marx argued that private property should be entirely abolished. The debate continued into the 20th century where it focused on the economic side of the debate analyzing the differences between capitalism versus socialism as it relates to private property.

In the early history, private land was not existent and common land was the terminology used. Everyone in the community would share land and had equal rights to the land.¹ After the Roman Empire fell, the ideas of common land and private land began to merge into what was called the feudal system.² In a feudal system, land belongs to a common group, not an individual. This is where monarchies began taking control over land and estates while the clergy took control over land which contained a church.³ Private property did not technically exist for an individual.

¹ *History of Land as Private Property*, Progress and Poverty, Chapter 29, HENRY GEORGE INST., <http://www.henrygeorge.org/pchp29.htm>.

² Id.

³ Id.

“In a private property system, property rules are organized around the idea that various contested resources are assigned to the decisional authority of particular individuals.”⁴ Private property is a system that legally binds an individual to a piece of land to be used for their personal use. Private property also means that an individual can use its land and exclude others from it because it is owned by an individual, unlike common property, which is shared among a society. Private property allows an individual to exercise their authority over the land on behalf of their own self-interest. They can transfer the property to someone else, operate on the land or leave it alone, it is up to the individual owner. Although the individual can face consequences from the community for the actions taken on their private property, the individual is the sole owner and they have control over the property.

“In a *common property* system, resources are governed by rules whose point is to make them available for use by all or any members of the society.”⁵ For example, a public park can be considered a common property because it can be shared with anyone in the community. Restrictions on common property use is intended to accomplish some public health, safety, fairness or organizational purpose. For example, reserving a birthday party at the park must be booked in advance to ensure fairness of property availability, in order to ensure equality to all. Another example of property is called Collective Property, “. . .here the community as a whole determines how important resources are to be used. The community itself determines what function property will have, based on the social interest of the collective.”⁶

⁴ Jeremy Waldron, *Property and Ownership*, Stanford Encyclopedia of Philosophy (Mar. 21, 2020), <https://plato.stanford.edu/entries/property/>.

⁵ Id.

⁶ Id.

The evolution of property rights can be found even during the times of the Ancient Greeks. Plato in his book, *The Republic*, mentioned that property should be a collective in order to have society move with a common interest.⁷ A collective he argued, would avoid divisiveness that a system of private property would create. However, Aristotle was in favor of private property because self-interest promotes responsibility, “When everyone has a distinct interest, men will not complain of one another, and they will make more progress, because everyone will be attending to his own business.”⁸ Aristotle believed that there was a relationship between private property and freedom, owning property means you are a free man and eligible for citizenship to the Greek state. For Aristotle, the idea of ownership furthers the advancement of society more than just a collective.

John Locke was an English philosopher regarded as one of the most influential Enlightenment thinkers of his time.⁹ Known as the “Father of Liberalism,” his philosophy would eventually be studied and influence future philosophers such as Jean-Jacques Rousseau and even in the writing of the United States Declaration of Independence.¹⁰ Locke’s famous principles are life, liberty, and property, which he believed were the three natural rights of man. Although they seem to be independent variables, they are connected to the word “property.”¹¹

⁷ Plato, *The Republic* (360 B.C.E.), <http://classics.mit.edu/Plato/republic.html>.

⁸ Ancient History Source, *Aristotle: from The Politics* (c.340 BCE), FORDHAM U., <https://sourcebooks.fordham.edu/ancient/aristotle-politics1.asp>.

⁹ Julian W. Korab-Karpowicz, *A History of Political Philosophy: From Thucydides to Locke*, Global Scholarly Publications, N.Y. (2010), p. 291, <http://uu.diva-portal.org/smash/get/diva2:1205647/FULLTEXT02.pdf>.

¹⁰ Id.

¹¹ Hesiod, *John Locke: From Self-Preservation to Private Property, Discourses on Minerva*, (Jan. 6, 2020), <https://minervawisdom.com/2020/01/06/john-locke-from-self-preservation-to-private-property/>.

The word property is defined by Merriam-Webster as “something owned or possessed.”¹² Locke’s philosophy means that the only way to have life and liberty is to have the freedom to own private property. Property rights are defined by Investopedia as, “theoretical and legal ownership of resources and how they can be used. These resources can be both tangible or intangible and can be owned by individuals, businesses, and governments.”¹³ Men are driven to provide a good life for themselves and their family, therefore, private property ownership is a motivating factor to achieve a life for themselves and their families. Locke argues that humans are consumers and must be able to consume and produce a means of production. That is why private property is closely tied to Locke’s economic philosophy of, “Good fences make good neighbors,” because fences define a man’s territory, which is his private property.¹⁴

Jean-Jacques Rousseau was a Swiss born, French philosopher during the 18th century. He passed away in 1778, during the American revolution, but right before the French Revolution.¹⁵ Although he passed before the French Revolution, his philosophy continued to inspire centuries later. Locke regarded property rights as natural law while Rousseau believed that the institution of private ownership is not natural at all. That a social contract is necessary for the legitimacy of property rights, believing in the doctrine of civil equality. In other words, property rights cannot exist without a state to deem its existence. For example, in his book *Discourse on Inequality*, he mentions that the growth of food and agriculture was due to man being able to own property but at the same time, creating its

¹² *Property*, MERRIAM-WEBSTER, <https://www.merriam-webster.com/dictionary/property#other-words>.

¹³ Will Kenton, *Property Rights*, Investopedia, (June 3, 2019), https://www.investopedia.com/terms/p/property_rights.asp.

¹⁴ *Id.*

¹⁵ Christopher Bertram, *JEAN JACQUES ROUSSEAU*, Stanford Encyclopedia of Philosophy (2017), <https://plato.stanford.edu/entries/rousseau/#PoliPhil>.

first kind of inequality of who owns the land and who works on the land.¹⁶ Furthermore, private property requires a government of laws and military to protect said property.¹⁷ Therefore, Rousseau disagrees with Locke because Rousseau believes that private property cannot be natural when you need a state to recognize the property in order for there to be private ownership. In addition, a government must be created to protect property and its ownership.

Karl Marx wrote *The Communist Manifesto* in 1848, becoming the father of Socialism by the socialist movement.¹⁸ The socialism movement is a social and economic doctrine that believes the state should be the sole owner of property and resources, abolishing private property.¹⁹ Working in a socialist state is about working in cooperation with your peers, producing products for the social good. The free market is at odds with socialism because capitalism promotes private property and private equity of resources, but it can create a strong concentration of wealth for a few people rather than benefitting the whole of society. Socialism focuses on the society rather than the individual, which means socialist want what is good for society as a whole rather than the individual itself. When it comes to private property, socialist historically have agreed that private property in general should be abolished. However, they disagree on how much private property should still exist. Some socialist believe that some private property must exist, like farms and shops. Others believe in no private property in any form. For example, English humanist Sir Thomas More wrote a book called the “Utopia” in 1516,

¹⁶ Id.

¹⁷ Brian Duignan & Maurice Cranston, *Years of seclusion and exile*, Encyclopædia Britannica (2019), <https://www.britannica.com/biography/Jean-Jacques-Rousseau/Years-of-seclusion-and-exile>.

¹⁸ Richard Dagger & Terence Ball, *Socialism*, Encyclopædia Britannica (2020), <https://www.britannica.com/topic/socialism>.

¹⁹ Id.

which argued that everything except personal items should be public property.²⁰

Another form of disagreement is the type of state needed to regulate a socialistic state of property, resources and the general welfare of its people. The main philosophy currently of socialism is creating a strong central government like the Soviet Union to manage the affairs of the nation. With the fall of the Soviet Union in 1991, this philosophy was one example of the failure of this type of socialism. There is an alternative philosophy of socialism which argues for a weak central power, giving the majority of power to the most local of governments such as city councils or state governments.²¹ This model has yet to be implemented on a national scale. Both socialist systems mean that there would be a higher power in charge of property, leaving the people without property rights.

The most extreme version of socialism is a Communist Regime. Historically, socialist revolutions, such as the one in Cuba, has led to a dictatorship under a total Communist State. In Cuba, Fidel Castro abolished private property and nationalized the natural resources of the country.²² According to Black Law's Dictionary, "Expropriation of Property" is considered to occur when the need exists "to take private property for the use of the public; surrendering a claim to property."²³ In other words, the property is expropriated from the private sector, and required the private sector to surrender all rights and benefits to the

²⁰ Id.

²¹ Id.

²² Daniel J. Mitchell, *The Economic Cost of Cuban Socialism Revealed in a Single Chart: Daniel J. Mitchell*, FEE Freeman Article (2019), <https://fee.org/articles/the-economic-cost-of-cuban-socialism/>.

²³ *Expropriation*, Black's Law Dictionary, 2nd ed. (2010), <https://thelawdictionary.org/expropriate/>.

government. For example, 3.3 million homes (houses and apartments) belong to the government, citizens must pay from their salary a controlled mortgage.²⁴ As the mortgage is payed, the citizen has the house put under their name. However, this does not give the citizen the right to sell their home or fix it with foreign or illegally acquired materials if they so choose.²⁵

In this version of socialism, private property is abolished. One must further include the fact that private property purchased pre-revolution, would not be considered by the newly founded Communist Dictatorship to be privately owned.²⁶ Policies of property expropriation were not original to Cuban revolutionaries; such policies were mostly inspired by Soviet Union expropriation and governing policies for a Communist regime. For example, when both the Soviet Socialist Revolution and the Cuban Socialist Revolution happened, any residents abroad or residents who owned more than one home immediately lost the right to their properties. This resulted in the abolishment of private property. The homes and all valuables inside would be considered the property of the regime.

The libertarian philosophy is probably the most important defender of private property and freedom. Within libertarianism, all the schools of thought, from the Austrian School led in the modern era by Frederick Hayek to Anarcho-Capitalism, which was founded by Murray Rothbard, all agree private property is a central element in order to preserve

²⁴ Emilio Morales, *Cuba's Real Estate Market: Booming Speculation*, HAVANA TIMES, May 2013, <https://havanatimes.org/uncategorized/cubas-real-estate-market-booming-speculation/>.

²⁵ Antonio R. Zamora, *Real Estate Development in Cuba: Present and Future*, NSU Works at 607,

<https://nsuworks.nova.edu/cgi/viewcontent.cgi?article=1664&context=ilsajournal>.

²⁶ Id.

freedom. A central debate that characterizes libertarians is the role the state plays in society. From a libertarian point of view, the state has to play a small role and should exclusively protect private property and liberty.²⁷ Libertarian scholars argue that private property rights are similar to natural rights, referring to John Locke's Second Treatise. This means that whatever the state does from taxing to creating a central bank and imposing regulations, is already violating freedom because it's seen as if the political elite is taking control of the economy.

Scholars like David G. Duff argue that imposing taxes like personal income tax is the same as confiscating or seizing private property.²⁸ For many libertarians, taxes are an imposition from the government and something that violates rights because no one agreed to it. They believe it's a way a Government exercises power and shows how private property is not respected. Many scholars agree that people shouldn't be paying taxes because it's money that belongs to individuals and because they believe the politicians wouldn't use it appropriately. Libertarian scholars believe that through private initiatives, that tax money can be handled more effectively in a way that would not harm private property. Other scholars go beyond that and argue that central banking is also against private property because the politicians are taking over the economy.

Murray Rothbard, who was one of the scholars against central banking argued that government and central banking were interventionist and created problems in the market.²⁹ Rothbard, who wrote *For a New*

²⁷ David G. Duff, *Private Property and Tax Policy in a Libertarian World: A Critical Review*. ALLAN SCHOOL OF LAW AT THE UNIVERSITY OF BRITISH COLUMBIA, 2005, pg. 23-45,

https://commons.allard.ubc.ca/cgi/viewcontent.cgi?article=1097&context=fac_pubs.

²⁸ Id.

²⁹ Murray Rothbard, *America's Great Depression*, VAN NOSTRAND at 1-361 (1963), <https://mises.org/library/americas-great-depression>.

Liberty: The Libertarian Manifesto, argued that self-ownership should establish the principles of every society and that government interference is what creates crisis, if everything was privately owned and with no central banking regulation, economic crisis wouldn't be as dangerous as the economic depression of the 1930s.³⁰

Modern Scholars like Javier Milei also argue that central banking contradicts private property rights because it means politicians control markets by deciding monetary policy, regulations and stops societies from growing. In a recent book Milei published, he argues that central banking should disappear and that Keynesian economics are detrimental to private ownership.³¹ For libertarian scholars, government regulation goes against private ownership principles and the market should belong to individuals, not the state.

In libertarian writings, private property is sacred and most of them agree that any type of increase in government power is a threat to private and individual freedoms. Libertarian economic scholars are in agreement that the role of the state should be minimum and non-interventionist. The state and institutions should protect private initiatives and should not interfere in private activities like the market.

While the 18th century saw the rise of philosophies concerning property rights, economists debated in the 20th century about whether capitalism or socialism is the final form of government. Ludwig von Mises and Friedrich Hayek are two of the most notable libertarian, economic philosophers of the 20th century. Mises was ahead of his time, a mentor

³⁰ Id.

³¹ Javier Milei & Diego Giacomini, (2019) *Libertad, Libertad, Libertad: Para romper las cadenas que*, <https://librospdfgratismundo.com/libertad-libertad-libertad-javier-milei/>

to Friedrich Hayek, promoting free market enterprise before the cold war era. For example, Mises wrote a book, *Economic Calculation in the Socialist Commonwealth*, during the rise of Socialism in Europe.³² He believed socialism would be impossible because price/cost systems would require an exchange of private property within the means of production. Mises revived liberalism post-World War 1 and brought his teaching to the U.S. after World War 2. He represented the essence of libertarianism, which is freedom itself. Even a prominent socialist, Robert Heilbroner admitted that “Mises was right.”³³ His philosophy values a free market, arguing that a free market is crucial for a functional state.

We also have the work of Calvin Bryce Hoover, who spent time in Moscow and wrote the book, *The Economic Life of Soviet Russia in 1931*.³⁴ Hoover studied how private property completely vanished in the newly formed Soviet Union in 1919 but surplus value returned slowly over the next decades. Once the Soviet Union fell in the late 20th century, the Cuban Communist State also fell into hardship because it relied on the Soviet Union to feed its people and fund its socialist operations.³⁵ After the spectacular fall of the Soviet Union, the world seemed to embrace the concept that free market principles were the victor.

The rise of Democratic Socialism in the United States is extraordinary because the United States was founded on the principles of private

³² *Profile of Ludwig Von Mises*, MISES INSTITUTE (1920), <https://mises.org/profile/ludwig-von-mises>.

³³ Parth Shah & Robert Heilbroner: ‘Mises Was Right!’, Spontaneous Order (Jan. 22, 2005), <https://spontaneousorder.in/robert-heilbroner-mises-was-right/>.

³⁴ Calvin B. Hoover, *Was A Duke Dean*, N.Y. TIMES (July 12, 1974), <https://www.nytimes.com/1974/07/12/archives/calvin-b-hoover-was-a-duke-dean-led-graduate-arts-school-economist.html>.

³⁵ Mitchell, *supra* note 22.

property while the ideals of Marxism is to abolish private property.³⁶ Presidential candidate Bernie Sanders famously brought his philosophy of democratic socialism to the mainstream during the 2016 Democratic Presidential primary and it has captured the youthful voters in ways never seen before. However, President Trump represents the older view of capitalism and during the 2019 State of the Union, President Trump famously said “America will never be a socialist country. We were born free and we will stay free.”³⁷ The question remains, how does democratic socialism deal with the right to private property?

On the other hand, democratic socialism is not a philosophy that advocates taking away private property from the wealthy. Democratic socialism is not meant to take away the private property of the American people, but its intended function is meant for the wealthy to pay more in taxes to provide more governmental programs for the middle and lower classes.³⁸ The main difference between democratic socialism and democratic capitalism is that in a capitalistic state the focus is on the individual benefit to a person while democratic socialism focuses on the total and complete welfare of all people. The United States of America, under a Sanders administration, can very well be morphed into a democratic socialistic state. However, it can be democratically morphed into a socialist state if the powers of government are willing to go in that direction. Although the U.S. Constitution today protects the right to private property, a U.S. Supreme Court with pro-socialist judicial doctrines can interpret the constitution differently than what it is today.

³⁶ Thomas Kleven, *Private Property and Democratic Socialism*, 21 Legal Studies Forum 1 (1997), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2893505.

³⁷ Schwartz, Ian, *Trump: 'America Will Never Be A Socialist Country'; 'We Were Born Free And We Will Stay Free,'* REALCLEARPOLITICS, <https://www.realclearpolitics.com/video/2019/02/05/>.

³⁸ Kleven, *supra* note 36.

Luckily, there are plenty of checks and balances between Congress, the Supreme Court, and the Presidency, so that the likelihood of such measures succeeding would be very challenging to say the least.

Locke and Rousseau debated their philosophies in the 18th century, whether private property is a natural human right, or a state given right, while Marx in the 19th-century believed in the total abolishment of private property. Libertarians such as Mises promoted the concept that property rights are essential to a free market capitalist society. Countries with socialist dictators have seen their citizen's property rights taken away by the government while the United States embraced private property and respected the free market. Although Cuba and the Soviet Union are extreme versions of Communist Dictatorships, this version of socialism was implemented during the 20th century and it failed, leading capitalism as the final victor going into the 21st century. And though there is a new trend of Democratic Socialism rising in the U.S., the likelihood of its political philosophy being implemented is low. Therefore, capitalism, private property and the right to own property, will still be the main economic and social philosophy.