

# Capitalism or Socialism : The Rational Choice<sup>1</sup>

by President Nyerere

My subject is an examination of the alternative economic and social systems which are open to Third World countries. In order to keep this discussion within reasonable bounds I must make certain assumptions. It is important that these should be clear before I begin: for if the assumptions are not shared, then much of what I say will be irrelevant. Fortunately, my assumptions are not very controversial—at least within Africa.

## *The Assumptions:*

My first assumption is that any discussion about the appropriate economic and social organisation must, for the time being at least, be conducted within each nation state, and the decision must be made exclusively by the people of that nation.

Secondly, I take it to be axiomatic that all the peoples of the Third World desire to govern themselves, and want their countries to be completely independent of external control. This does not rule out the possibility of political or economic links between two or more countries; nor does it exclude a possible voluntary merger of sovereignties, provided that these things are agreed upon after discussions based on the equality of all participants.

Thirdly, I shall assume that, to everyone in the Third World, the present degree of poverty, and the general lack of economic development, is completely unacceptable. We have to increase our production of wealth so that we may increase the level of our collective and individual consumption.

My fourth and final assumption is that our struggles for independence were national struggles, involving the rights of all the inhabitants. We were not aiming to replace our alien rulers by local privileged elites, but to create societies which ensure human dignity and self-respect for all. The concomitant of that is that every individual has the right to the maximum economic and political freedom which is compatible with equal freedom for all others; and that neither well-fed slavery nor the necessity to beg for subsistence are acceptable human conditions.

I have said that these assumptions are not very controversial within Africa. It is equally true that they do not represent the present situation. They represent aspirations rather than facts. That is obvious from an examination of world affairs, or from the briefest visit to any

<sup>1</sup>Address delivered at Sudanese Socialist Union Headquarters, Khartoum, 1973.

of our rural areas—or even to those urban areas where our unskilled labourers live.

Yet because these stated assumptions are also a list of our fundamental aspirations, they must be the basis for our choice of policies. If a policy militates against the achievement of these conditions, then its acceptability must be questioned. Even more, if a social and economic system is incompatible with these goals, then it must be rejected.

*The Choice:*

In the modern world there are two basic systems of economic and social organisation—capitalism and socialism. There are variations within these broad classifications, like welfare capitalism or humanistic socialism; but the broad distinction between the two systems remains, and our first choice has to be between them.

Remnants of feudalism and primitive communalism do, of course, still exist in the world; but neither of these are viable systems when challenged by the organised technology of the Twentieth Century. Sometimes, as in Japan, these old systems influence the organisation of capitalism for a while; but the influences are subordinate to the logic of the later organisation, and will eventually be completely eradicated. For in the last resort anything which detracts from the profit of an individual capitalist enterprise will be abandoned by that enterprise; and anything which militates against the efficiency of the capitalist system will be uprooted.

Primitive communalism is equally doomed. The moment the first enamel pot, or factory woven cloth, is imported into a self sufficient communal society, the economic and social structure of that society receives its death blow. Afterwards it is merely a question of time, and of whether the members of that community will be participants or victims in the new economic order.

Thus the choice for new nations lies effectively between socialism and capitalism. It is not a completely free choice, for all of us inherited certain patterns of trade, and have been to a greater or lesser extent indoctrinated by the value systems of our colonial master. Further, the Great Powers continue to regard us as being within the sphere of influence of one or other of them—which usually demonstrates its displeasure if we refuse to conform to the expected pattern of behaviour. But ultimately, if we so determine, and if we are prepared to overcome our recent past and the difficulties which others may place in our way, we can move towards the growth of one system or the other within our society.

Yet having said that, I now propose to argue that there is no real choice. In practice Third World nations cannot become developed capitalist societies without surrendering the reality of their freedom and without accepting a degree of inequality between their citizens which would deny the moral validity of our independence struggle. I will argue that our present poverty and national weakness make socialism the only rational choice for us.

*Capitalism and Independence:*

Under a capitalist system the purpose of production and distribution is the making of profit for those who own the means of production and exchange. The need for goods is subsidiary to the profit involved in making them. Therefore the owner of the machines and equipment used in production—that is, he who provides the money for these things—is the one who determines whether there shall be any production, and of what kind, and in what quantity. Neither the men who provide the labour for the production, nor the men who need the goods which could be produced, have any say in these decisions. Under capitalism, money is King. He who owns wealth owns also power. He has power over all the workers, whom he can employ or not, and power over the governments, which he can paralyse by withholding vital production or sabotage by the manipulation of men and machines.

That has always been the essence of capitalism. But there is a further relevant fact in these decades of the Twentieth Century. That is that this power is now concentrated in very few hands. For whereas one hundred years ago a quite small amount of money sufficed to establish an industrial or commercial enterprise, modern technology now precludes this in all important areas of production. Thus, for example, Henry Ford could begin his manufacture of cars in a bicycle repair shop, and build up his capacity bit by bit. But now, in the 1970s, anyone who decides to begin making vehicles must be prepared to make a multi-million dollar investment before the first one rolls off the assembly line. Mass production techniques make small units uneconomic—they go bankrupt in an attempt to compete with the giants or else sell out to a larger business. Therefore, instead of having a very large number of small capitalists, we have a very small number of large capitalists. 'Small men' exist; but they initiate an insignificant proportion of the total wealth produced, and usually confine their attention to the luxury trades.

This development is part of the dynamic of capitalism—for capitalism is very dynamic. It is a fighting system. Each capitalist enterprise survives by successfully fighting other capitalist enterprises. And the capitalist system as a whole survives by expansion, that is by extending its area of operations and in the process eradicating all restraints upon it, and all weaker systems of society.

Consider now what this means for the new nations of the Third World.

According to capitalist theory, if we choose capitalism our citizens would be free to establish capitalist enterprises, and these Tanzanian or Sudanese capitalists would compete—that is, would fight—all other capitalist enterprises, including the foreign ones. In practice, however, two questions immediately arise. First, where in our lands are those citizens who have sufficient capital to establish modern

industries; and second, how would our infant industries fight other capitalist enterprises?

I believe the answer to these questions is clear in all Third World countries. For Tanzania is no exception in not having within its borders the kind of wealth which is necessary to establish modern industrial units. As a general rule no individual, or group of individuals, from within any of our nations has the capacity to establish even a large modern textile mill, much less to operate a diamond mine, put up a steel mill, or run a large-scale commercial enterprise. That amount of money, and that kind of expertise, just do not exist. Certainly, the most which could be done by Tanzanians is the establishment of little workshops, which either assemble imported components, or which undertake simple processing of locally produced crops. Our citizens can establish small retail shops; wholesaling on any economic scale is likely to demand more resources than they have.

When Britain experienced its industrial revolution at the end of the Eighteenth Century, that was enough. It is not enough now! How could these little Tanzanian capitalists compete with I.C.I., Ford, Nippon Enterprises, and the other big multi-national Corporations—or even with Walls Food Products? The answer is simple: they could not! The best they could do would be to become agents of these international capitalist concerns. And this would not bring progress in the attack on our under-development; for the result would not be modern factories producing necessities, but local agents importing and processing those things—and only those things—which were profitable to both the local agents and the overseas enterprise.

In fact, Third World capitalism would have no choice except to co-operate with external capitalism, as a very junior partner. Otherwise it would be strangled at birth. You cannot develop capitalism in our countries without foreign capitalists, their money and their management expertise. And these foreign capitalists will invest in Third World countries only if, when, and to the extent that, they are convinced that to do so would be more profitable to them than any other investment. Development through capitalism therefore means that we Third World nations have to meet conditions laid down by others—by capitalists of other countries. And if we agree to their conditions we should have to continue to be guided by them or face the threat of the new enterprises being run down, of money and skills being withdrawn, and of other economic sanctions being applied against us.

In fact, a reliance upon capitalist development means that we give to others the power to make vital decisions about our economy. The kind of economic production we shall undertake; the location of factories, offices and stores; the amount of employment available in any area; and even the kind of taxation system we adopt; all these matters will be determined by outsiders.

It is claimed that this would be a temporary phenomenon, as foreign capitalist investment in a Third World country would be a catalyst for local capitalist enterprise. To some extent this is true; small local businesses may grow up in the shadow of a major, foreign-owned, factory. But all such businesses would have the purpose of providing services to the workers of the big industry, or of making small components for it. They would therefore be absolutely dependent upon it, flourishing when it expanded and collapsing if it closed down. Local business would thus be the puppets, not the enemies of the foreign enterprise—the subsidiaries, not the competitors. They would be forced to identify themselves with all demands made by the foreign capitalists. The loss of real national self-determination would therefore be increased—not decreased; for the foreign owners would have secured a local political base to back up their economic power.

This is very easy to understand. If the Government, for example, proposes to lay down new minimum wages, or to raise revenue from a tariff on goods of interest to the factory, the big employer may say—politely or otherwise—that in such a case they will close their factory. They can point out that this will not only result in a loss of livelihood for all those directly employed; it will also force into bankruptcy a number of ancillary units. Of course, the independent government can still go ahead with its proposals; but it will then have to deal with the consequences—and they are not likely to be pleasant for either that government or the people it wishes to serve.

Nor is this all. Foreign policy questions will also be affected by reliance upon foreign capitalists for economic development. It is true that American, British or Japanese capitalists have no patriotic loyalty to their largest investments—and these are unlikely to be inside any one under-developed country! Therefore, a poor nation's quarrel with one of the imperialist countries about, for example, its support for Zionist expansionism, or for South Africa, Rhodesia, or Portuguese colonialism, can easily lead to the withdrawal of capitalist expansion plans, or even to the contraction and eventual closing of established enterprises.

What I am saying is that given the present inequalities between nations, capitalist development is incompatible with full national independence for Third World countries. For such development will be foreign owned, and foreign controlled; local capitalists will be subsidiary, and will remain subsidiary.

There can be no question about this—the foreign domination is permanent, not temporary. It is the big enterprise which will make the large profits and have large monies available for the next investment. The small ones will remain small—or be bought out! For confirmation of this fact, and its meaning, it is only necessary to look at what has happened within the major capitalist countries. One sees that

medium size enterprises gobble up small ones, and are themselves gobbled up by large ones. Finally, the giants fight among themselves for ultimate supremacy. In the end the rich governments of the big capitalist countries find their own freedom of action is restricted by the economic power of the capitalistic giants. Even if they are elected to fight capitalism, they find it necessary to ensure the raw materials, and the profitability, of the big Corporations, or face mass unemployment and major economic crises.

The fact that a number of competing big capitalist institutions may invest in a particular developing country—perhaps from different foreign bases—does not invalidate this simplified analysis. As a general rule the meaning is that the poor country has given several hostages to fortune instead of one. In theory it can endeavour to play one enterprise off against another; but in practice it is much more likely to discover that its economic destiny has been determined by enterprise conflicts which originate outside its own borders, and about which it knows nothing! A 'take-over bid', or a rationalisation scheme, or a new cartel arrangement, can undo years of local negotiation, and the independent government may well hear about the prospect only if one giant or the other hopes to use it in order to get better terms for its own shareholders!

*Capitalism and the Nature of Society:*

This inevitable loss of real national freedom is, however, only one of those results of capitalism which I believe to be incompatible with the national purposes of all Third World Governments. For capitalism does not only imply a fight between capitalists, with the developing nations' capitalists inevitably being worsted. It also involves a permanent fight between capitalists on one side and workers on the other.

This is a very important matter for us, coming as most of the African Third World countries do out of primitive communalism into the modern world. For it means a new factor of national division at a time when all of us are still fighting to overcome the divisive forces of tribalism, religion and race. It also means that the fruits of independence will be denied to the mass of the people who worked for it, or in whose name it was demanded.

There is no escaping this effect of capitalism. For the purpose of capitalist enterprise is the making of profit. To do this, the capitalist must keep his costs of production as low as possible, and get the maximum return from the sale of the products. In other words, he must pay the lowest wages for which he can get workers, and charge the maximum price at which he can sell the goods produced. A permanent conflict of interest between the worker and the employer inevitably follows. The former want to get high wages so as to live decently—and perhaps buy some of the goods they work to produce. The latter needs to pay low wages so as to maximise his profit, that is, the return on the money he has invested.

Thus capitalism automatically brings with it the development of two classes of people: a small group whose ownership of the means of production brings them wealth, power and privilege; and a very much larger group whose work provides that wealth and privilege. The one benefits by exploiting the other, and a failure in the attempt to exploit leads to a breakdown of the whole system with a consequent in fact, the basis on which capitalism has won the accolade for having solved the problem of production. There is no other basis on which it can operate. For if the workers ever succeeded in obtaining the full benefits of their industry, then the capitalist would receive no profit and would close down the enterprise!

What this means for the masses of the people in the Third World countries should be obvious. Their conditions of employment and their return from employment, will be just sufficient to maintain the labour supply. Further, if the nation is dependent upon capitalist investment for all its desired economic expansion, the workers will have to be prevented from organising themselves to fight for their rights. For an effective Trade Union struggle might lead the employer to argue once again that his factory has become uneconomic. The resultant threat of a close down may well prompt the government to intervene on the side of the employers in order to safeguard the economic growth rate and its own miserably small, but vital, tax revenue.

Development through capitalism is thus basically incompatible with the fourth aspiration I listed—that of human dignity and self-respect for all, with equal freedom for all inhabitants of the society. For capitalism means that the masses will work, and a few people—who may not labour at all—will benefit from that work. The few will sit down to a banquet, and the masses will eat whatever is left over.

This has a further implication. With a capitalist system the production of goods, measured statistically, may well go up considerably; if it happens to possess certain mineral resources, the Third World country may even find itself high on the list of 'successful states' as regards the growth rate of its Gross National Product. But the mass of the people, who produce the goods which are measured, will be without sufficient money to buy the things they need for a decent life. Their demand will exist, but it will not be effective. Consequently, the production of basic necessities—decent houses, food and nice clothes—will be limited; such production would be less profitable to the capitalist investor than the provision of 'luxury goods'. It was no accident, for example, that one of the early post-independence investments in Tanzania was a Drive-In Cinema. Much more profit could be made from using cement that way than in producing worker's houses!

For on top of everything else, the choice of capitalism as the road to development means a particular kind of production, and a particular kind of social organisation. Rural water supplies will have a low

priority, regardless of the fact that they are needed for the health of the people. The importation, and perhaps even the production, of air conditioners, of private cars, and of other 'consumer durables' will have a high priority. The former brings no profit; the latter do.

To see the real meaning of this we can once again look at the developed capitalist societies. There we can see the malnutrition among the people of the Appalachian mountains and of Harlem contrasted with the gadgetry of suburban America; or in Britain we can see the problem of homelessness while colour television sets are produced endlessly; and in the same societies we can observe the small resources devoted to things like education and health for the people as compared with those spent to satisfy the inessential desires of the minority.

### *The alternative of Socialism:*

To argue, as I have been doing, that capitalism is incompatible with the aspirations of the Third World does not mean that the alternative of socialism is an easy one, nor that success under it is automatic. But socialism can be compatible with our aspirations; by adopting socialist policies it is possible for us to maintain our independence and develop towards human dignity for all our people.

The vital point is that the basis of socialist organisation is the meeting of people's needs, not the making of profit. The decision to devote the nation's resources to the production of one thing rather than another is made in the light of what is needed, not what is most profitable. Furthermore, such decisions are made by the people through their responsible institutions—their own government, their own industrial corporation, their own commercial institutions. They are not made by a small group of capitalists, either local or foreign—and the question of foreign domination through economic ownership is thus excluded. Further, the workers of the nation can receive—directly or indirectly—the full fruits of their industry; there is no group of private owners which constantly appropriates a large proportion of the wealth produced.

None of this means that great inequalities within the society, or the exploitation of groups, or even the seizure of power and privilege by a small minority, is automatically ruled out in a society which opts for socialism. Looking around the world we can see so-called socialist countries where all these things happen. But my point is that such things mark a failure to implement socialism; they are not inherent in it in the way that they are inherent in capitalism.

The major argument used against socialism for the developing world is, in fact, that it will not work, and that all socialist states are poor states because of their socialism. Without speaking for as long again as I have already spoken—which I do not propose to do—it is not possible to refute this argument in any detail. There are, however, three very fundamental points which I would ask you to consider in this respect.



The first is that to measure a country's wealth by its Gross National Product is to measure things, not satisfactions. An increase in the sale of heroin, in a country where this is legal, would be recorded as an increase in its national wealth; if human well-being were the unit of measurement, such an increase of sales would be a negative factor. Similarly, the spread of good health through the eradication of endemic diseases may, or may not, be recorded as an increase in statistical national wealth; it is certainly better for the people if it has happened!

My second point is that a successful harlot, or a favoured slave, may be better off materially than a woman who refuses to sell her body, or a man to sell his freedom. We do not regard the condition of the harlot or slave as being consequently enviable—unless, of course, we are starving, and even then we recognise the possible amelioration in our circumstances as being uncertain and insecure.

Thirdly, I do not accept that the so-called unworkability of socialism has been proved. Capitalism has been developing for about two centuries. The first national commitment to socialism was made in 1917, by a backward and feudal nation devastated by war, which has subsequently suffered greatly from further civil and international conflict. Even so, few people would deny the material transformation which has been effected in the U.S.S.R. during the past fifty-five years. And in fact, despite the major criticisms which can be made of all the socialist countries, it is difficult to argue that their peoples are worse off than the late capitalist starters—countries like Greece, or Spain, or Turkey, for example. On the contrary, they are clearly better off in the vital matters of health, education, and the security of their food and shelter. Whether or not they have the same number of television sets seems to me to be much less important!

### *Conclusion:*

It cannot be denied that many difficulties face a Third World country which chooses the socialist alternative of development. Not least among these are its own past, the dynamism of capitalist initiative techniques, and the gambler instinct which every human being seems to possess, so that we all hope we shall be among the privileged not the exploited! But I believe that we can choose the socialist path, and that by so doing we can develop ourselves in freedom, and towards those conditions which allow dignity and self-respect for every one of our citizens.

I believe that this prospect must be pursued, with vigour and determination. We shall not create socialist societies overnight; because we have to start from where we are, we shall have to make compromises with capitalist money and skill, and we shall have to take risks in our development. But I am convinced that Third World countries have the power to transform themselves, over time, into socialist societies in which their peoples can live in harmony and co-operation as they work together for their common benefit.