



THE

X

Y

Z'S

OF SOCIALISM

EDITED BY LAWRENCE W. REED

FEE

The XYZ's of Socialism

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LAWRENCE W. REED

FEE

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Table of Contents

[Preface](#)

[Socialism: Force or Fantasy? by Lawrence W. Reed](#)

[Socialism's Prescient Critics by Philip Vander Elst](#)

[Snowstorms or Snowflakes? by Lawrence W. Reed](#)

[The Significance of Mises's "Socialism" by Peter J. Boettke](#)

[Where Are the Omelets? by Lawrence W. Reed](#)

[Why Socialism Is Impossible by Richard M. Ebeling](#)

[Rendering Unto Caesar: Was Jesus a Socialist? by Lawrence W. Reed](#)

[Five Ideas at the Heart of Socialism by Lawrence W. Reed](#)

[Was Dickens Really a Socialist? by William E. Pike](#)

[Socialism Requires a Dictator by Richard M. Ebeling](#)

[Why Socialism Failed by Mark J. Perry](#)

[A Revolution to Always Remember but Never Celebrate by Lawrence W. Reed](#)

[Dissent Under Socialism by Sandy Ikeda](#)

["Democratic Socialism" Is a Contradiction in Terms by Sandy Ikeda](#)

[Does Democracy Lead to Socialism? by B.K. Marcus](#)

[Why Do They Turn to Socialism? by Edmund A. Opitz](#)

[There Is Nothing Green about Socialism by Marian L. Tupy](#)

[Is Germany Successful Thanks to Socialism? by Kai Weiss](#)

[Socialist Policy Tanked Venezuela's Economy, Not Falling Oil Prices by Julian Adorney](#)

[What Venezuela Can Teach Young Socialists by Marian L. Tupy](#)

[The Myth of Scandinavian Socialism by Corey Iacono](#)

[Nordic Socialism Isn't the Answer for America by Nima Sanandaji](#)

[Does the Economy Need More Central Planning? by Lawrence W. Reed](#)

[Actually Bernie, Markets, Not Socialism, Promote Kindness by Julian Adorney](#)

[Millennials Are in a Love Triangle with Capitalism and Socialism by Andrew J. Taylor](#)

[How Believing in Socialism Can Make You Miserable by Brittany Hunter and Dan Sanchez](#)

Preface

When a socialist says he wants to give you “the ABC’s of socialism,” you can be sure that’s as far into the alphabet as he’ll want to go. Happy talk, vague promises, political programs, perhaps an angry, envy-soaked tirade or two against the rich—but not much at all about where all that leads. That part always gets a little embarrassing.

Hence this anthology. The essays herein take you beyond the surface appeal of socialism’s message so you can understand both its underlying motivations and its practical results. After all, no system of political, economic, or social organization should be judged by simply what its advocates *say* it’ll do. That’s pretty shallow thinking, not much deeper than slogans and bumper stickers. It’s far more instructive to judge a system by the premises on which it’s based and the outcomes it actually produces.

This immediately presents an important, definitional issue: What is socialism? The first chapter in this collection deals with that matter, and later chapters expand upon it. For now, this much ought to be obvious: However you choose to define it, you know it involves government. *A lot* of government. Much more than just about anybody faces today, in spite of all the growth in government we’ve already had and all the shortcomings (even *disasters*) it’s given us along the way.

If you’re a person of peace and goodwill, one who wants the best for every deserving individual, then this ought to give you pause.

It’s a good bet that no matter where you are on the political spectrum—socialist, liberal, conservative, libertarian, anarchist, or something else—you want men and women in government to be honest, humble, fair, wise, independent, responsible, incorruptible, mindful of the future, and respectful of others. You want them to be men and women of peace and goodwill just like you, right?

You may be holding profoundly contradictory views without realizing it. This is the bottom line: The bigger government gets, the less likely it will attract men and women who possess those traits we all say we want.

Have you noticed how mean and nasty campaigns for high office have become? Lies and distortions are common political fare these days. Why

would a genuinely good person subject himself to the ugliness of it all? Increasingly, genuinely good people don't bother, so we are left all too often with dirt bags and demagogues in government. So we really need to think about what history often tells us is the worst of both worlds: Big Government run by Bad People.

Lord Acton famously stated more than a century ago that "Power corrupts, and absolute power corrupts absolutely." He nailed it, though I would add a corollary of my own: "Power attracts the corrupt." Does socialism somehow and miraculously counteract that?

In spite of all the good intentions of many socialists, it's probably too much to expect people to stay good and honest when you task them with forcibly redistributing several trillion dollars every year and regulating almost every corner of other people's lives. That kind of power can make a sinner from a saint in no time.

Power may well be the most corrosive, character-destroying, society-demolishing weapon in Evil's arsenal. But in the name of doing good, socialists always want more of it, and they want it nicely concentrated in the hands of those who say they know best.

So don't judge socialism by its velvet glove and ignore the iron fist within it. Look beyond its ABC's and get to the end of it all—its XYZ's. This anthology will provide you the XYZ's that socialists conveniently forget to mention.

—Lawrence W. Reed
President
Foundation for Economic Education
Atlanta, Georgia
February 26, 2018

Socialism: Force or Fantasy?

Lawrence W. Reed

Have you ever tried to nail Jell-O to the wall? It's easier than getting a socialist to stand pat on what socialism is, which makes socialism an endlessly moving target.

Marx called for the abolition of private property and state ownership of the means of production. He labeled it "scientific socialism."

"But that's not what we mean!" today's socialist dreamers proclaim.

Lenin established the Union of Soviet Socialist Republics (USSR). He put the Soviet state in charge of every aspect of life for "the good of the people." Stalin, his mass-murdering successor, declared that Soviet socialism would perfect the "workers' paradise" promised by socialist intellectuals.

"But that's not what we mean!" today's socialist dreamers proclaim.

Hitler and his minions "planned" the German economy, called themselves socialist and even named their political organization the [National Socialist German Workers Party](#).

"But that's not what we mean!" today's socialist dreamers proclaim.

Fifteen different republics within the Soviet empire all proclaimed themselves dedicated to socialism (until all of their socialist regimes collapsed in 1989–91).

"But that's not what we mean!" today's socialist dreamers proclaim.

More Failed Examples of Socialism

Dozens of regimes in Africa and Asia from the 1950s on committed themselves to the socialist utopia, embracing socialism proudly by name. Every single one of them elicits the same proclamation from today's socialist dreamers: "But that's not what we mean!"

Socialists all over the world rejoiced in the rise to power of socialist Hugo Chavez in Venezuela. "This is what we mean!" seemed to be their mantra as he expropriated and nationalized and redistributed. Barely 15

years later with the country now a total basket case, you have to press today's socialist dreamers to get them to say anything at all. But when you finally get them to talk, once more we hear the familiar refrain: "But that's not what we mean!"

Today's socialist dreamers, Bernie Sanders being among the more prominent, are on a kick about Scandinavia. "That's what we mean!" they proclaim. Then more-studious observers of that part of the world point out that Scandinavian countries have no minimum wage laws; lower taxes on business and more school choice than the United States; trade-based, globalized economies; and few if any nationalized industries.

The prime minister of Denmark recently declared, "I know that some people in the US associate the Nordic model with some sort of socialism. Therefore, I would like to make one thing clear. Denmark is far from a socialist planned economy. Denmark is a market economy." So, today's socialist dreamers say, "Well, that's *not* what we mean." They advocate hikes in the minimum wage, higher taxes on business, little if any school choice, and massive intervention in commerce.

A Better Life for Mankind

Mikhail Gorbachev, the last leader of the USSR, offered one of the most expansive views of who's a socialist. "Jesus was the first socialist," declared Gorbachev, because he was "the first to seek a better life for mankind."

Gorbachev's silly claim clearly gets us nowhere: I'm as anti-socialist as it gets, and I, too, seek a better life for mankind (it's one of the many reasons I'm *not* a socialist).

Further, as I explained in "[Rendering Unto Caesar: Was Jesus a Socialist?](#)" Jesus never advocated the redistribution of wealth by force or by the political process. The caring and sharing he suggested was all voluntary—that is, from the heart and not from somebody else's pocket at gunpoint. He rebuked people for envy and theft and praised the man who invested his money to earn the greatest return. If Jesus was a socialist, then I'm Torquemada.

Socialists are so intellectually slippery that they could crawl through a barrel of pretzels without knocking the salt off. It's socialism until it doesn't

work; then it was never socialism in the first place. It's socialism until the wrong guys get in charge; then it's everything but. Under socialism, do you shoot the cow or just milk it 24/7? One thing I know for sure: When the milk runs out, socialists will blame the cow. Maybe the reason why socialists don't like personal responsibility is that they don't want to be held personally responsible.

Oxford Dictionaries—whose slogan is “Language Matters”—defines socialism as “a political and economic theory of social organization that advocates that the means of production, distribution, and exchange should be owned or regulated by the community as a whole.” It offers these terms as synonyms: leftism, welfarism, progressivism, social democracy, communism, and Marxism.

Maybe now we're getting somewhere. Sounds precise, right? Hardly. What is meant by “the means of production, distribution, and exchange should be owned or regulated by the community as a whole”? Should a convenience store have to put to some public vote the decisions about what to stock the shelves with or whom to hire for the night shift?

And what about this “regulated by the community as a whole” stuff? Have you ever known a regulatory body to be everybody in town or all 325 million people in the country? Don't such bodies end up being some handful of people with political power?

Even with a dictionary at hand to look up the word *socialism*, I still find myself scratching my head and asking, “What the hell is it, anyway?” Maybe it's imaginary—something that somebody hopes it is even if it never turns out that way when it's tried. Or maybe it's like pornography, which Supreme Court Justice Potter Stewart famously said he couldn't define, but “I know it when I see it.”

Exclusionary Solidarity

In his July 2015 article, “[The Whitest Privilege](#),” *National Review* writer Kevin D. Williamson came as close to explaining socialism-in-theory as I've seen in a while:

Socialism and welfare-statism, like nationalism and racism, are based on appeals to solidarity—solidarity that is

enforced at gunpoint, if necessary. That appeal is more than a decent-hearted concern for the downtrodden or the broad public good. It is, rather, an exclusionary solidarity, a superstitious notion that understands “body politic” not as a mere figure of speech but as a substantive description of the state and the people as a unitary organism, the health of which is of such paramount importance that individual rights—property, freedom of movement, freedom of speech, freedom of association—must be curtailed or eliminated when they are perceived to be insalubrious.

The socialist countries that seem to work—like Sweden, Norway, and Denmark—do so not because of the socialism they have but because of the capitalism they haven’t yet destroyed. Go full socialism and you get Venezuela. Or worse yet, North Korea.

Socialism Equals Force

It all comes down to persuasion versus force. Everything else is trivial. Here’s what I mean:

Under capitalism, two Girl Scouts show up at your door and ask, “Would you like to buy some cookies?” You get to say yes or no.

Under socialism, two Girl Scouts show up at your door with an armed SWAT team behind them. They say, “You’re gonna eat these damn cookies and you’re gonna pay for ’em, too.”

Some socialists say that they are simply advocating “sharing,” and since socialism’s advocates have good intentions, it must be voluntary and beneficial, too. Except that it never is. If it were voluntary, it wouldn’t be socialism, and if it were beneficial, you wouldn’t need force to create it and sustain it.

Today’s socialist dreamers think and act as if they just arrived from an alternate universe. A \$19 trillion national debt means that the federal government hasn’t spent enough to solve our problems. Stealing money that belongs to others through taxation is perfectly alright if you spend it on good things. People become much more honest, fair, competent, and compassionate once they get elected to office. If you force employers to pay

someone more than their services are worth, they will hire them anyway and just eat the difference. Regulations always do good because their advocates mean well. Civilizations rise and become great because they punish success and subsidize failure, then they collapse when they embrace freedom and free enterprise. Each person is entitled to whatever he wants other people to pay for, like free college and birth control.

Maybe all this nonsense springs from one fundamental, definitional flaw: If it's not the use of force to shape society the way you want it, then socialism is nothing more than a nebulous fantasy. It's a giant blackboard in the sky on which you can write anything your heart desires and then just erase it when embarrassing circumstances arise.

Either way, I don't want any part of it, but it always seems to want a part of me.

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Socialism's Prescient Critics

Philip Vander Elst

There is a good case to be made that the birth and spread of totalitarian socialism defines the twentieth century more than anything else. That is not what most schoolchildren are taught or what most people in the West believe, but it is a justifiable conclusion. Not only was totalitarian socialism directly responsible for provoking the bloodiest war in history; it has also been the biggest single cause of internal repression and mass murder in modern times.

According to *The Black Book of Communism* (1999), at least 94 million people were slaughtered by communist regimes during the twentieth century. This is a truly colossal figure, yet that's the lowest estimate. Professor R.J. Rummel, in his landmark study, *Death by Government* (1996), puts the death toll from communism at over 105 million—and his detailed calculations do not include the human cost of communism in most of Eastern Europe or in Third World countries like Cuba and Mozambique. Even so, his figure is double the total number of casualties (military and civilian) killed on all sides during World War II.

The full horror of this totalitarian socialist holocaust cannot, of course, be adequately conveyed by these grim statistics. Behind them lies a desolate landscape of economic collapse, mass poverty, physical and mental torture, and broken lives and communities. In fact, nothing illustrates the destructive impact of totalitarian socialism more vividly than the tsunami of refugees it has generated in every continent on which it has taken root. Between 1945 and 1990, *over 29 million men, women, and children* voted against communism with their feet in Asia, Africa, Europe, and Latin America (for details and sources see my book *Idealism Without Illusions: A Foreign Policy for Freedom*, 1989). Had it not been for the landmines, border guards, and barbed wire lining their frontiers, the world's communist states would have been emptied of their populations long before the fall of the Berlin Wall in 1989.

Totalitarian Logic

What provoked this vast tide of human despair? What was it that made life intolerable for most of the inhabitants of these socialist countries? The greatest Russian writer of the last century has given us the answer. To quote Alexander Solzhenitsyn:

Socialism begins by making all men equal in material matters. . . . However the logical progression towards so-called 'ideal' equality inevitably implies the use of force. Furthermore it means that the basic element of personality—those elements which display too much variety in terms of education, ability, thought and feeling—must themselves be leveled out. . . . Let me remind you that 'forced labour' is part of the programme of all prophets of Socialism, including the *Communist Manifesto* [1848]. There is no need to think of the Gulag Archipelago as an Asiatic distortion of a noble ideal. It is an irrevocable law. (*Warning to the Western World*)

It was, therefore, always predictable that by requiring the abolition of private property and the family, and monopolistic State ownership of agriculture and industry, the socialist pursuit of equality would necessarily produce the evil fruit of totalitarianism. One-party rule, the secret police, the imprisonment and torture of dissidents, concentration camps, mass executions, the political indoctrination of the young, the persecution of religious minorities—all these horrors have been the inevitable result of that concentration and monopolization of power that invariably corrupts the ruling elites and bureaucracies of all full-blown socialist societies. As an eminent Russian-born political scientist, the late Tibor Szamuely, wrote a generation ago in a pamphlet that should be read by the citizens of every civilized democracy: "How could it be otherwise? . . . How can there be any freedom when one's livelihood from cradle to grave depends totally upon the State, which can with one hand give and with the other take away?" (*Socialism and Liberty*, 1977).

Unfortunately, left-wing intellectuals and other critics of free enterprise have always been reluctant to acknowledge the totalitarian logic of socialism, wedded as they are to a benevolent vision of the State and the dream of using its power to create a more just society. Consequently, despite all the evidence to date, many of them still pursue the phantom of “democratic socialism,” believing that democratic institutions can be relied on to prevent socialism from degenerating into tyranny.

The great classical-liberal thinkers of the nineteenth century, by contrast, harbored no such illusions. Every single one of them discerned the incompatibility of state socialism with the maintenance of free and democratic institutions. They did so, moreover, long before the advent of the socialist tyrannies of the twentieth century.

One of the earliest warnings was sounded by John Stuart Mill (1806–1873) more than 50 years before the Russian Revolution. In a now-famous passage in his essay *On Liberty* (1859), Mill declared:

If the roads, the railways, the banks, the insurance offices, the great joint-stock companies, the universities and the public charities, were all of them branches of the government; if, in addition, the municipal corporations and local boards, with all that now devolves on them, became departments of the central administration; if the employees of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life; not all the freedom of the press and popular constitution of the legislature would make this or any other country free other than in name.

As Mill understood, you cannot maintain freedom of speech and of the press, or freedom of assembly and association, if all the means of communication—newsprint, meeting halls, radio stations, and more—are in the hands of the State. It is equally impossible, in such conditions, for opposition parties to win elections, particularly since a State-controlled economy prevents them, in any case, from acquiring the capital to finance their campaigns. That is why democratic socialism is a contradiction in terms. Either socialism must be diluted or abandoned for the sake of

democracy, or democracy (as well as liberty) will be sacrificed on the altar of socialism.

The Truth about Pre-Revolutionary Russia

What is so tragic about the Russian Revolution is that the triumph of communism in October 1917 aborted the embryo of a developing liberal society. As Szamuely points out,

[F]ew people in the West are aware of the extent of freedom in Tsarist Russia before the Revolution, in the early part of our century. It enjoyed full freedom of the press—censorship had been abolished, and even Bolshevik publications appeared without restrictions—full freedom of foreign travel, independent trade unions, independent courts, trial by jury . . . a parliament, a Duma with MPs representing parties of every political shade, including the Bolsheviks.

By the early 1920s, by contrast, all this had been swept away. To quote Solzhenitsyn's summary of the first period of communist rule under Lenin:

It dispersed the [democratically elected] Constituent Assembly. . . It introduced execution without trial. It crushed workers' strikes. It plundered the villagers to such an unbelievable extent that the peasants revolted, and when this happened it crushed the peasants in the bloodiest possible way. It shattered the Church. It reduced 20 provinces of our country to a condition of famine. (*Solzhenitsyn: The Voice of Freedom*, 1975)

Democratic socialists may object at this point that prerevolutionary Russia was not as free and democratic as Britain or the United States and that the cause of socialism was compromised by the Bolsheviks' violent seizure of power. But even if Lenin had triumphed in a peaceful election, his subsequent takeover of the economy and nationalization of all

previously independent institutions would eventually have produced the same totalitarian outcome.

The inherently despotic nature of socialism, so vividly confirmed by the history of the Russian Revolution and all subsequent socialist revolutions, was clearly perceived by Mill's great Italian liberal contemporary, Joseph Mazzini (1805–1872). In an essay on “The Economic Question” written in 1858 and addressed to the workers of Italy, Mazzini not only defended private property as an institution essential to human progress and well-being; he also denounced socialism with passion:

The liberty, the dignity, the conscience of the individual would all disappear in an organization of productive machines. Physical life might be satisfied by it, but moral and intellectual life would perish, and with it emulation, free choice of work, free association, stimulus to production, joys of property, and all incentives to progress. Under such a system the human family would become a herd. . . Which of you would resign himself to such a system? (*The Duties of Man*, 1961)

In addition, Mazzini pointed out, the establishment of a socialist society would, ironically, create the very worst form of inequality, because universal State ownership would require the establishment of an all-powerful ruling bureaucracy. “Working-men, my Brothers,” he asked, “are you disposed to accept a hierarchy of lords and masters of the common property? . . . Is not this a return to ancient slavery?”

The prophetic discernment of the nineteenth-century classical-liberal critics of socialism is again very apparent in the writings of Frédéric Bastiat (1801–1850), the leading French economist and free-trade activist of his generation. A constant critic of statism in general, and socialism in particular, Bastiat summarized his objections in *The Law*, a short but lucid pamphlet published in 1850—the same decade, curiously enough, during which Mill and Mazzini raised their warning voices.

In this comprehensive analysis, Bastiat offered many valuable insights, of which three deserve particular mention. The first drew attention to a fatal contradiction within the ideology of democratic socialism, one which

continues to characterize many of the attitudes of present-day European leftists and American “liberals.” On the one hand, complained Bastiat, socialists are passionately committed to the cause of democracy, insisting that all adults are responsible individuals who should have the vote and an equal share in all political decision-making; yet on the other, they consider the same sovereign people incapable of running their own lives without the intervention and supervision of all-powerful State officials. Bastiat wrote,

When it is time to vote, apparently the voter is not to be asked for any guarantee of his wisdom. His will and capacity to choose wisely are taken for granted. . . . But when the [socialist] legislator is finally elected—ah! then indeed does the tone of his speech undergo a radical change. The people are returned to passiveness, inertness, and unconsciousness; the legislator enters into omnipotence. Now it is for him to initiate, to direct, to propel, and to organize.

As well as being arrogant, socialists were also deeply misguided, argued Bastiat, because they confused society with the State, and altruism with collectivism. As a result, he predicted, their economic program would only undermine the spirit of true fraternity and impoverish society, since moral and social progress depends on individual creativity and voluntary cooperation, not government planning and coercion. Finally, Bastiat pointed out, by concentrating all resources and decision-making in the State, socialism only offered a recipe for permanent social conflict and revolution, since it would arouse expectations that could never be satisfied, and encourage everyone to live at each other’s expense through the tax and benefit system.

The Second Generation of Anti-Socialist Critics

The intellectual assault on socialism mounted by Bastiat, Mazzini, and Mill in the middle of the nineteenth century was renewed by the next generation of classical-liberal thinkers in response to the rapid growth of socialist militancy throughout Europe during the 1880s and 1890s. During this period, its four leading figures in Britain—Herbert Spencer (1820–1903),

Charles Bradlaugh (1833–1891), Auberon Herbert (1838–1906), and William E.H. Lecky (1838–1903)—condemned socialism with unsparing severity and prophetic insight.

“We object that the organization of all industry under State control must paralyze industrial energy and discourage and neutralize individual effort,” wrote Bradlaugh in 1884 (*A Selection of the Political Pamphlets of Charles Bradlaugh*, 1970). Lecky agreed with him, and wrote in 1896:

The desire of each man to improve his circumstances, to reap the full reward of superior talent, or energy, or thrift is the very mainspring of the production of the world. Take these motives away . . . cut off all the hopes that stimulate, among ordinary men, ambition, enterprise, invention, and self-sacrifice, and the whole level of production will rapidly and inevitably sink. (*Democracy and Liberty*)

And so it has proved in the twentieth century, as anyone who reads David Osterfeld’s “[Socialism and Incentives](#)” (*The Freeman*, November 1986) or Kevin Williamson’s book *The Politically Incorrect Guide to Socialism* (2011) can see.

Bradlaugh’s and Lecky’s objections to socialism were of course not confined to its material destructiveness. They, too, like their classical-liberal predecessors, perceived its hostility to freedom and the family. Bradlaugh even predicted that the imposition of socialism would require the ideological reconditioning of the entire population—a phenomenon that has proved characteristic of all communist regimes, notably China before and during the Cultural Revolution, and North Korea today.

Herbert Spencer and Auberon Herbert showed equal foresight in their wide-ranging critiques of socialism. They not only underlined its incompatibility with liberty as eloquently as all their other comrades-in-arms; they also anticipated the terrible violence and cruelty to which it would give rise. In a passage horribly vindicated by the seemingly endless pattern of socialist revolution, dictatorship, and civil war in so much of the post-colonial Third World, Herbert declared in 1885:

In presence of unlimited power lodged in the hands of those who govern . . . the stakes for which men played would be so terribly great that they would shrink from no means to keep power out of the hands of their opponents. (*The Right and Wrong of Compulsion by the State*)

With similar prescience, Spencer wrote in 1891:

The fanatical adherents of a social theory are capable of taking any measures, no matter how extreme, for carrying out their views: holding, like the merciless priesthoods of past times, that the end justifies the means. And when a general socialistic organization has been established, the vast, ramified, and consolidated body of those who direct its activities, using without check whatever coercion seems to them needful . . . [will exercise] a tyranny more gigantic and more terrible than any which the world has seen. (*The Man versus the State*)

It is a historic tragedy that all these warnings fell on deaf ears. Will they be heeded by those pressing for world government in the twenty-first century?

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Snowstorms or Snowflakes?

Lawrence W. Reed

There are two basic prisms through which we can see, study, and prescribe for human society: individualism and collectivism. These worldviews are as different as night and day, and they create a great divide in the social sciences. That's because the perspective from which you see the world will set your thinking down one intellectual path or another.

No Two Alike

I think of it as the difference between snowstorms and snowflakes. A collectivist sees humanity as a snowstorm, and that's as up-close as he gets if he's consistent. An individualist sees the storm, too, but is immediately drawn to the uniqueness of each snowflake that composes it. The distinction is fraught with profound implications.

No two snowstorms are alike, but a far more amazing fact is that no two snowflakes are identical either—at least so far as painstaking research has indicated. Wilson Alwyn Bentley of Jericho, Vermont, one of the first known snowflake photographers, developed a process in 1885 for capturing them on black velvet before they melted. He snapped pictures of about 5,000 of them and never found two that were the same—nor has anyone else ever since. Scientists believe that changes in humidity, temperature, and other conditions extant as flakes form and fall make it highly unlikely that any one flake has ever been precisely duplicated. (Ironically, Bentley died of pneumonia in 1931 after walking six miles in a blizzard. Lesson: One flake may be harmless, but a lot of them can be deadly).

Contemplate this long enough and you may never see a snowstorm (or humanity) the same way again.

Dr. Anne Bradley is Vice President of Economic Initiatives at the [Institute for Faith, Work and Economics](#). At a recent FEE seminar in Naples, Florida, she explained matters this way:

When we look at a snowstorm from a distance, it looks like indistinguishable white dots peppering the sky, one blending into the next. When we get an up-close glimpse, we see how intricate, beautiful, and dissimilar each and every snowflake is. This is helpful when thinking about humans. From a distance, a large crowd of people might look the same, and it's true that we possess many similar characteristics. But we know that a more focused inspection brings us nearer to the true nature of what we're looking at. It reveals that each of us bears a unique set of skills, talents, ambitions, traits, and propensities unmatched anywhere on the planet.

This uniqueness is critical when we make policy decisions and offer prescriptions for society as a whole; for even though we each look the same in certain respects, we are actually so different, one to the next, that our sameness can only be a secondary consideration.

Primary Uniqueness

The late Roger J. Williams, author of *You Are Extra-Ordinary* and *Free and Unequal: The Biological Basis of Individual Liberty* (as well as several articles in *The Freeman*), was a noted biochemistry professor at the University of Texas in Austin. He argued that fingerprints are but one of endless biological characteristics unique to each of us, including the contours and operation of our brains, nerve receptors, and circulatory systems.

These facts offer a biological basis for the many other differences between one person and the next. Einstein, he noted, was an extremely precocious student of mathematics, but he learned language so slowly that his parents were concerned about his learning to talk. Williams summed it up well more than 40 years ago when he observed, "Our individuality is as inescapable as our humanity. If we are to plan for people, we must plan for individuals, because that's the only kind of people there are."

Proceeding one step further, we must recognize that only individuals plan. When collectives are said to "plan" (e.g., "The nation plans to go to war"), it always reduces to certain specific, identifiable individuals making

plans for other individuals. The only good answer to the collectivist question, “What does America eat for breakfast?” is this: “Nothing. However, about 315 million individual Americans often eat breakfast. Many of them sometimes skip it, and on any given day, there are 315 million distinct answers to this question.”

Collectivist thinking is simply not very deep or thorough. Collectivists see the world the way Mr. Magoo did—as one big blur. But unlike Mr. Magoo, they’re not funny. They homogenize people in a communal blender, sacrificing the discrete features that make us who we are. The collectivist “it takes a village” mentality assigns thoughts and opinions to amorphous groups, when, in fact, only particular people hold thoughts and opinions.

Collectivists devise one-size-fits-all schemes and care little for how those schemes may affect the varied plans of real people. Any one flake means little or nothing to the collectivist because he rarely looks at them; and in any event, he implicitly dismisses the flakes because there are so many to play with. Collectivists are usually reluctant to celebrate the achievements of individuals *per se* because they really believe that, to quote President Obama, “You didn’t build that.”

Take individuals out of the equation and you take the humanity out of whatever you’re promoting. What you’d never personally inflict on your neighbor, one on one, you might happily sanction if you think it’ll be carried out by some faceless collective entity to some amorphous blob on behalf of some nebulous “common good.” The inescapable fact is that we are not interchangeable. Cogs in a machine are, but people most emphatically are not.

If this point is lost on you, then watch the 1998 DreamWorks animated film *Antz*. The setting is an ant colony in which all ants are expected to behave as an obedient blob. This is very convenient for the tyrant ants in charge, each of which possesses a very unique personality indeed. The debilitating collectivist mindset is shaken by a single ant who marches to a different drummer—namely, his own self—and ultimately saves the colony through his individual initiative.

Marx, Mother Theresa, and Lessons

Karl Marx was a collectivist. Mother Theresa was an individualist. One dealt with people in lumps. The other one treated them as individuals. The lessons in that clear-cut dichotomy are legion. They are ignored only at great peril.

If your answer is the latter, then you understand what the philosopher and historian Isaiah Berlin meant when he wrote in 1958, “But to manipulate men, to propel them toward goals which you—the social reformers—see, but they may not, is to deny their human essence, to treat them as objects without wills of their own, and therefore to degrade them.”

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The Significance of Mises's "Socialism"

Peter J. Boettke

That Ludwig von Mises was one of the greatest economists of the twentieth century should never be doubted. Mises never worked in scientific or popular obscurity, despite the various mythologies that are told on both left and right. Prior to World War I, Mises had established himself as a leading economic theorist among the younger generation in German-language economics, and, in fact, in Continental Europe more widely, with *The Theory of Money and Credit* (1912). During the subsequent interwar years of the 1920s and 1930s, Mises's reputation as a theorist and methodologist spread internationally.

Leading economic thinkers in England (such as Lionel Robbins) and in the United States (such as Frank Knight) came to closely study Mises's contributions to economic science and engage his ideas critically. During this time, Mises's reputation as an outstanding teacher and mentor of young economists grew as the success of his students—such as F.A. Hayek, Fritz Machlup, Oskar Morgenstern, Gottfried Haberler, Felix Kaufman, and Alfred Schutz—spread out from the German-language scientific community throughout Europe and eventually to the international scientific community. In fact, as Henry Simons once remarked in his review of *Omnipotent Government* in the *Annals of the American Academy of Political and Social Science*, “Professor Mises, patriarch of the modern Austrian School, is the greatest living teacher of economics—if one may judge by the contributions of his many distinguished students and proteges.”

It is important to remind the reader of Mises's status as an economic thinker because this book, *Socialism: An Economic and Sociological Analysis*, played a major role in establishing that reputation. In his article “Bertil Ohlin,” Paul Samuelson speculated that, had the Nobel Prize in Economic Sciences been established when the other prizes were, Mises would have been one of the early recipients.

Even though that recognition would elude him in his lifetime, Mises was named a Distinguished Fellow of the American Economic Association

in 1969 and received his native country's highest honor for scientific achievement. But Mises's status as an eminent economist is also evidenced by the fact that he is invoked in various well-known and iconic works, such as Albert Hirschman's *The Passions and the Interests* or John Kenneth Galbraith's *The Affluent Society*, as the quintessential twentieth century representative of the laissez-faire position.

Samuelson's speculation is based on Mises's contributions to technical economics in value theory, capital theory, and monetary theory. The acknowledgments from the likes of Hirschman and Galbraith are due to Mises's contributions to social philosophy. What is most fascinating about *Socialism* is that both these aspects of Mises's body of thought are on full, and brilliant, display. As Hayek has pointed out in his forward to *Socialism*, this book changed the minds of an entire generation of economists. Simply put, *Socialism* is as bold and brilliant of a book as has ever been penned in the fields of economics and political economy.

A Classic in Our Time

Though the book first appeared in English in 1932, Henry Hazlitt eventually published a review in the *New York Times* on January 9, 1938, and states, "No open-minded reader can fail to be impressed by the closeness of the author's reasoning, the rigor of his logic, the power and unity of his thought." Hazlitt goes on to argue that Mises provides the most damaging analysis of the socialist philosophy available in the literature. He stresses that *Socialism*, while grounded in technical economics, tackles a wider literature and addresses all the arguments that have been marshaled against capitalism and in favor of socialism. And, in Hazlitt's judgment, Mises "does this with such power, brilliance, and completeness that this book must rank as the most devastating analysis of socialism yet penned." *Socialism*, Hazlitt declares, is "an economic classic in our time."

There are two reasons why this judgment is reached—historical context and analytical acuteness. The intellectual zeitgeist of the early twentieth century exhibited a revolutionary fervor for the idea of socialism. As Mises states in the very first sentences of this book,

Socialism is the watchword and catchword of our day. The socialist idea dominates the modern spirit. The masses approve it. It expresses the thoughts and feelings of all; it has set its seal upon our time.

Socialism as a social philosophy was able to tap into a dream-aspiration that was deeply embedded in the human psyche. Socialism promised to rid the world of social ills and usher in an era of peace and harmony. The promise made was that “Paradise on Earth” was within our collective will. The exploitation of man by man would be abolished, and, for the first time in human history, a just social world would be in the grasp of mortals here on earth. Religious and secular thinkers alike were intellectually seduced by the socialist vision of ending exploitation by transcending alienation and realizing true social harmony as class warfare would disappear.

In his memoirs, *Notes and Recollections*, Mises discusses how he arrived at his analysis and why he stressed the strictly scientific nature of his argument in his examination of socialism and systems of social cooperation more generally.

In my publications on social cooperation I have spent much time and effort in dispute against socialist and interventionists of all varieties and trends. . . . It has been objected that I failed to consider the psychological aspects of the organization problem. Man has a soul, and this soul is said to be uncomfortable in a capitalist system; and that there also is willingness to suffer reduction in the living standards in exchange for a more satisfactory labor and employment structure for society.

But, Mises insists,

It is important, first, to determine whether this argument—let us call it the “heart [or emotional] argument”—is incongruent with the original argument which we may call the “head [or intellectual] argument” still being promoted by

socialist and interventionists. The latter socialist argument endeavors to justify its programs with the assertion that capitalism reduces the full development of productive capabilities; production is less than the potential. Socialist production methods are expected to increase output immeasurably, and thereby create the conditions necessary for plentiful provision for everybody.

Mises concludes this discussion by stressing again the role that reason plays in human affairs:

To judge the heart argument, it is of course important to inquire into the extent of the reduction in economic well-being brought about by adopting a socialist production system. . . . [Socialists argue that] Economics is . . . unable to settle the dispute.

But,

I dealt with this problem in a way that discredits the use of the heart argument. . . . I have never denied that emotional arguments explain the popularity of anti-capitalist policies. But unsuitable proposals and measures cannot be made suitable by such psychic nonsense.

Mises's analysis of systems of social cooperation is based on a strict scientific approach of means-ends analysis. While he may have severely disagreed with the ends sought by collectivists, Mises did not focus his efforts as an economist in that direction. He was deeply committed to the ideal of value-free economic science. In that vision of scientific analysis, the economist's task is to concentrate their critical analysis of the effectiveness of chosen means to the attainment of given ends.

Arguing from the Head to Appeal to the Heart

With regard to socialist proposals, this meant that the examination was about whether collective ownership of the means of production (the means chosen) would be effective at realizing the ends sought (the rationalization of production and the ensuing burst of productive capacity that would enable the social harmony promised). As I just pointed out, Mises did not engage the “heart argument” directly, but instead sought to address the “head argument” to temper the appeal of the “heart.”

All the dream-aspirations in the world cannot curtail the fundamental problem with socialist organization that Mises had scientifically dissected. Hazlitt pinpointed this in his review:

The greatest difficulty to the realization of socialism in Mises’s view, in short, is intellectual. It is not a mere matter of goodwill, or of willingness to cooperate energetically without personal reward. “Even angels, if they were endowed only with human reason, could not form a socialistic community.”

Socialism must forego the intellectual division of labor that economic calculation enables under a private-property market economy. As Mises puts it in *Liberalism*,

This is the decisive objection that economics raises against the possibility of a socialist society. It must forego the intellectual division of labor that consists in the cooperation of all entrepreneurs, landowners, and workers as producers and consumers in the formation of market prices. But without it, rationality, i.e., the possibility of economic calculation, is unthinkable.

Capitalism, in other words, is able to solve the problem of economic calculation and achieve the complex coordination of exchange and production activity.

The argument Mises provides is straightforward. Without private ownership in the means of production, there will not be a market in the means of production. Without a market for the means of production, there

will not be monetary prices established on the market (which reflect the exchange ratios, or relative trade-offs people are willing to make). And, without monetary prices, reflecting the relative scarcities of different goods and services, there will be no way for economic decision-makers to engage in rational economic calculation.

Rational economic calculation is impossible in a world without private property rights and the monetary prices that emerge within the competitive market process. By definition, socialism eliminates the basis of the market economy, i.e., private property in the means of production; the system must find some other mechanism to serve the role that economic calculation plays in the market process. Without the ability to engage in rational economic calculation, economic decision-makers will be stumbling and bumbling in the dark. As Mises puts it, without economic calculation, “all production by lengthy and roundabout processes would be so many steps in the dark.”

The reason why this objection is so decisive is because it requires the reader to consider explicitly how much they take for granted, given that they live within a market economy where so much of the necessary foundation for social cooperation under the division of labor is simply part of the background of our mundane economic existence. But besides exploding popular fallacies, one of the other main tasks of the economist is to unlock the mystery of the mundane to students and citizens.

The Role of Economic Calculation

John Maynard Keynes famously argued in *The General Theory of Employment, Interest and Money* that within the capitalist economy, economic decision-makers were ensnared in the “dark forces of time and ignorance.” According to Keynes, the speculative nature of our future economic endeavors is prone to significant coordination problems when savings and investments are decoupled, and economic instability can result in mass unemployment.

Unlike the socialist critique of capitalism that is the subject of Mises’s *Socialism*, Keynes’s critique of the macroeconomic instability of capitalism is a variant of the interventionist critique that Mises deals with in works such as *Human Action*. But putting aside their critical and significant

difference, Mises does not actually deny the situation that Keynes identified.

Economic decision-makers in a capitalist economy must always act with respect to production in an uncertain world and within the complexities of a modern monetary economy. Realizing the great benefits from social cooperation under the division of labor depends on the ability of the social system to coordinate the dispersed activities of thousands, perhaps millions, of individuals. But this is precisely why Mises put so much emphasis on economic calculation.

The private property market economy generates prices that guide decisions, and profit-and-loss accounting provide the necessary feedback to the shuffling and reshuffling of resources and time among alternative opportunities. Monetary calculation is never perfect in guiding us through the sea of economic change, but it does enable us to navigate those sometimes-turbulent waters. It provides a guide amid the bewildering throng of economic possibilities. It enables us to extend judgments of value which directly apply only to consumption goods—or, at best, to production goods of the lowest order—to all goods of higher orders.

In short, the ability to engage in economic calculation allows us to pierce through that dark fog of time and ignorance, and organize economic activity in as rational a manner as is humanly possible. Absent that ability to rationally calculate, rational economic organization is not possible.

Economic calculation is what enables decision-makers within the market as a whole to sort through the numerous array of technologically feasible projects and select only those projects that are economical. As Mises puts it,

But the real business of economic administration, the adaptation of means to ends only begins when such a decision is taken [i.e., choosing between alternatives, including alternative methods of production]. And only economics calculation makes this adaptation possible. Without such assistance, in the bewildering chaos of alternative materials and processes, the human mind would be at a complete loss. Whenever we had to decide between

different processes or different centres of production, we would be entirely at sea.

The economic problem is not one of ascertaining the technological possibilities and efficiency of certain machinery of production. Instead, the economic problem is one of coordinating the plans of individuals within the economy through time, and to do so in such a way that the production plans of some mesh with the consumption demands of others, and the mutual gains from exchange tend toward exhaustion.

“Without calculation,” Mises writes,

economic activity is impossible. Since under Socialism economic calculation is impossible, under Socialism there can be no economic activity in our sense of the word. In small and insignificant things rational action might still persist. But, for the most part, it would no longer be possible to speak of rational production. In the absence of criteria of rationality, production could not be consciously economical.

Economic Practicality

The political economists—classical as well as modern—do address questions of the conditions that constitute a “good society.” But they insist that there are technical economic principles that must be incorporated into the analysis of philosophical assessments of social systems.

Critics of economics say that economists know the price of everything but the value of nothing. Nothing, perhaps, is so intellectually dangerous in the policy sciences as an economist who knows only economics, except, I would add, a moral philosopher who knows no economics at all.

Mises is in some fundamental sense asking a very basic question: “Look comrades, these plans for a rationally planned economy that ushers in a new world order are beautiful and all that, but can you explain to me precisely how the chickens will end up on the workers’ dinner tables so they will be fed?”

In other words, how is this economic system going to work at a very basic level to deliver the goods and services in a reasonably efficient

manner? The “rationalization” of production cannot possibly be a project rife with endemic waste caused by confusion. But that is precisely what Mises is challenging the socialist idea with. The consequences of their chosen means (collective ownership in the means of production) mean that they will be unable to realize their stated end (rationalization of production and the harmony of social relations) precisely because the means are incoherent with regard to the ends sought.

The dream-aspiration of socialism crashes against the hard rock of economic reality. Nobody has stated the ultimate disillusionment that socialism must result in more clearly than Mises, because, ironically, nobody has stated the aspirations as sympathetically and demonstrated the implications of economic critique so forcefully as Mises.

It is important to always remember the distinction Mises used between “heart arguments” and “head arguments,” and we must always learn to temper our “heart” with the rational analysis of the “head” if we want to make progress in the sciences of man. Mises is a master economic theorist and critical thinker at his best, doing what great economists do.

With that in mind, the readers should prepare themselves for an amazing intellectual adventure with *Socialism*. Mises’s critique is comprehensive and addresses not only the hard-boiled socialism of Marxism and central planning of the Soviet variety, he also addresses syndicalism and cooperatives, as well as Christian socialism. Basically, every form of socialism that has been advocated is addressed and shown to be wanting on its own terms. And, while he would revisit the various attempts to refute his “impossibility” thesis at greater length in *Human Action*, Mises does anticipate and counter several of the most important ideas of the economics of socialism within *Socialism*. In the process, he deals not only with the critical ideas of monopoly, instability, and inequality, but also the proper role of equilibrium in economic theorizing, the role of mathematics in economic analysis, and the suitability of efforts to employ pseudo or artificial markets to solve the coordination problem that socialist planning must confront.

The Capitalist Market Achievement

Embedded in this devastating critique of socialism is a nuanced and brilliant defense of the private-property, free-market economy. Mises's understanding of the market economy was refined through this diagnosis of the efforts to critique the capitalist system made throughout socialist and interventionist thought. What socialism cannot achieve, capitalism achieves every day.

By thoroughly studying the implications of why a system that abolished private ownership in the means of production would prove unworkable due to the inability to engage in economic calculation, Mises was able to highlight why property, prices, profit, and loss are such essential institutions to the coordination of economic activity within a capitalist system. Prices without property are an illusion, and entrepreneurship without profits is game-playing.

The problem with socialism is neither managerial motivation nor incentivizing labor, however difficult those problems may be. The problem is one that will confront even the well-meaning and self-motivated: absent the context of the competitive market economy, the knowledge necessary to engage in the required economic calculations will be absent. In critiquing those who believe they have found a substitute for the competitive market process, Mises inadvertently sows the seeds for a mature understanding of the entrepreneurial market process. In short, one of the key characteristic contributions of the modern Austrian school of economics to twentieth-century economic science takes shape in the debate over socialist calculation.

But hasn't this debate really been dead since 1989 and 1991?

Soviet-style central planning is perhaps not the rallying call it once was, but, as Mises shows throughout *Socialism*, the ideas that socialist thinkers deployed in criticizing capitalism permeate our intellectual culture, including the economics profession. Criticisms of monopoly power, capitalist speculation, and unequal income distribution exist throughout. And the offered remedies often—not always—demonstrate the same incomprehension of the intricate web of economic activity that is strung together by the incentives, information, and innovation that are produced by property, prices, profit, and loss.

The functioning of the system as a whole mechanism is often overlooked. The reader of *Socialism* will be surprised, as they go through

the book, how many old ideas of socialist thinkers have become presumptions in our political dialogue, and how many of Mises's astute criticisms of popular fallacies apply to today in the realm of public policy.

Mises's Technicalities

One final note on Mises's use of language. The careful student of Mises will not see the word "praxeology" in *Socialism*; instead, the word "sociology" is used. Don't be alarmed. Mises was a practicing praxeologist throughout his career. In 1922 (and then again in 1932 when the book appeared in English) Mises did not yet use the term praxeology. He still thought he was working within the broadly speaking Weberian tradition of interpretative sociology for the general theory of human action and the more narrowly developed branch of that broader science—economics—where he is following in the footsteps of Menger and Böhm-Bawerk. Mises was compelled to shift to the term praxeology and abandon the Weberian terminology of sociology to capture his understanding of the general science of human action because of the way that sociology had developed during the interwar years under the influence of Durkheim.

The careful student of Hayek and his critique of socialism may also wonder where Mises's critique of rational constructivism and defense of spontaneous order is in his critique of socialism. But the failure to see his argument against constructivism and in support of spontaneous order is to not read the text closely. Of course, there are differences between Mises and Hayek—in fact, significant ones that should be debated. But their similarities in thought on the fundamental issues in sociology and economics, and the problems raised in the socialist-calculation debate, should be acknowledged and are important to stress.

As mentioned already, the critical idea to Mises in social organization is cooperation under the division of labor. Without economic calculation, the economic system cannot achieve the complex coordination of the division of labor, and thus cannot realize the benefits of social cooperation. Mises's emphasis on the intellectual division of labor is later elaborated on in Hayek's discussion of the division of knowledge in society. The presentations no doubt differ in emphasis, but there should be little doubt that they are in the same intellectual vein.

A similar argument can be made for Mises and Hayek on the spontaneous order of the market economy. Mises's analytical focus is on the purposive nature of human action, whereas Hayek can be read as focusing on the unintended consequences of human action. But the careful student of Hayek must remember that he stressed the phraseology of the Scottish Enlightenment thinkers, "Of human action, but not of human design"—and Hayek constantly drew inspiration in this endeavor from Carl Menger, who argued that the most important problems in the social sciences are associated with asking the question, "How can it be that institutions which serve the common welfare and are extremely significant for its development come into being without a common will directed toward establishing them?"

The careful student of Mises is directed to closely read the section in *Socialism* where he contrasts organism and organization. Organization is the direct design and administration of the social order, whereas organism refers to the unplanned order. As Mises says,

Organization is an association based on authority, organism is mutuality. The *primitive thinker* always sees things as having been organized from outside, never having grown themselves, organically. (emphasis added)

But, Mises continues,

In recognizing the nature of organism and sweeping away the exclusiveness of the concept of organization, science made one of its great steps forward. With all deference to earlier thinkers one may say that in the domain of Social Science this was achieved mainly in the eighteenth century, and that Classical Political Economy and its immediate precursors played the chief part.

In other words, it is Adam Smith and his contemporaries who made possible the scientific advancement of sociology and economics that Mises is working within, and contributing so vitally to, with his analysis in *Socialism*.

Mises was indeed among the greatest economic thinkers of the twentieth century. His contributions are justly recognized in value theory, capital theory, monetary theory, comparative economic systems, and the methodology of economic science. Each new generation must read his works anew and focus on how his work remains such a vital contribution to the “extended present” that constitutes the conversation over the centuries in the “worldly philosophy.”

Mises rises above others precisely because he was both an astute technical economist and a bold social philosopher. *Socialism* puts those skills on display on every page. I have been reading this book since I was a college student in the early 1980s, and I have been teaching the book every year since I started my college teaching career in the late 1980s. I learn something new every time I read it. I encourage the reader to do the same. As Henry Hazlitt said in his review, *Socialism* is an “economic classic in our time.” My only modification would be that the test of time has demonstrated that it is, in fact, an economic classic for all time.

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Where Are the Omelets?

Lawrence W. Reed

On ne saurait faire une omelette sans casser des oeufs.

Translation: “One can’t expect to make an omelet without breaking eggs.”

With those words in 1790, Maximilian Robespierre welcomed the horrific French Revolution that had begun the year before. A consummate statist who worked tirelessly to plan the lives of others, he would become the architect of the Revolution’s bloodiest phase—the Reign of Terror of 1793–94. Robespierre and his guillotine broke eggs by the thousands in a vain effort to impose a utopian society based on the seductive slogan “*liberté, égalité, fraternité.*”

But, alas, Robespierre never made a single omelet. Nor did any of the other thugs who held power in the decade after 1789. They left France in moral, political, and economic ruin, and ripe for the dictatorship of Napoleon Bonaparte.

As with Robespierre, no omelets came from the egg-breaking efforts of Lenin, Mao, Pol Pot, Adolf Hitler, and Benito Mussolini, either.

The French experience is one example in a disturbingly familiar pattern. Call them what you will—leftists, utopian socialists, radical interventionists, collectivists, or statist—history is littered with their presumptuous plans for rearranging society to fit their vision of “the common good,” plans that always fail as they kill or impoverish other people in the process. If socialism ever earns a final epitaph, it will be this: “Here lies a contrivance engineered by know-it-alls and busybodies who broke eggs with abandon but never, ever created an omelet.”

Every collectivist experiment of the twentieth century was heralded as the Promised Land by statist philosophers. “I have seen the future and it works,” the intellectual Lincoln Steffens said after a visit to Uncle Joe Stalin’s Soviet Union. In the *New Yorker* in 1984, John Kenneth Galbraith argued that the Soviet Union was making great economic progress in part

because the socialist system made “full use” of its manpower, in contrast to the less efficient capitalist West.

But an authoritative 846-page study published in 1997, *The Black Book of Communism*, estimated that the communist ideology claimed 20 million lives in the “workers’ paradise.” Similarly, *The Black Book* documented the death tolls in other communist lands: 45 to 72 million in China, between 1.3 million and 2.3 million in Cambodia, 2 million in North Korea, 1.7 million in Africa, 1.5 million in Afghanistan, 1 million in Vietnam, 1 million in Eastern Europe, and 150,000 in Latin America.

Vast and Incompetent Bureaucracies

Additionally, all of those murderous regimes were economic basket cases; they squandered resources on the police and military, built vast and incompetent bureaucracies, and produced almost nothing for which there was a market beyond their borders. They didn’t make “full use” of anything except police power. In every single communist country the world over, the story has been the same: lots of broken eggs, no omelets. No exceptions.

F.A. Hayek explained this inevitable outcome in his seminal work, *The Road to Serfdom*, in 1944. All efforts to displace individual plans with central planning, he warned us, must end in disaster and dictatorship. No lofty vision can vindicate the use of the brute force necessary to attain it. “The principle that the end justifies the means,” wrote Hayek, “is in individualist ethics regarded as the denial of all morals. In collectivist ethics it becomes necessarily the supreme rule.”

The worst crimes of the worst statist are often minimized or dismissed by their less-radical intellectual brethren as the “excesses” of men and women who otherwise had good intentions. These apologists reject the iron fist and claim that the State can achieve their egalitarian and collectivist goals with a velvet glove.

But whether it is the Swedish “middle way,” Yugoslavian “worker socialism,” or British Fabianism, the result has been the same: broken eggs, but no omelets.

Have you ever noticed how statist are constantly “reforming” their own handiwork? Education reform. Health care reform. Welfare reform.

Tax reform. The very fact that they're always busy "reforming" is an implicit admission that they didn't get it right the first 50 times.

The list is endless: Canadian health care, European welfarism, Argentine Peronism, African postcolonial socialism, Cuban communism, on and on *ad infinitum*. Nowhere in the world has the statist impulse produced an omelet. Everywhere, it yields the same: eggs beaten, fried, and scrambled. People worse off than before, impoverished and looking elsewhere for answers and escape. Economies ruined. Freedoms extinguished.

It is a telling conclusion that statisticians have no successful model to point to, no omelet they can hold up as the *pièce de résistance* of their cuisine. Not so for those of us who believe in freedom. Indeed, economists James Gwartney, Robert Lawson, and Walter Block in their survey, *Economic Freedom of the World: 1975–1995*, conclude that:

No country with a persistently high economic freedom rating during the two decades failed to achieve a high level of income. In contrast, no country with a persistently low rating was able to achieve even middle income status. . . . The countries with the largest increases in economic freedom during the period achieved impressive growth rates.

Perhaps no one explained the lesson of all this better than the French economist and statesman Frédéric Bastiat more than 150 years ago:

And now that the legislators and do-gooders have so futilely inflicted so many systems upon society, may they finally end where they should have begun: May they reject all systems, and try liberty; for liberty is an acknowledgment of faith in God and His works.

This column first appeared in the *The Freeman* (September 1999).

Why Socialism Is Impossible

Richard M. Ebeling

In the nineteenth century, critics of socialism generally made two arguments against the establishment of a collectivist society. First, they warned that under a regime of comprehensive socialism the ordinary citizen would be confronted with the worst of all imaginable tyrannies. In a world in which all the means of production were concentrated in the hands of the government, the individual would be totally and inescapably dependent on the political authority for his very existence.

The socialist state would be the single monopoly provider of employment and all the essentials of life. Dissent from or disobedience to such an all-powerful state could mean material destitution for the critic of those in political authority. Furthermore, that same centralized control would mean the end to all independent intellectual and cultural pursuits. What would be printed and published, what forms of art and scientific research permitted, would be completely at the discretion of those with the power to determine the allocation of society's resources. Man's mind and material well-being would be enslaved to the control and caprice of the central planners of the socialist state.

Second, these nineteenth-century anti-socialists argued that the socialization of the means of production would undermine and fundamentally weaken the close connection between work and reward that necessarily exists under a system of private property. What incentive does a man have to clear the field, plant the seed, and tend the ground until harvest time if he knows or fears that the product to which he devotes his mental and physical labor may be stolen from him at any time?

Similarly, under socialism man would no longer see any direct benefit from greater effort, since what would be apportioned to him as his "fair share" by the state would not be related to his exertion, unlike the rewards in a market economy. Laziness and lack of interest would envelop the "new man" in the socialist society to come. Productivity, innovation, and creativity would be dramatically reduced in the future collectivist utopia.

The twentieth-century experiences with socialism, beginning with the communist revolution in Russia in 1917, proved these critics right. Personal freedom and virtually all traditional civil liberties were crushed under the centralized power of the Total State. Furthermore, the work ethic of man under socialism was captured in a phrase that became notoriously common throughout the Soviet Union: “They pretend to pay us, and we pretend to work.”

The defenders of socialism responded by arguing that Lenin’s and Stalin’s Russia, Hitler’s National Socialist Germany, and Mao’s China were not “true” socialism. A true socialist society would mean more freedom, not less, so it was unfair to judge socialism by these supposedly twisted experiments in creating a workers’ paradise. Furthermore, under a true socialism, human nature would change, and men would no longer be motivated by self-interest but by a desire to selflessly advance the common good.

In the 1920s, 1930s, and 1940s, the Austrian economists, most notably Ludwig von Mises and Friedrich A. Hayek, advanced a uniquely different argument against a socialist society. They, Mises, in particular, accepted for the sake of argument that the socialist society would be led by men who had no wish to abuse their power and crush or abrogate freedom, and further, that the same motives for work would prevail under socialism as under private property in the market economy.

Even with these assumptions, Mises and Hayek devastatingly demonstrated that comprehensive socialist central planning would create economic chaos. Well into the twentieth century, socialism had always meant the abolition of private property in the means of production, the end of market competition by private entrepreneurs for land, capital, and labor, and, therefore, the elimination of market-generated prices for finished goods and the factors of production, including the wages of labor.

Yet, without such a competitively generated system of market prices, Mises argued, there would be no method for rational economic calculation to determine the least-cost methods of production or the relative profitability of producing alternative goods and services to best satisfy the wants of the consuming public. It may be possible to determine the technologically most efficient way to produce some good, but this does not

tell us whether that particular method of production is the most economically efficient way to do it.

Mises explained this in many different ways, but we can imagine a plan to construct a railway through a mountain. Should the lining of the railway tunnel be constructed with platinum (a highly durable material) or with reinforced concrete? The answer to that question depends on the value of the two materials in their alternative uses. And this can be determined only through knowing what people would be willing to pay for these resources on the market, given competing demand and uses.

Prices Encapsulate People's Valuations

On the free market, private entrepreneurs express their demand through the prices they are willing to pay for land, capital, resources, and labor. The entrepreneurs' bidding is guided by their anticipation of the demand and prices consumers may be willing to pay for the goods and services that can be produced with those factors of production. The resulting market prices encapsulate the estimates of millions of consumers and producers concerning the value and opportunity costs of finished goods and the scarce resources, capital, and labor of the society.

But under comprehensive socialist central planning, there would be no institutional mechanism to discover these values and opportunity costs. With the abolition of private ownership in the means of production, no resources could be purchased or hired. There would be no bids and offers expressing what the members of society thought the resources were worth in their alternative employments. And without bids and offers, there would be no exchanges, out of which emerges the market structure of relative prices. Thus socialist planning meant the end of all economic rationality, Mises said—if by rationality we mean an economically efficient use of the means of production to produce the goods and services desired by the members of society.

Given that nothing ever stands still—that consumer demand, the supply of resources and labor, and technological knowledge are continually changing—a socialist planned economy would be left without the rudder of economic calculation to determine whether what was being produced and how was most cost-effective and profitable.

Neither Mises nor Hayek ever denied that a socialist society could exist or even survive for an extended period of time. Indeed, Mises emphasized that in a world that was only partly socialist, the central planners would have a price system to rely on by proxy, that is, by copying the market prices in countries where competitive capitalism still prevailed. But even this would only be of approximate value since the supply-and-demand conditions in a socialist society would not be a one-to-one replica of the market conditions in a neighboring capitalist society.

Socialist and even some pro-market critics of Mises have sometimes ridiculed his supposed extreme language that socialism is “impossible.” But by “impossible,” Mises simply meant to refute the socialist claim in the Nineteenth and early twentieth centuries that a comprehensive centrally-planned economy would not merely generate the same quantity and quality of goods and services as a competitive market economy, but would far exceed it. Socialism could not create the material paradise on earth the socialists had promised. The institutional means (central planning) that they proposed to achieve their stated ends (a greater material prosperity than under capitalism) would instead lead to an outcome radically opposite to what they said they wanted to achieve.

Mises emphasized that a socialist society also would lack the consumer-oriented activities of private entrepreneurs. In the market economy, profits can be earned only if the means of production are used to serve consumers. Thus in their own self-interest, private entrepreneurs are driven to apply their knowledge, ability, and “reading” of the market’s direction in the most effective way, in comparison to their rivals who are also trying to capture the business of the buying public.

Certainly, incentives motivate the private entrepreneur. If he fails to do better than his rivals, his income will diminish and he may eventually go out of business. But the private entrepreneur, as much as the central planner, would be “flying blind” if he could not function within a market order with its network of competitive prices.

Thus, for Austrian economists like Mises, economic calculation is the benchmark by which to judge whether socialist central planning is a viable alternative to the free-market economy. Without market prices, there can be neither economic calculation nor the social coordination of multitudes of

individual consumers and producers with their diverse demands, localized knowledge, and appraisements of their individual circumstances.

Central Planning versus Rational Planning

The pricing system is what gives rationality—an efficient use of resources—and direction to society's activities in the division of labor, so that the means at people's disposal may be successfully applied to their various ends. Central planning means the end to rational planning by both the central planners and the members of society since the abolition of a market price system leaves them without the compass of economic calculation to guide them along their way.

In the Soviet Union, for example, the older criticisms of collectivism were verified. The Total State did create a cruel, brutal, and murderous tyranny. And the abolition of private property resulted in weakened and often perverse incentives, in which individual access to wealth, position, and power came through membership in the Communist Party and status within the bureaucratic hierarchy.

In reality, the rulers of the communist countries had other ends than that of the material and cultural improvement of those over whom they ruled. They pursued personal power and privilege, as well as various ideologically motivated goals. They artificially set prices for both consumer goods and resources at levels that had no relationship to their actual demand or scarcity. As a consequence, the degree of misuse of resources was such that virtually all manufacturing or industrial projects in the Soviet Union used up far more raw materials and labor hours per unit of output than anything comparable in the more market-oriented Western economies.

The chaos of the Soviet economy was centered on the lack of a real price system and, therefore, a method of economic calculation. There could not be a real price system in the Soviet Union because it would have required the reversal of the very rationale for the socialist system on which the Soviet rulers' power was based—government control and central planning of production. And they could not set their network of artificial prices at levels comparable to those in some Western countries because it would have made clear just how misguided their entire planning and distribution process actually was.

Thus, along with the inherent irrationality of the central planning system due to the lack of real prices were the weakened incentives for the ordinary Soviet citizen to be industrious and creative in the official economy, as well as the perverse incentives of the political system in which personal gain was achieved through a near-total disregard for the interests of the wider society. That the Soviet planners had agendas other than serving consumers only further distorted the system. Just how misdirected and inefficient the use of resources were under socialism only became clear after the Soviet Union collapsed and a limited market economy emerged in Russia.

The End of Civilization

In his arguments against socialist central planning, Mises often couched his reasoning in rhetoric that warned of the end of civilization as we know it if the collectivist road were followed. In the 1930s and 1940s, when Mises most forcefully raised these fears, he was far from being alone in this dire warning, given the brutality and violent tyranny then being experienced in Nazi Germany and Stalin's Soviet Union.

But Mises's more fundamental point was that the very nature of a socialist system threatened the economic and cultural standard of well-being that Western man had come to take for granted over the preceding hundred years. With every passing day, a socialist system would be less like the market society that preceded it. The allocation of resources, the utilization of capital, and the employment of labor would have to be modified and shifted from previous uses to new ones. If nothing else, the "priorities" of the "workers' state" would be different from those under decentralized, profit-oriented decision-making. Should a new public hospital be constructed in a particular location, or should the limited resources be assigned to building additional public-housing complexes in a different part of the country? Should a piece of land in a particular area be used for a new "people's recreational facility" or should it become the site of a new industrial factory?

If a new housing complex is chosen for construction, should it be made mostly of brick and mortar, or of steel and glass? Should the efforts of some scientists be employed for additional cancer research or for possible

development of a tastier and longer-lasting chewing gum? What represents the more highly valued use for various resources that can be employed making different types of machines, which could then be used either to produce more books on religion and faith or to increase the productivity of workers in agriculture? Would a new technological idea be worth the investment in time, resources, and labor, even though its payoff may be years away (assuming it worked as initially conceived)?

Without prices for finished goods and the factors of production to provide the information and signals to guide the decision-making, each passing day would mean more such decisions were made in the dark. It would be analogous to sea travelers in the ancient world before the invention of the sextant or the compass. Every movement out of sight of land—the known and the familiar—would be into uncharted waters with no way of knowing the direction or the consequences of the course chosen. Better to stay close to the shore than to explore unknown seas. And if the journey on the open sea under cloud-covered skies is undertaken, it is uncertain where it will lead or whether the shortest and best course has been selected.

It is for reasons such as this that Mises referred to economic calculation as “the guiding star of action under a social system of division of labor. It is the compass of the man embarking upon production.” Thus, even if the rulers of a socialist state were completely benevolent and concerned only with the well-being of their fellow men, without economic calculation a collectivist society potentially faced what Mises titled one of his books, planned chaos.

Thus, the establishment of a comprehensive system of socialist central planning would be equivalent to going back in time, before the institutions of private property and market competition had enabled the utilization of prices for rational decision-making.

Luckily, the attempt to create socialism in the twentieth century made enough of an impression that it seems unlikely that such a dramatic abolition of the fundamental institutions of the market economy will be tried again anytime soon. The dilemma of our own time is that governments, through regulation, intervention, redistribution, and numerous controls, prevent the market and the price system from functioning as they should and could in a free society.

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Rendering Unto Caesar: Was Jesus a Socialist?

Lawrence W. Reed

Regardless of your religious beliefs, Larry Reed proves it takes a wild leap of imagination to view Jesus as a Progressive Socialist. This is a critically important issue because secular Progressives would like to control the moral high ground by capturing religion to support their elitist, statist ideology, which would allow them to do even more damage to genuine human flourishing.

—John A. Allison,
Former President and CEO, Cato Institute,
Former Chairman and CEO, BB&T Corporation

On June 16, 1992, London's *Daily Telegraph* reported this astonishingly bold remark by former Soviet leader Mikhail Gorbachev: "Jesus was the first socialist, the first to seek a better life for mankind."[\[1\]](#)

Perhaps we should cut Gorbachev some slack here. A man who climbed his way to the top of a stridently atheist empire with a sorry track record on human rights was probably not a Bible scholar. But surely he knew that if socialism is nothing more than the seeking of "a better life for mankind," then Jesus could hardly have been its first advocate; he would, in fact, be just one of several billion of them.

You don't have to be a Christian to appreciate the errors in the Gorbachev canard. You can be a person of any faith or no faith at all. You just have to appreciate facts, history, and logic. You can even be a socialist—but one with open eyes—and realize that Jesus wasn't in your camp.

Let's first define the term socialism, which the Gorbachev comment only obfuscates. Socialism isn't happy thoughts, nebulous fantasies, mere good intentions, or children sharing their Halloween candy with one another. In a modern political, economic, and social context, socialism isn't voluntary like the Girl Scouts. Its central characteristic is the concentration of power to forcibly achieve one or more (or usually all) of these purposes:

central planning of the economy, government ownership of property, and the redistribution of wealth. No amount of “we do it all for you” or “it’s for your own good” or “we’re helping people” rhetoric can erase that. What makes socialism socialism is the fact that you can’t opt out, a point eloquently made here by David Boaz of the Cato Institute:

One difference between libertarianism [a personal choice and liberty-based system] and socialism is that a socialist society can’t tolerate groups of people practicing freedom, but a libertarian society can comfortably allow people to choose voluntary socialism. If a group of people—even a very large group—wanted to purchase land and own it in common, they would be free to do so. The libertarian legal order would require only that no one be coerced into joining or giving up his property.[\[2\]](#)

Government, whether big or small, is the only entity in society that possesses a legal monopoly over the use of force. The more force it initiates against people, the more it subordinates the choices of the ruled to the whims of their rulers—that is, the more socialist it becomes. A reader may object to this description by insisting that to “socialize” something is to simply “share” it and “help people” in the process, but that’s baby talk. It’s how you do it that defines the system. Do it through the use of force, and it’s socialism. Do it through persuasion, free will, and respect for property rights, and it’s something else entirely.

So was Jesus really a socialist? More to the main focus of this essay, did he call for the state to redistribute income to either punish the rich or to help the poor?

I first heard “Jesus was a socialist” and “Jesus was a redistributionist” some forty years ago. I was puzzled. *I had always understood Jesus’s message to be that the most important decision a person would make in his earthly lifetime was to accept or reject him as savior.* That decision was clearly to be a very personal one—an individual and voluntary choice. He constantly stressed inner, spiritual renewal as far more critical to well-being than material things. I wondered, “How could the same Jesus advocate the use of force to take stuff from some and give it to others?” I just couldn’t

imagine him supporting a fine or a jail sentence for people who don't want to fork over their money for food-stamp programs.

“Wait a minute!” you say. “Didn't Jesus answer, Render unto Caesar the things that are Caesar's, and unto God the things that are God's when the Pharisees tried to trick him into denouncing a Roman-imposed tax?” Yes indeed, he did say that. It's found first in the Gospel of Matthew, 22:15–22, and later in the Gospel of Mark, 12:13–17. But notice that everything depends on just what truly did belong to Caesar and what didn't, which is actually a rather powerful endorsement of property rights. Jesus said nothing like “It belongs to Caesar if Caesar simply says it does, no matter how much he wants, how he gets it, or how he chooses to spend it.”

The fact is, one can scour the Scriptures with a fine-tooth comb and find nary a word from Jesus that endorses the forcible redistribution of wealth by political authorities. None, period.

“But didn't Jesus say he came to uphold the law?” you ask. Yes, in Matthew 5:17–20 he declares, “Do not think that I have come to abolish the Law or the Prophets; I have not come to abolish them but to fulfill them.”^[3] In Luke 24:44, he clarifies this when he says, “Everything must be fulfilled that is written about me in the Law of Moses, the Prophets and the Psalms.” He was not saying, “Whatever laws the government passes, I'm all for.” He was speaking specifically of the Mosaic law (primarily the Ten Commandments) and the prophecies of his own coming.

Consider the eighth of the Ten Commandments: “You shall not steal.” Note the period after the word “steal.” This admonition does not read, “You shall not steal unless the other guy has more than you do” or “You shall not steal unless you're absolutely positive you can spend it better than the guy who earned it.” Nor does it say, “You shall not steal, but it's OK to hire someone else, like a politician, to do it for you.”

In case people were still tempted to steal, the tenth commandment is aimed at nipping in the bud one of the principal motives for stealing (and for redistribution): “You shall not covet.” In other words, if it's not yours, keep your fingers off of it.

In Luke 12:13–15, Jesus is confronted with a redistribution request. A man with a grievance approaches him and demands, “Teacher, tell my brother to divide the inheritance with me.” Jesus replies thusly: “Man, who appointed me a judge or an arbiter between you? Watch out! Be on your

guard against all kinds of greed; life does not consist in an abundance of possessions.” Wow! He could have equalized the wealth between two men with a wave of his hand, but he chose to denounce envy instead.

“What about the story of the Good Samaritan? Doesn’t that make a case for government welfare programs or redistribution?” you inquire. The answer is an emphatic “No!” Consider the details of the story, as recorded in Luke 10:29–37: A traveler comes upon a man at the side of a road. The man had been beaten and robbed and left half-dead. What did the traveler do? He helped the man himself, on the spot, with his own resources. He did not say, “Write a letter to the emperor” or “Go see your social worker” and walk on. If he had done that, he would more likely be known today as the “Good-for-nothing Samaritan”—if he were remembered at all.

The Good Samaritan story makes a case for helping a needy person voluntarily out of love and compassion. There’s no suggestion that the Samaritan “owed” anything to the man in need or that it was the duty of a distant politician to help out with other people’s money.

Moreover, Jesus never called for equality of material wealth, let alone the use of political force to accomplish it, even in situations of dire need. In his book, *Biblical Economics*, theologian R.C. Sproul, Jr., notes that Jesus “wants the poor to be helped” but not at gunpoint, which is essentially what government force is all about:

I am convinced that political and economic policies involving the forced redistribution of wealth via government intervention are neither right nor safe. Such policies are both unethical and ineffective. . . . On the surface it would seem that socialists are on God’s side. Unfortunately, their programs and their means foster greater poverty even though their hearts remain loyal to eliminating poverty. The tragic fallacy that invades socialist thinking is that there is a necessary, causal connection between the wealth of the wealthy and the poverty of the poor. Socialists assume that one man’s wealth is based on another man’s poverty; therefore, to stop poverty and help the poor man, we must have socialism.[4]

To Sproul's comment I would add this addendum: sometimes a person becomes wealthy wholly or in part because of his political connections. He secures special favors or subsidies from government or uses government to disable his competitors. No consistently logical thinker who favors liberty and property rights, whether he's Christian or not, supports such practices. They are forms of theft, and their source is political power—the very debilitating thing that progressives and socialists advocate more of.

Legitimate wealth is derived voluntarily. It comes from the creation of value and mutually beneficial, voluntary exchange. It does not spring from political power that redistributes in reverse, taking from the poor and giving to the rich. Economic entrepreneurs are a boon to society; political entrepreneurs are another animal entirely. We all benefit when a Steve Jobs invents an iPhone; but when the Cowboy Poetry Festival in Nevada gets a federal grant because of Senator Harry Reid, or when Goldman Sachs gets a bailout at taxpayer expense, millions of us get hurt and have to pay for it.

What about the reference in the book of Acts to the early Christians selling their worldly goods and sharing communally in the proceeds? That sounds like a progressive utopia. On closer inspection, however, it turns out that those early Christians did not sell everything they had and were not commanded or expected to do so. They continued to meet in their own private homes, for example. In his contributing chapter to the 2014 book *For the Least of These: A Biblical Answer to Poverty*, Art Lindsley of the Institute for Faith, Work, and Economics writes,

Again, in this passage from Acts, there is no mention of the state at all. These early believers contributed their goods freely, without coercion, voluntarily. Elsewhere in Scripture we see that Christians are even instructed to give in just this manner, freely, for “God loves a cheerful giver” (2 Corinthians 9:7). There is plenty of indication that private property rights were still in effect.[\[5\]](#)

It may disappoint progressives to learn that Jesus's words and deeds repeatedly upheld such critically important, capitalist virtues as contract, profit, and private property. For example, consider his parable of the talents (Matthew 25:14–30; see one of the recommended readings below). Of

several men in the story, the one who takes his money and buries it is reprimanded while the one who invests and generates the largest return is applauded and rewarded.

Though not central to the story, good lessons in supply and demand, as well as the sanctity of contract, are apparent in Jesus's parable of the workers in the vineyard (Matthew 20:1–16). A landowner offers a wage to attract workers for a day of urgent work picking grapes. Near the end of the day, he realizes he has to quickly hire more and to get them, he offers for an hour of work what he previously had offered to pay the first workers for the whole day. When one of those who worked all day complained, the landowner answered, "I am not being unfair to you, friend. Didn't you agree to work for a denarius? Take your pay and go. I want to give the one who was hired last the same as I gave you. Don't I have the right to do what I want with my own money? Or are you envious because I am generous?"

The well-known "Golden Rule" comes from the lips of Jesus himself, in Matthew 7:12. "So in everything, do to others what you would have them do to you, for this sums up the Law and the Prophets." In Matthew 19:19, Jesus says, "love your neighbor as yourself." Nowhere does he even remotely suggest that we should dislike a neighbor because of his wealth or seek to take that wealth from him. If you don't want your property confiscated (and most people don't), then clearly you're not supposed to confiscate somebody else's.

Christian doctrine cautions against greed. So does present-day economist Thomas Sowell: "I have never understood why it is 'greed' to want to keep the money you have earned but not greed to want to take somebody else's money." Using the power of government to grab another person's property isn't exactly altruistic. Jesus never even implied that accumulating wealth through peaceful commerce was in any way wrong; he simply implored people to not allow wealth to rule them or corrupt their character. That's why his greatest apostle, Paul, didn't say money was evil in the famous reference in 1 Timothy 6:10. Here's what Paul actually said: "For the love of money is a root of all kinds of evil. Some people, eager for money, have wandered from the faith and pierced themselves with many griefs." Indeed, progressives themselves have not selflessly abandoned money, for it is other people's money, especially that of "the rich," that they're always clamoring for.

In Matthew 19:23, Jesus says, “Truly I tell you, it will be hard for someone who is rich to enter the kingdom of heaven.” A redistributionist might say, “Eureka! There it is! He doesn’t like rich people” and then stretch the remark beyond recognition to justify one rob-Peter-to-pay-Paul scheme after another. But this admonition is entirely consistent with everything else Jesus says. It’s not a call to envy the rich, to take from the rich, or to give “free” cell phones to the poor. It’s a call to character. It’s an observation that some people let their wealth rule them, rather than the other way around. It’s a warning about temptations (which come in many forms, not just material wealth). Haven’t we all noticed that among the rich, as is equally true among the poor, you have both good and bad people? Haven’t we all seen some rich celebrities corrupted by their fame and fortune, while others among the rich live perfectly upstanding lives? Haven’t we all seen some poor people who allow their poverty to demoralize and enervate them, while others among the poor view it as an incentive to improve themselves and their communities?

When the first version of this essay appeared in January 2015, several “progressive” friends raised Romans 13:1–7 as evidence contrary to my thesis. (Similar sentiments are expressed in 1 Peter 2:13–20 and Titus 3:1–3.) In the Romans 13 passage, the apostle Paul urges submission to the governing authorities and warns against rebellion. He also says that if you owe taxes, pay your taxes. So a socialist or “progressive” of today might say this blesses all sorts of things including redistribution, a welfare state, or whatever the state wants to do either for you or to you. This is quite a leap.

Here, as in all other parts of the Bible, context is important. Paul was speaking to early Christians in an environment seething with anti-Roman feeling. He undoubtedly did not want the growth of Christianity to be sidetracked by violence or other provocations against the Romans that would be brutally repressed. He was attempting to set the people’s sights on what he regarded as higher things of greater immediate importance.

But it’s a larger error to extrapolate what Paul said to justify one particular view of the role of government, namely a “progressive” or “socialist” one. Suppose the “governing authorities” run a minimal state with Constitutional strictures and guarantees of personal liberties and private property. Suppose, furthermore, that the rules of that arrangement

clearly advise the governed, “We protect you from aggressions against your rights and property but we don’t otherwise give you free stuff. You’re entitled to your liberties; to engage in private, voluntary charity and commerce, to deal with each other peacefully; to live as you choose so long as you each do no harm to another. But we in government will not rob Peter to pay Paul.” There is nothing in Romans 13:1–7 that says these “governing authorities” are owed any less respect than if they were welfare-state redistributionists.

So clearly, the verses of Romans 13:1–7 assert the legitimacy of government per se but do not ordain what today’s “progressives” and socialists demand. The Bible, in fact, is full of stories about people who bravely and righteously resisted the overreach of governments. Does anyone really believe that if Jesus had been preaching just before the exodus of the Jews from Egypt, he would have declared, “Pharaoh demands that you stay, so unpack those bags and get back to work?”

Norman Horn, a chemical engineer, research scientist, and founder of LibertarianChristians.com, notes that both the Old and New Testaments provide numerous instances of laudatory disobedience to the state:

Hebrews defying Pharaoh’s decrees to murder their infants (Exodus 1); Rahab lying to the King of Jericho about the Hebrew spies (Joshua 2); Ehad deceiving the king’s ministers and assassinating the king (Judges 3); Daniel, Shadrach, Meshach, and Abednego refusing to comply with the king’s decrees, and miraculously saved twice for doing so (Daniel 3 and 6); the Magi from the East disobeying Herod’s direct orders (Matthew 2); and Peter and John choosing to obey God rather than men (Acts 5).[\[6\]](#)

At the risk of belaboring the point, I share these insightful comments from a conversation with my colleague Jeffrey Tucker of the Foundation for Economic Education:

Mary, Jesus, and Joseph fled Bethlehem rather than submit to Herod’s order to kill all infants. If Romans 13 meant that everyone must submit always, Jesus would have been

murdered in the weeks after his birth. . . . Resistance, of course, can be moral. Christianity has inspired resistance to the state throughout history and in modern times, from the American Revolution to the civil rights protests to the Polish resistance against communism. Jesus himself set the example: he avoided government when he could, resisted in prudent ways when possible, and ultimately complied when he had to.

The empirical evidence today is overwhelming that, as Montesquieu observed two centuries ago, “Countries are well cultivated, not as they are fertile, but as they are free.”^[7] Nations possessing the most economic freedom (and the smallest governments) have higher rates of long-term economic growth and are more prosperous than those that engage in socialistic and redistributive practices. The countries with the lowest levels of economic freedom also have the lowest standards of living. Free countries and their people are the greatest charitable givers, whereas, on net balance, socialist ones are decisively on the receiving end. Why is this relevant? Because you can’t redistribute anything to anybody if it’s not created by somebody in the first place, and the evidence strongly suggests that the only lasting thing that socialist and redistributive arrangements do for poor people is give them lots of company.

In Jesus’s teachings and in many other parts of the New Testament, Christians—indeed, all people—are advised to be of “generous spirit,” to care for one’s family, to help the poor, to assist widows and orphans, to exhibit kindness and to maintain the highest character. How all that gets translated into the dirty business of coercive, vote-buying, politically driven redistribution schemes is a problem for prevaricators with agendas. It’s not a problem for scholars of what the Bible actually says and doesn’t say.

Search your conscience. Consider the evidence. Be mindful of facts. Ask yourself: When it comes to helping the poor, would Jesus prefer that you give your money freely to the Salvation Army or at gunpoint to the welfare department?

Jesus was no dummy. He was not interested in the public professions of charitableness in which the legalistic and hypocritical Pharisees were fond of engaging. He dismissed their self-serving, cheap talk. He knew it

was often insincere, rarely indicative of how they conducted their personal affairs, and always a dead end with plenty of snares and delusions along the way. It would hardly make sense for him to champion the poor by supporting policies that undermine the process of wealth creation necessary to help them. In the final analysis, he would never endorse a scheme that doesn't work and is rooted in envy or theft. In spite of the attempts of many modern-day progressives to make him into a welfare-state redistributionist, Jesus was nothing of the sort.

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[1] *London Daily Telegraph*, June 16, 1992.

[2] David Boaz, "The Coming Libertarian Age," *Cato Policy Report* (January–February 1997).

[3] All Bible citations are from the New International Version (NIV).

[4] R.C. Sproul, Jr., *Biblical Economics: A Commonsense Guide to Our Daily Bread* (Bristol, TN: Draught Horse Press, 2002), p. 138.

[5] Anne Bradley and Art Lindsley, eds., *For the Least of These: A Biblical Answer to Poverty* (Bloomington, IN: Westbow Press, 2014), p. 110.

[6] Norman Horn, "New Testament Theology of the State, Part 2," *LibertarianChristians.com*, Nov. 28, 2008, <http://libertarianchristians.com/2008/11/28/new-testament-theology-2/>.

[7] Montesquieu, *The Spirit of the Laws* (1748).

Five Ideas at the Heart of Socialism

Lawrence W. Reed

A belief that I stress again and again is that we are at war—not a physical, shooting war, but a war capable of becoming just as destructive and just as costly.

The battle for the preservation and advancement of liberty is a battle not against personalities but against opposing ideas. The French author Victor Hugo declared, “One resists the invasion of armies; one does not resist the invasion of ideas.” This statement is often rendered as “More powerful than armies is an idea whose time has come.”

Ideas have had earthshaking consequences. They have determined the course of history.

Feudalism existed for a thousand years in large part because scholars, teachers, intellectuals, educators, clergymen, and politicians propagated feudalistic ideas. The notion “[once a serf, always a serf](#)” kept millions of people from ever questioning their station in life.

Under mercantilism, the widely accepted concept that the world’s wealth is fixed prompted men to take what they wanted from others in a long series of bloody wars.

The publication of [Adam Smith’s *The Wealth of Nations*](#) in 1776 is a landmark in the history of the power of ideas. As Smith’s message of free trade spread, political barriers to peaceful cooperation collapsed, and virtually the whole world decided to try freedom for a change.

Marx and the Marxists would have us believe that socialism is inevitable, that it will embrace the world as surely as the sun will rise in the east tomorrow. As long as men have free will (the power to choose right over wrong), however, nothing that involves human volition can ever be inevitable. If socialism comes, it will come because men choose to embrace its principles.

Socialism is an age-old failure, yet the socialist idea constitutes the chief threat to liberty today. As I see it, socialism can be broken down into five ideas:

1. The Pass-a-Law Syndrome

[Passing laws](#) has become a national pastime. Business in trouble? Pass a law to give it public subsidies or restrict its freedom of action. Poverty? Pass a law to abolish it. Perhaps America needs a law against passing more laws.

Almost invariably, a new law means: (a) more taxes to finance its administration, (b) additional government officials to regulate some heretofore unregulated aspect of life, and (c) penalties for violating the law. In brief, more laws mean more regimentation, more coercion. Let there be no doubt about what the word *coercion* means: *force, plunder, compulsion, restraint*. Synonyms for the verb form of the word are even more instructive: *impel, exact, subject, conscript, extort, wring, pry, twist, dragoon, bludgeon, and squeeze*.

When government intervenes in the free economy, bureaucrats and politicians spend most of their time undoing their own handiwork. To repair the damage of provision A, they pass provision B. Then they find that to repair provision B, they need provision C, and to undo C, they need D, and so on until the alphabet and our freedoms are exhausted.

The pass-a-law syndrome is evidence of a misplaced faith in the political process and a reliance on force, which are anathema to a free society.

2. The Get-Something-from-Government Fantasy

Government by definition has nothing to distribute except what it first takes from people. Taxes are not donations.

In the welfare state, this basic fact gets lost in the rush for special favors and giveaways. People speak of “government money” as if it were truly free.

One who is thinking of accepting something from the government that he could not acquire voluntarily should ask, “From whose pocket is it coming? Am I being robbed to pay for this benefit, or is government robbing someone else on my behalf?” Frequently, the answer will be both.

The result of this fantasy is that everyone in society has his hands in someone else's pockets.

3. The Pass-the-Buck Psychosis

Recently, a [welfare](#) recipient wrote her welfare office and demanded, "This is my sixth child. What are you going to do about it?"

An individual is victim to the pass-the-buck psychosis when he abandons himself as the solver of his problems. He might say, "My problems are really not mine at all. They are society's, and if society doesn't solve them and solve them quickly, there's going to be trouble!"

Socialism thrives on the shirking of responsibility. When men lose their spirit of independence and initiative, their confidence in themselves, they become clay in the hands of tyrants and despots.

4. The Know-It-All Affliction

Leonard Read, in "[The Free Market and Its Enemy](#)," identified "know-it-allness" as a central feature of the socialist idea. The know-it-all is a meddler in the affairs of others. His attitude can be expressed in this way: "I know what's best for you, but I'm not content to merely convince you of my rightness; I'd rather force you to adopt my ways." The know-it-all evinces arrogance and a lack of tolerance for the great diversity among people.

In government, the know-it-all refrain sounds like this: "If I didn't think of it, then it can't be done, and since it can't be done, we must prevent anyone from trying." A group of West Coast businessmen once ran into this snag when their request to operate barge service between the Pacific Northwest and Southern California was denied by the (now-defunct) Interstate Commerce Commission because the agency felt that the group could not operate such a service profitably.

The miracle of the market is that when individuals are free to try, they can and do accomplish great things. Read's well-known admonition that there should be "no man-concocted restraints against the release of creative energy" is a powerful rejection of the know-it-all affliction.

5. The Envy Obsession

Coveting the wealth and income of others has given rise to a sizable chunk of today's socialist legislation. [Envy](#) is the fuel that runs the engine of redistribution. Surely, the many soak-the-rich schemes are rooted in envy and covetousness.

What happens when people are obsessed with envy? They blame those who are better off than themselves for their troubles. Society is fractured into classes and faction preys on faction. Civilizations have been known to crumble under the weight of envy and the disrespect for property it entails.

A Common Thread

A common thread runs through these five socialist ideas. They all appeal to man's darker side: the primitive, noncreative, slothful, dependent, demoralizing, unproductive, and destructive side of human nature. No society can long endure if its people practice such suicidal notions.

Consider the freedom philosophy. It is an uplifting, regenerative, motivating, creative, exciting philosophy. It appeals to and relies on the higher qualities of human nature, such as self-reliance, personal responsibility, individual initiative, respect for property, and voluntary cooperation.

The outcome of the struggle between freedom and serfdom depends entirely on what percolates in the hearts and minds of men. The jury is still deliberating.

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Was Dickens Really a Socialist?

William E. Pike

I have been an avid fan of Charles Dickens's works since before entering high school. I have also adhered to the freedom philosophy for about as long.

Therefore, as the years passed and I read more and more commentators lauding Dickens as a catalyst for collectivist economics and state-centered social programs, I grew discouraged and disquieted. I have come to find, however, that by and large these commentators were not interpreting Dickens at face value, but were in effect putting words into his mouth.

Did Dickens stand up for the poor? Yes. Did Dickens speak out on the conditions in his time? Yes. Was he anti-capitalist? Were his views socialist? Did he advocate for government welfare programs? No.

Having a Heart Does Not Equal Being a Socialist

Compared to most great novelists, Dickens has inspired an inordinate mass of biographies, and interest in his life, apart from his works, has been unceasingly strong. One reason for this is simply that Dickens lived life fully. He traveled abroad often and made many public appearances. He was an oft-seen figure (though many times anonymous) in the streets of London, exploring the city and meeting people of all backgrounds and walks of life. He was comfortable among England's highest society and among its lowest classes. His understanding of the human condition, therefore, was comprehensive.

It is no surprise, then, that in both his fiction and his nonfiction Dickens went to great lengths to present his readers with the full range of English society, including many of its most downtrodden. We should not draw political conclusions from the fact that Dickens had a heart—that he painted vivid pictures of those suffering poverty, disability, abuse, and homelessness. That he would try to win his readers' hearts to the likes of these says nothing about his views on how they should be helped. Such

inferences are made today by self-serving ideologues eager to enlist an ever-popular writer into their ranks.

Dickens presented his readers with some of literature's most touching characters: Tiny Tim, whose handicap would doom him to a youthful death without costly treatment; Oliver Twist, the orphan forced to endure hunger, cruelty, and childhood labor; Mr. Micawber, the genial debtor tragically forced into prison; Little Nell and Jo, who would die well before their time. In presenting such characters, Dickens meant to force us to face the plight of society's least members, but he did not prescribe a collectivist solution to ending their miseries.

Nor does he blame their plight on the still-evolving capitalist economy of his day.

Attacking Greed Does Not Equal Attacking Capitalism

We are used to thinking of Dickens as an enemy of capitalism largely because of his timeless lampooning of certain men of business. What he was really doing, however, was attacking the vice of greed. In *Our Mutual Friend*, he blasts the Lammles, who marry each other solely for money (only to find out that neither has any). In the same novel, he forced the "mercenary" Bella Wilfer to undergo a transformation before finding happiness. In *Martin Chuzzlewit*, relatives of the title character are ridiculed for their scheming at inheritance.

And then there is the prototype of the heartless capitalist—Ebenezer Scrooge. But as with other characters, Dickens does not attack Scrooge as a capitalist but as a miser. As Daniel T. Oliver put it in *The Freeman* (December 1999):

Scrooge's character defect is not so much greed as miserliness. He hoards his money even at the expense of personal comfort. While many remember the single lump of coal that burns in the cold office of his assistant Bob Cratchit, the fire in Scrooge's own office is described as "very small." . . . Dickens gives us no reason to believe that Scrooge has ever been dishonest in his business dealings. He

is thrifty, disciplined, and hard-working. What Dickens makes clear is that these virtues are not enough.

Though the protagonist throughout *A Christmas Carol* might be Bob Cratchit, there are sympathetic characters who are, in fact, capitalists. Fezziwig, a man of business, nevertheless treats his employees like family. And then there are the easily overlooked “portly gentlemen, pleasant to behold,” collecting money to “buy the Poor some meat and drink, and means of warmth.”

Indeed, Scrooge himself, on that transformative Christmas morning, does not renounce capitalism. Instead, he promises to be a better man. He will live a fuller life and share his good fortune with those close to him.

Many libertarians and other supporters of the free market will interject that Scrooge is already benefiting society as an effective businessman. The argument is also made that in lampooning Scrooge’s personality, Dickens also distorts the realities of the labor market. Michael Levin has written:

Let’s look without preconceptions at Scrooge’s allegedly underpaid clerk, Bob Cratchit. The fact is, if Cratchit’s skills were worth more to anyone than the fifteen shillings Scrooge pays him weekly, there would be someone glad to offer it to him. Since no one has, and since Cratchit’s profit-maximizing boss is hardly a man to pay for nothing, Cratchit must be worth exactly his present wages.

Both arguments have merit—Scrooge, like your local banker or financier, benefits society through his business. And yes, Dickens does not express, and most likely did not fully comprehend, the realities of the labor market. But the tale of Scrooge is of personal redemption. It is not particularly realistic nor well-versed in economics. Dickens is not attempting to argue against capitalism, nor is he arguing against a free market for labor. He is arguing against personal callousness and against misanthropy.

In chapter 33 of *Socialism*, Ludwig von Mises lamented Dickens’s characterizations of utilitarianism and of true liberalism. However, if Dickens’s words were later co-opted to promote a socialist agenda, that is

hardly his fault. Utilitarianism can be the basis of a solid capitalist economy. It can also be mutated into a communist state. Dickens might not have understood that, but he did know that utilitarianism without reasonable judgment can turn society—and the state—into something monstrous.

Private Philanthropy, Not Public Welfare

A Christmas Carol exemplifies, on a personal level, what Dickens was really arguing for. He was not calling for state intervention, nor for economic regulations. Instead, he argued on behalf of personal philanthropy. In the end, Scrooge helps Tiny Tim, not because of socialist ideals, but because his humanity is reawakened, causing him to care for this child. Quite frankly, he does the right thing.

In fact, a survey of Dickens's novels shows that his protagonists and his happy endings often have something in common—a person with means helps persons of limited or no means out of the goodness of his heart. *Oliver Twist* is adopted by Mr. Brownlow. In *Our Mutual Friend*, the Boffins relinquish their fortune to the rightful heir. Martin Chuzzlewit provides for his long-neglected grandchild and his true love. Mr. Pickwick forgives dishonest friends and helps them to establish a new life. And Sydney Carton gives up his very life for a pair of lovers in *A Tale of Two Cities*.

One can search in vain through Dickens's works for calls for government control of the economy or social-welfare structures. As Lauren M.E. Goodland writes in *Victorian Literature and the Victorian State* regarding Dickens's treatment of sanitation in *Bleak House*:

Here sanitary reform becomes fundamentally necessary to the nation's moral and physical well-being. Yet it would be a mistake to infer from such remarks that Dickens had become a staunch proponent of the state's duty to intervene in the lives of individuals and communities. *Bleak House* memorably dramatizes the need for pastorship in a society of allegedly self-reliant individuals. But it by no means clearly endorses state tutelage, nor, indeed, any other form of institutionalized authority.

In reality, Dickens often criticized state-sponsored institutions. The *Ghost of Christmas Present*, for instance, chastises Scrooge for relying on such institutions rather than being philanthropic himself. Using Scrooge's own words he mocks him: "Are there no prisons? Are there no workhouses?"

Among Dickens's most moving writings is a nonfiction article called "A Walk in a Workhouse." In a few short pages, he describes the pathetic scene of a state-sponsored parish workhouse, Victorian England's solution to almost every social burden—orphans, abandoned children, the sick, the aged, the infirm, the insane. The problem, of course, was that the workhouse took away both a person's liberty and dignity—not to mention his future.

In all these Long Walks of aged and infirm, some old people were bedridden, and had been for a long time; some were sitting on their beds half-naked; some dying in their beds; some out of bed, and sitting at a table near the fire. A sullen or lethargic indifference to what was asked, a blunted sensibility to everything but warmth and food, a moody absence of complaint as being of no use, a dogged silence and resentful desire to be left alone again, I thought were generally apparent.

Such was how Dickens viewed the state's involvement in society's welfare. He took great pains to laud the nurses of the workhouse, who cared deeply about their wards. But the place itself—the institution—was an abomination.

So don't believe the English professors and the literary theorists. Charles Dickens was not a socialist at heart. Far from being an early proponent of the welfare state, he was sounding alarms for all of us. Let us finally heed his warning.

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Socialism Requires a Dictator

Richard M. Ebeling

The idea of communism—the common sharing of productive property and its resulting output—is as old as the ancient Greeks and Plato’s conception of the ideal Republic in which the guardians all live and work in common under the presumption that a radical change in the social institutional setting will transform men from self-interested beings into altruistic servers to some defined needs of society as a whole.

This highlights a fundamental difference in the conception of man in the classical liberal versus socialist worldviews. Does man have a basic and invariant human nature that may be multi-sided and complex, but no less fixed in certain qualities and characteristics? Or is human nature a malleable substance that can be remolded like clay in the sculptor’s hands by placing human beings into radically different social arrangements and settings?

Classical liberals have argued for the former, that human beings are basically what they are: fairly reasonable, self-interested beings, guided by goals of personal improvement and betterment as the individual comes to define those for himself. The social dilemma for a humane, just, and widely prosperous society is how to foster a political and economic institutional order to harness that invariant quality in human nature so that it advances human betterment in general rather than becoming a tool of plunder. The classical liberal answer is basically Adam Smith’s system of natural liberty with its open, competitive, free-market order.

Members of what was emerging as the socialist movement in the late eighteenth century and into the nineteenth century argued the opposite. They insisted that if men were selfish, greedy, uncaring and insensitive to the circumstances of their fellow men it was due to the institution of private property and its related market-based system of human association. Change the institutional order in which human beings live and work and you will create a “new man.”

Indeed, they raised to the ultimate human societal ideal, a world in which the individual would live and work for the collective, the society as a whole, rather than only for his own bettered circumstances, presumably at the expense of others in society. Socialism heralded the ethics of altruism.

The interested student can read through a huge range of socialist literature by a host of advocates of collectivism. Some longed for a more agrarian and rural paradise; others envisaged an industrial future for mankind in which productivity will have reached the point at which machines did virtually all the work. Humanity would be set free, to use a version of one of Karl Marx's imageries, to hunt in the morning, fish in the afternoon and sit around the fireplace discussing socialist philosophy with one's comrades who had all been liberated from work and worry by the arrival of the communist post-scarcity heaven-on-earth. [\[1\]](#)

Changing Human Nature Needs a “Dictatorship of the Proletariat”

But the core conception of the coming paradise-on-earth is that man's nature could and should be made to change. There are few places in Karl Marx's writings in which he actually speaks of the institutions and workings of the socialist society that will come after the downfall of capitalism. One is in his 1875 work, *Critique of the Gotha Program*, the policy agenda of a rival socialist group that Marx strongly disagreed with.

The dilemma, Marx explains, is that even after the overthrow of the capitalist system, residues of the previous system would permeate the new socialist society. First, there would be the human remnants of the now-discarded capitalist system. Among them would be those who want to restore the system of worker exploitation for their own ill-gotten profit gains. Equally a problem would be the fact that the “working class,” although freed from the “false consciousness” that the capitalist system under which they had been exploited was just, would still bear the mark of the capitalist psychology of self-interest and personal gain.

Thus, there had to be in place and in power a “revolutionary vanguard” of dedicated and clear seeing socialists who would lead “the masses” into

the bright, beautiful future of communism. The institutional means of doing this, said Marx, is the “dictatorship of the proletariat.”

In other words, until the masses, the workers, are freed from the individualist and capitalist mindset that they had been born into and mentally made to act within, they needed to be “re-educated” by a self-appointed political elite that has liberated their minds, already, from the capitalist false consciousness of the past. In the name of the new socialist-era freedom-to-come, there must be the reign of a dictatorship made up of those who know how humanity should think, act, and associate in preparation for the full communism awaiting mankind.

At the same time, the dictatorship is necessary to suppress not only any attempts by the former capitalist exploiters to restore their power over the, now, socialized property they used to own. These voices from the capitalist past also must be prevented from speaking their self-serving lies and deceptions about why individual, self-interested liberty is morally right, or that private property serves the betterment of all in society including workers, or that freedom means those “bourgeois” liberties of freedom of the press, or speech or religion or democratic voting. The masses must be brought to, and indoctrinated in, the “true” consciousness that freedom means the collective ownership and direction of the means of production and the selfless serving of society that the socialist revolutionary vanguard in charge knows to be true.

This also explains why the socialist phase of the “dictatorship of the proletariat” could never end in any of the Marxist-inspired revolutionary regimes over the last one hundred years. Human nature is not waiting to be remolded like wax into a new human form and content. Human beings seem generally not be hardwired to be altruistic, selfless eunuchs. Thus, self-interest always rises to the surface in people’s conduct, and if it is to be ethically denied, there must be political force to keep repressing it and trying to constantly extinguish it.

In addition, as long as there were capitalist enemies anywhere in the world, the dictatorship of the proletariat had to be preserved in the socialist countries to assure that the reeducated minds of the workers already lucky enough to live under socialism were not re-infected by capitalist ideas coming in from outside the people’s collectivist paradise. Hence, the “iron

curtain” of censorship and thought control in the Marxist parts of the world, in the name of the people over whom the revolutionary vanguard ruled.

Socialist Economic Planning Equals Commanding People

Also, once private enterprise was abolished through the socialization of the means of production and brought under the control and direction of the socialist government, a central economic plan was now essential. If not the profit-motivated individual entrepreneurs in directing the private enterprises under their ownership to satisfy consumer demands guided by the competitive price system, then someone must determine what gets produced, where, when and for which purpose and use.

The direction of “the people’s” collectivized means of production requires a centralized plan concerned with designing, implementing and imposing it on everyone for the good of the society as a whole. This means not only lumber and steel must be assigned a use in a particular place in the socialist society, but so must people. Hence, in the communist economies of the twentieth century the state’s central planning agencies determined who would be educated for what skills or expertise, where they would be employed and the work they would do.

Since the state educated you, assigned you work, and served as your only employer in that job, the state also determined where you would live; not only in what city, town, or village, but what apartment in which government-owned residential building would be made your abode. Recreational facilities, places for rest and vacations, the types of consumer goods to be produced and distributed where and for whom: these, too, were all centrally determined by the socialist planning agencies following the orders of the dictatorship of the proletariat.

Not one corner of everyday life—its form, content, quality, or characteristics—was free from the control and determination of the all-powerful and all-encompassing socialist state. Its design and attempted implementation were truly “totalitarian.” It may have been Benito Mussolini, the father of fascism, who coined the term, “totalitarianism” as meaning “everything in the State, nothing against the State, nothing outside the State.” But nowhere over the last century was this more insistently, pervasively, and coercively imposed than in the communist countries

molded on the model of the Soviet Union as created by Vladimir Lenin and horrifyingly institutionalized by Josef Stalin and their successors.

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[1] See my article, "[Marx's Flight from Reality](#)."

Why Socialism Failed

Mark J. Perry

Socialism is the Big Lie of the twentieth century. While it promised prosperity, equality, and security, it delivered poverty, misery, and tyranny. Equality was achieved only in the sense that everyone was equal in his or her misery.

In the same way that a Ponzi scheme or chain letter initially succeeds but eventually collapses, socialism may show early signs of success. But any accomplishments quickly fade as the fundamental deficiencies of central planning emerge. It is the initial illusion of success that gives government intervention its pernicious, seductive appeal. In the long run, socialism has always proven to be a formula for tyranny and misery.

Socialism Ignores Incentives

A pyramid scheme is ultimately unsustainable because it is based on faulty principles. Likewise, collectivism is unsustainable in the long run because it is a flawed theory. Socialism does not work because it is not consistent with fundamental principles of human behavior. The failure of socialism in countries around the world can be traced to one critical defect: it is a system that ignores incentives.

In a capitalist economy, incentives are of the utmost importance. Market prices, the profit-and-loss system of accounting, and private property rights provide an efficient, interrelated system of incentives to guide and direct economic behavior. Capitalism is based on the theory that incentives matter!

Under socialism, incentives either play a minimal role or are ignored totally. A centrally planned economy without market prices or profits, where property is owned by the state, is a system without an effective incentive mechanism to direct economic activity. By failing to emphasize incentives, socialism is a theory inconsistent with human nature and is

therefore doomed to fail. Socialism is based on the theory that incentives don't matter!

“Pure” Socialism

In a radio debate several months ago with a Marxist professor from the University of Minnesota, I pointed out the obvious failures of socialism around the world in Cuba, Eastern Europe, and China. At the time of our debate, Haitian refugees were risking their lives trying to get to Florida in homemade boats. Why was it, I asked him, that people were fleeing Haiti and traveling almost 500 miles by ocean to get to the “evil capitalist empire” when they were only 50 miles from the “workers’ paradise” of Cuba?

The Marxist admitted that many “socialist” countries around the world were failing. However, according to him, the reason for failure is not that socialism is deficient, but that the socialist economies are not practicing “pure” socialism. The perfect version of socialism would work; it is just the imperfect socialism that doesn't work. Marxists like to compare a theoretically perfect version of socialism with practical, imperfect capitalism which allows them to claim that socialism is superior to capitalism.

If perfection really were an available option, the choice of economic and political systems would be irrelevant. In a world with perfect beings and infinite abundance, any economic or political system—socialism, capitalism, fascism, or communism—would work perfectly.

However, the choice of economic and political institutions is crucial in an imperfect universe with imperfect beings and limited resources. In a world of scarcity, it is essential for an economic system to be based on a clear incentive structure to promote economic efficiency. The real choice we face is between imperfect capitalism and imperfect socialism. Given that choice, the evidence of history overwhelmingly favors capitalism as the greatest wealth-producing economic system available.

The strength of capitalism can be attributed to an incentive structure based upon the three Ps: (1) prices determined by market forces, (2) a profit-and-loss system of accounting and (3) private property rights. The

failure of socialism can be traced to its neglect of these three incentive-enhancing components.

Prices

The price system in a market economy guides economic activity so flawlessly that most people don't appreciate its importance. Market prices transmit information about relative scarcity and then efficiently coordinate economic activity. The economic content of prices provides incentives that promote economic efficiency.

For example, when the OPEC cartel restricted the supply of oil in the 1970s, oil prices rose dramatically. The higher prices for oil and gasoline transmitted valuable information to both buyers and sellers. Consumers received a strong, clear message about the scarcity of oil by the higher prices at the pump and were forced to change their behavior dramatically. People reacted to the scarcity by driving less, carpooling more, taking public transportation, and buying smaller cars. Producers reacted to the higher price by increasing their efforts at exploration for more oil. In addition, higher oil prices gave producers an incentive to explore and develop alternative fuel and energy sources.

The information transmitted by higher oil prices provided the appropriate incentive structure to both buyers and sellers. Buyers increased their effort to conserve a now more precious resource and sellers increased their effort to find more of this now scarcer resource.

The only alternative to a market price is a controlled or fixed price which always transmits misleading information about relative scarcity. Inappropriate behavior results from a controlled price because false information has been transmitted by an artificial, non-market price.

Look at what happened during the 1970s when US gas prices were controlled. Long lines developed at service stations all over the country because the price for gasoline was kept artificially low by government fiat. The full impact of scarcity was not accurately conveyed. As Milton Friedman pointed out at the time, we could have eliminated the lines at the pump in one day by allowing the price to rise to clear the market.

From our experience with price controls on gasoline and the long lines at the pump and general inconvenience, we get an insight into what happens

under socialism where every price in the economy is controlled. The collapse of socialism is due in part to the chaos and inefficiency that result from artificial prices. The information content of a controlled price is always distorted. This, in turn, distorts the incentives mechanism of prices under socialism. Administered prices are always either too high or too low, which then creates constant shortages and surpluses. Market prices are the only way to transmit information that will create the incentives to ensure economic efficiency.

Profits and Losses

Socialism also collapsed because of its failure to operate under a competitive, profit-and-loss system of accounting. A profit system is an effective monitoring mechanism which continually evaluates the economic performance of every business enterprise. The firms that are the most efficient and most successful at serving the public interest are rewarded with profits. Firms that operate inefficiently and fail to serve the public interest are penalized with losses.

By rewarding success and penalizing failure, the profit system provides a strong disciplinary mechanism which continually redirects resources away from weak, failing, and inefficient firms toward those firms which are the most efficient and successful at serving the public. A competitive profit system ensures a constant re-optimization of resources and moves the economy toward greater levels of efficiency. Unsuccessful firms cannot escape the strong discipline of the marketplace under a profit/loss system. Competition forces companies to serve the public interest or suffer the consequences.

Under central planning, there is no profit-and-loss system of accounting to accurately measure the success or failure of various programs. Without profits, there is no way to discipline firms that fail to serve the public interest and no way to reward firms that do. There is no efficient way to determine which programs should be expanded and which ones should be contracted or terminated.

Without competition, centrally planned economies do not have an effective incentive structure to coordinate economic activity. Without incentives, the results are a spiraling cycle of poverty and misery. Instead of

continually reallocating resources towards greater efficiency, socialism falls into a vortex of inefficiency and failure.

Private Property Rights

A third fatal defect of socialism is its blatant disregard for the role of private property rights in creating incentives that foster economic growth and development. The failure of socialism around the world is a “tragedy of commons” on a global scale.

The “tragedy of the commons” refers to the British experience of the sixteenth century when certain grazing lands were communally owned by villages and were made available for public use. The land was quickly overgrazed and eventually became worthless as villagers exploited the communally owned resource.

When assets are publicly owned, there are no incentives in place to encourage wise stewardship. While private property creates incentives for conservation and the responsible use of property, public property encourages irresponsibility and waste. If everyone owns an asset, people act as if no one owns it. And when no one owns it, no one really takes care of it. Public ownership encourages neglect and mismanagement.

Since socialism, by definition, is a system marked by the “common ownership of the means of production,” the failure of socialism is a “tragedy of the commons” on a national scale. Much of the economic stagnation of socialism can be traced to the failure to establish and promote private property rights.

As Peruvian economist Hernando de Soto remarked, you can travel in rural communities around the world and you will hear dogs barking because even dogs understand property rights. It is only statist governments that have failed to understand property rights. Socialist countries are just now starting to recognize the importance of private property as they privatize assets and property in Eastern Europe.

Incentives Matter

Without the incentives of market prices, profit-and-loss accounting, and well-defined property rights, socialist economies stagnate and wither. The

economic atrophy that occurs under socialism is a direct consequence of its neglect of economic incentives.

No bounty of natural resources can ever compensate a country for its lack of an efficient system of incentives. Russia, for example, is one of the world's wealthiest countries in terms of natural resources; it has some of the world's largest reserves of oil, natural gas, diamonds, and gold. Its valuable farmland, lakes, rivers, and streams stretch across a land area that encompasses 11 time zones. Yet Russia remains poor. Natural resources are helpful, but the ultimate resources of any country are the unlimited resources of its people—human resources.

By their failure to foster, promote, and nurture the potential of their people through incentive-enhancing institutions, centrally planned economies deprive the human spirit of full development. Socialism fails because it kills and destroys the human spirit—just ask the people leaving Cuba in homemade rafts and boats.

As the former centrally planned economies move toward free markets, capitalism, and democracy, they look to the United States for guidance and support during the transition. With an unparalleled 250-year tradition of open markets and limited government, the United States is uniquely qualified to be the guiding light in the worldwide transition to freedom and liberty.

We have an obligation to continue to provide a framework of free markets and democracy for the global transition to freedom. Our responsibility to the rest of the world is to continue to fight the seductiveness of statism around the world and here at home. The seductive nature of statism continues to tempt and lure us into the Barmecidal illusion that the government can create wealth.

The temptress of socialism is constantly luring us with the offer: “give up a little of your freedom and I will give you a little more security.” As the experience of this century has demonstrated, the bargain is tempting but never pays off. We end up losing both our freedom and our security.

Programs like socialized medicine, welfare, Social Security, and minimum wage laws will continue to entice us because on the surface they appear to be expedient and beneficial. Those programs, like all socialist programs, will fail in the long run regardless of initial appearances. These

programs are part of the Big Lie of socialism because they ignore the important role of incentives.

Socialism will remain a constant temptation. We must be vigilant in our fight against socialism not only around the globe but also here in the United States.

The failure of socialism inspired a worldwide renaissance of freedom and liberty. For the first time in the history of the world, the day is coming very soon when a majority of the people in the world will live in free societies or societies rapidly moving toward freedom.

Capitalism will play a major role in the global revival of liberty and prosperity because it nurtures the human spirit, inspires human creativity, and promotes the spirit of enterprise. By providing a powerful system of incentives that promote thrift, hard work, and efficiency, capitalism creates wealth.

The main difference between capitalism and socialism is this: Capitalism works.

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A Revolution to Always Remember but Never Celebrate

Lawrence W. Reed

The propaganda of the old Soviet Union referred to it for decades as the “Great October Socialist Revolution,” the momentous event that brought Vladimir Lenin to power and gave birth to seventy-four years of Communist Party rule. We are presently on the eve of its centennial.

It is not an anniversary that anyone should celebrate.

For decent people everywhere, *nothing* about the Russian tragedy of 1917 is worth commemorating. *Everything* about it, however, is worth remembering—and learning important lessons from. The carnage wrought by the ideology that ascended to power a century ago may forever stand as an evil unsurpassed in the annals of human depravity. If you’re not sure just what that ideology was, or what to call it, perhaps my article, “[Socialism: Force or Fantasy?](#)” will help.

I first became an activist for liberty 49 years ago in response to the [Soviet invasion of Czechoslovakia](#). So in part for personal reasons, I could not let this centennial milestone pass without noting it in some way.

The victims of the Soviet regime and the other tyrannies it spawned in the twentieth century approach [100 million in number](#), but can any article, book, or voluminous collection of both ever adequately do justice to the stories of their agony and sacrifice? Of course not. So with that limitation in mind, I choose to note the occasion by telling you a little about just two of those 100 million. Their names are Gareth Jones and Boris Kornfeld.

Gareth Richard Vaughan Jones was born in Wales on August 13, 1905. Both his parents were middle-class educators determined that their son would get the best education possible. By his 25th year, young Gareth had earned degrees in French, German and Russian from the University of Wales and Trinity College at Cambridge University. Former British Prime Minister David Lloyd George hired him almost immediately as his Foreign Affairs Advisor, a remarkable assignment for a 25-year-old.

Gareth must have thought the world was his oyster. Little did he know he would soon be a celebrity journalist of international standing, and dead before his 30th birthday.

In the early 1930s, Jones undertook two fact-finding missions to Stalin's Soviet Union. He published several well-received articles in major Western newspapers about his observations. Before a third visit in March 1933, he picked up credible information that conditions in Ukraine, then one of the 15 Soviet republics, were dire. He resolved to find out for himself and scheduled a third mission for March 1933.

A month before that fateful journey, Jones found himself invited by officials in Germany to cover a political rally in Frankfurt. Adolf Hitler had just been named Chancellor in January. Three days before the February 27 burning of the Reichstag, Jones was one of a small handful of people on a plane bound for that rally with Adolf Hitler and Joseph Goebbels. As he witnessed the popular adulation of the man who would soon assume the mantle of "Führer," Jones sensed the troubles ahead. If only the plane in which he flew with Hitler and Goebbels had crashed, he later wrote, the history of Europe would have been very different.

With his assignment in Germany behind him, Jones arrived in Moscow in March. Travel from there to Ukraine was forbidden, but that didn't prevent him from eluding Soviet authorities and making his way there anyway. What he saw and heard horrified him. By the end of the month, he was back in Berlin and reporting to the world. In an article published in the *New York Evening Post*, Britain's *Manchester Guardian* and many other papers, he wrote:

I walked along through villages and twelve collective farms. Everywhere was the cry, "There is no bread. We are dying." . . . I tramped through the [black earth region](#) because that was once the richest farmland and because the correspondents have been forbidden to go there to see for themselves what is happening.

In the train, a [Communist](#) denied to me that there was a famine. I flung a crust of bread which I had been eating from my own supply into a spittoon. A peasant fellow-passenger

fished it out and ravenously ate it. I threw an orange peel into the spittoon and the peasant again grabbed it and devoured it. The [Communist](#) subsided.

I stayed overnight in a village where there used to be two hundred oxen and where there now are six. The peasants were eating the cattle [fodder](#) and had only a month's supply left. They told me that many had already died of hunger. Two soldiers came to arrest a thief. They warned me against travel by night, as there were too many 'starving' desperate men.

"We are waiting for death" was my welcome. . . "Go farther south. There they have nothing. Many houses are empty of people already dead," they cried.

Jones had walked into one of the Great October Socialist Revolution's most heinous crimes: the Holodomor of 1932–33. Known also as the Terror-Famine and the Ukrainian Genocide, it was an intentional, man-made, planned-from-the-top catastrophe that claimed the lives of between four and ten million people. From Stalin on down, Communist officialdom engineered it to crush Ukrainian resistance to the forced collectivization of agriculture. Two years and millions of deaths later, Stalin would declare in a speech, "Life has improved, comrades. Life has become more joyous."

In [*Bloodlands: Europe Between Hitler and Stalin*](#), historian Timothy Snyder refers to the widespread cannibalism during the disaster:

Survival was a moral as well as a physical struggle. A woman doctor wrote to a friend in June 1933 that she had not yet become a cannibal, but was "not sure that I shall not be one by the time my letter reaches you." The good people died first. Those who refused to steal or to prostitute themselves died. Those who gave food to others died. Those who refused to eat corpses died. Those who refused to kill their fellow man died. Parents who resisted cannibalism died before their children did.

27-year-old Gareth Jones was the first journalist to reveal the infamous Ukrainian famine to the outside world. No credible person today denies that it occurred. But in March 1933, Jones was shocked to find his revelations met with denunciation from some veteran and highly-respected journalists.

Chief among the deniers was reporter and Soviet sympathizer Walter Duranty of the *New York Times*. On March 31, Duranty penned a piece for *The Times* in which he claimed Jones's report to be a fabrication. He even cited Kremlin sources (as if they were to be trusted), who labeled Jones a flat-out liar.

Duranty never apologized for his allegations against Jones, nor did he ever retract his "there is no famine" propaganda. He would later win a Pulitzer Prize for his "coverage" of the Soviet Union. Decades later, *The Times* conceded that his articles amounted to "some of the worst reporting to appear in this newspaper." Duranty was a classic example of what Vladimir Lenin disdainfully labeled "useful idiots." (They're still around, by the way, in disturbing abundance. You can learn more about them in the works of sociologist Paul Hollander, [here](#), [here](#), and [here](#).)

Moscow despised the fact that Jones had found a way to get into Ukraine against its wishes. Telling the world about conditions there put him on the official black list. Soviet Foreign Minister [Maxim Litvinov](#) (whom Jones had interviewed in [Moscow](#)) wrote a personal letter to Lloyd George, informing him that his colleague Jones would never be allowed entry into the Soviet Union again.

Two years later, Jones and a German journalist covered events in turbulent China. They were captured by bandits who released the German within two days but held on to Jones for sixteen more. Then under mysterious circumstances on August 12, 1935—the day before his 30th birthday—Jones was shot to death. As a [BBC documentary suggests](#), the evidence tying the murder to the Soviet secret police is very strong.

Two weeks after Jones' killing, David Lloyd George paid tribute to his young friend:

That part of the world is a cauldron of conflicting intrigue and one or other interests concerned probably knew that Mr. Gareth Jones knew too much of what was going on. . . He had a passion for finding out what was happening in foreign

lands wherever there was trouble, and in pursuit of his investigations he shrank from no risk. . . I had always been afraid that he would take one risk too many. Nothing escaped his observation, and he allowed no obstacle to turn from his course when he thought that there was some fact, which he could obtain. He had the almost unfailing knack of getting at things that mattered.

Gareth Jones didn't live to see his courageous reporting vindicated, but his memory is celebrated today in Ukraine, where he is a national hero.

Exactly when Boris Nicholayevich Kornfeld was born, no one seems to know now for sure. We might know nothing of him today were it not for a few paragraphs in a famous book by a man—for the moment, let me simply refer to him as Mr. X—whose life he hugely affected and perhaps even helped save.

We do know that in the late 1940s, Kornfeld was a prisoner incarcerated at Ekibastuz, a notorious forced-labor camp in Soviet Siberia. We know that Kornfeld was a doctor by profession and was sometimes ordered to tend to other prisoners. He was Jewish but was apparently so affected by the faith and stoicism of Christian prisoners in the camp that he converted. He felt a powerful compulsion to tell others about Christianity, at great risk to himself.

In his famous book, Mr. X writes this about his encounter with Dr. Kornfeld:

Following an operation, I am lying in the surgical ward of a camp hospital. I cannot move. I am hot and feverish, but nonetheless my thoughts do not dissolve into delirium, and I am grateful to Dr. Boris Nikolayevich Kornfeld, who is sitting beside my cot and talking to me all evening. The light has been turned out, so it will not hurt my eyes. There is no one else in the ward.

Fervently he tells me the long story of his conversion from Judaism to Christianity. I am astonished at the conviction of

the new convert, at the ardor of his words.

We know each other very slightly, and he was not the one responsible for my treatment, but there was simply no one here with whom he could share his feelings. He was a gentle and well-mannered person. I could see nothing bad in him, nor did I know anything bad about him. However, I was on guard because Kornfeld had now been living for two months inside the hospital barracks, without going outside. He had shut himself up in here, at his place of work, and avoided moving around camp at all.

This meant that he was afraid of having his throat cut. In our camp it had recently become fashionable to cut the throats of stool pigeons. This has an effect. But who could guarantee that only stoolies were getting their throats cut? One prisoner had had his throat cut in a clear case of settling a sordid grudge. Therefore the self-imprisonment of Kornfeld in the hospital did not necessarily prove that he was a stool pigeon.

It is already late. The whole hospital is asleep. Kornfeld is finishing his story. . . I cannot see his face. Through the window come only the scattered reflections of the lights of the perimeter outside. The door from the corridor gleams in a yellow electrical glow. But there is such mystical knowledge in his voice that I shudder.

Those were the last words of Boris Kornfeld. Noiselessly he went into one of the nearby wards and there lay down to sleep. Everyone slept. There was no one with whom he could speak. I went off to sleep myself.

I was wakened in the morning by running about and tramping in the corridor; the orderlies were carrying Kornfeld's body to the operating room. He had been dealt

eight blows on the skull with a plasterer's mallet while he slept. He died on the operating table, without regaining consciousness.

Who was the "famous" Mr. X who penned those words? None other than [Aleksandr Solzhenitsyn](#), ten years a prisoner in what he would later immortalize as *The Gulag Archipelago* in the title of one of the greatest literary and historical works of the twentieth century. The future Nobel laureate Solzhenitsyn acknowledged that Kornfeld played a key role in his mental and spiritual resolve to endure ghastly circumstances. When the *Gulag* manuscript was smuggled out and appeared in print in the West in 1973, it blew away whatever was left of the myth of Soviet socialism's "workers' paradise."

Boris Kornfeld was not just a number. He, like the other 80 or 90 or 100 million victims of the Great October Socialist Revolution, was a real human being. He had a name, a family, plans and ambitions, likes and dislikes, joys and sorrows. Thankfully, he had more than a little decency too. He shared truth and inspiration and suffered for it. But we have good reason to believe that in his courage, channeled to the soul of another man, he helped bring an end to a truly Evil Empire.

Gareth Jones would, I'm quite sure, be very pleased with that outcome.

These further words of Solzhenitsyn provide me with an appropriate conclusion. Think about them:

Socialism of any type leads to a total destruction of the human spirit and to a leveling of mankind into death.

In different places over the years I have had to prove that socialism, which to many western thinkers is a sort of kingdom of justice, was in fact full of coercion, of bureaucratic greed and corruption and avarice, and consistent within itself that socialism cannot be implemented without the aid of coercion.

The Great October Socialist Revolution was a calamity of the first order. Let us make no excuses for it. Ever.

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Dissent Under Socialism

Sandy Ikeda

The Daily Mail [reports](#) that “France’s Socialist government provoked outrage . . . by becoming the first in the world to ban protests against Israeli action in Palestine.” The socialist interior minister justified the ban by citing the potential for violent clashes in Paris between opposing groups, which he deemed a “threat to public order.”

My object here is not to comment on any aspect of the conflict in the Middle East or on this ban, which may or may not be justified. What caught my eye in the story is the following quote:

Sylvie Perrot, another pro-Palestine activist from Paris, said:
“Fascist states stop people demonstrating against wars—it is beyond belief that French Socialists are following their example.”

Au contraire!

If you understand the nature of socialism, it’s quite believable.

Collectivism and Dissent

Let me begin by defining “collectivism” as any economic system in which the State controls the principal means of production. Collectivism requires central planning of some kind over the resources the State controls. The particular brand of collectivism we’re talking about depends on the aims of the controllers.

In theory, “socialism” aims to unite people around the world regardless of nationality toward a common internationalist goal, while in theory “fascism” aims to unite people of a particular nation toward a common nationalist goal. The ends differ but all forms of collectivism use the same means: State control (*de facto* or *de jure*) over the means of production.

Given their common collectivist roots, then, it shouldn't be surprising that fascism and socialism employ similar policies.

Even more than that, however, F.A. Hayek points out, in [*The Road to Serfdom*](#):

That socialism so long as it remains theoretical is internationalist, while as soon as it is put into practice . . . it becomes violently nationalist, is one of the reasons why "liberal socialism" as most people in the Western world imagine it is purely theoretical, while the practice of socialism is everywhere totalitarian.

I would recommend the chapters in *The Road to Serfdom* where Hayek explains why this is the case (especially "Individualism and Collectivism," "Planning and Democracy," "Planning and the Rule of Law," and "The Socialist Roots of Naziism"), but here are two important points in that explanation.

First, to the degree that the State undertakes central planning of the resources it controls, it can't allow any person to interfere with or oppose the plan. Or, as Hayek puts it, "If the state is precisely to foresee the incidence of its actions, it means that it can leave those affected no choice."

Second, the more resources the State controls, the wider the scope and more detailed its planning necessarily becomes so that delay in any part of the system becomes intolerable. There is little room for unresponsiveness, let alone dissent. Hayek again:

If people are to support the common effort without hesitation, they must be convinced that not only the end aimed at but also the means chosen are the right ones. The official creed, to which adherence must be enforced, will therefore comprise all the views about facts on which the plan is based. *Public criticism or even expressions of doubt must be suppressed because they tend to weaken public support.* [emphasis added]

My point is that even if genuine socialism of some kind did exist in France (or anywhere else), the government there could not allow spontaneous political demonstrations, for the reasons Hayek outlines in *The Road to Serfdom*. Collective political ends must trump individual expression.

That a socialist government would ban political demonstrations should then come as no surprise.

The Problem Is Central Planning

Friends of mine have objected that these arguments are misplaced because genuine socialism doesn't exist in France and that political parties who brand themselves "socialist" aren't really socialist at all, at least in the sense defined here.

But Hayek's point is that intolerance for dissent grows with the scope of central planning. Thus, the principle also applies in the case of a mixed economy, such as the United States, with more limited central planning. To the extent that the US government tries to pursue collectivist ends—say, during times of war—the greater the pressure on public officials to quell open displays of protest.

Moreover, the more things the central government plans for, the less freedom—of expression, assembly, association—there can be. If the State controls all means of production and all resources are placed in the hands of the authorities, then in effect all forms of expression—in politics, science, religion, art—are political and any form of dissent from the official creed is intolerable and must be forbidden. That would lead, and has led, to the death of free inquiry because dissent, rebellion, and radical criticism are essential to the growth of knowledge.

One of the political virtues of private property is that it establishes a sphere of autonomy in which we are safe from the threat of physical violence. In that sphere of autonomy, we can say or not say, or do or not do, anything we like, so long as we don't initiate physical violence against others. Private property is the garage where we can form a band or invent the personal computer or paint protest signs. As private property disappears, not only do our economic liberties disappear but so too do our political liberties.

What Is Not Forbidden. . .

Indeed, taken to its logical conclusion, under pure collectivism no freedom at all would remain, and not only the freedom to peacefully assemble in protest against government activities. In a completely collectivist system, it's not a stretch to say that what isn't forbidden would, in fact, be mandatory.

From [California](#), which, at least for now, is a ways off from pure collectivism, comes an even-nuttier though still-scary scenario:

A Southern California couple received a letter from Glendora city officials threatening to fine them \$500 if they don't get their sun-scorched brown lawn green again, reports [AP](#). Which Laura Whitney and Michael Korte would gladly do, except for one thing: They could also be fined \$500 if they water their lawn too much; they're currently only watering twice a week.

Thus, what is mandatory may also be forbidden. Don't forget, 1984 was 30 years ago.

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“Democratic Socialism” Is a Contradiction in Terms

Sandy Ikeda

Why are so many young Americans suddenly calling themselves democratic socialists? I think many of them simply want to distinguish themselves from socialists who might have supported dictatorial regimes such as the former USSR and Maoist China or who, today, might support North Korea. They want to signal that, for them, political liberty is just as important as, say, economic justice.

But are the concepts of democracy and socialism even compatible?

No. While socialism’s goals may be lofty, its means are inherently at odds with democracy. In the end, “democratic socialism” makes no more sense than “voluntary slavery.”

Democracy

Democracy means different things to different people. To some, democracy is an end in itself, a goal that may be worth sacrificing lives for. To others, democracy is at best a means for making a small government somewhat responsive to its citizens or a means to transfer political power peacefully. Thus, as [F.A. Hayek](#) wrote in [The Road to Serfdom](#), “Democracy is essentially . . . a utilitarian device for safeguarding internal peace and individual freedom.”

But I think most of us can agree that the ordinary meaning of democracy is at least tied to the concepts of political self-determination and freedom of expression. In this way, people tend to think of democracy as a shield against others more powerful than themselves.

Socialism

As with democracy, you can interpret “socialism” as either an end or a means. Some people, for example, regard socialism as the next stage of

Marx's "laws of motion of history" in which, under the authority of a proletarian dictatorship, each contributes and receives according to her ability. A more moderate version of socialism might envision a politico-economic system that places particular goals, such as "[social justice](#)," over any individual's profit-seeking plans.

Or, you can think of socialism as a form of collectivism that uses a particular set of means—political control over the means of labor, capital, and land—to implement a large-scale economic plan that directs people to do things they might not have chosen. In its use of collectivist means, [this kind of socialism has much in common with fascism](#), even if the two differ strongly in the ends they seek to achieve.

Democratic Socialism

What happens when you try to combine democracy with socialism?

Let's say a socialist government has to choose between only two ends: greater income equality or greater racial justice. Even in this simple, two-alternative case, it has to define clearly what equality and justice mean in terms that everyone can agree on. What counts as income? What constitutes racial justice? What constitutes more-equal income or justice? At what point has equality been achieved or justice served: perfect equality or perfect justice? If less than perfection, how much less?

These are a few of the tough questions government authorities would have to answer. And, of course, these authorities would be dealing not with a limited number of goals but with a multitude of ends and "priorities" that they would have to define, rank, implement, monitor, and so on. And when conditions change in unpredictable ways, as they always do, the authorities would have to adjust the plan continuously. Under such circumstances, the fewer the people who have input into the final plan, the better. That's why, if the idea of democracy embodies the liberal ideals of self-direction, of enabling ordinary people to meaningfully choose the policies that will rule them, and of self-expression, then democracy poses an insurmountable problem for socialism.

When government is small and limited to undertaking only those policies that almost everyone agrees on—for example, taxing to finance an effective territorial defense—then democracy might work relatively well,

because the number of areas on which a majority of voters and decision-makers need to agree is small. But when the scope of governmental authority expands into more and more areas of our daily lives—such as decisions about health care, nutrition, education, work, and housing—as it would under socialism, agreement among a majority of all eligible citizens on every issue becomes impracticable. The inevitable bickering and dissension among people in countless interest groups on the myriad pieces of legislation bogs down the political process.

How much individual self-expression, how much self-determination can a central authority tolerate, democratic or not, when it seeks to impose an overarching economic plan? Planning on this scale requires the suppression of the petty plans and personal aspirations of mere individuals and the submission of personal values to those of the collective.

Tocqueville said it well:

Democracy and socialism have nothing in common but one word: equality. But notice the difference: while democracy seeks equality in liberty, socialism seeks equality in restraint and servitude.

The system may grind along this way for a while, but the temptation to abandon true democracy—by transferring decision-making authority to smaller groups of experts in each field, for example—becomes harder and harder to resist. In such circumstances, making swift, effective decisions becomes more desirable and less possible. The lofty goals of theoretical socialism—the international brotherhood of workers and global economic justice—tend to be swept aside by local concerns of hunger and security, opening the door to (nonproletarian) dictatorship.

As F.A. Hayek eloquently put it,

That socialism so long as it remains theoretical is internationalist, while as soon as it is put into practice . . . it becomes violently nationalist, is one of the reasons why “liberal socialism” as most people in the Western world imagine it is purely theoretical, while the practice of socialism is everywhere totalitarian.

The Trade-Off

Someone might reply that while such problems might apply to full-fledged socialism, the kind of democratic socialism that today's intelligentsia advocate is far less extreme. If so, the question becomes this: In a mixed capitalist economy—regulatory-state, welfare-state, or crony capitalism—to what extent do these consequences emerge? How robust is the trade-off I'm describing?

Clearly, it's a matter of degree. The greater the degree of central planning, the less the authority can put up with deviation and individual dissent. I also realize that there is more than one dimension along which you can trade off self-direction for direction by others, and some of these dimensions do not involve physical coercion. For example, groups can use social or religious pressure to thwart a person's plans or shrink her autonomy, without resorting to physical aggression.

But there is no denying that along the dimension of physical coercion, which is the dimension along which governments have traditionally operated, the more coercive control there is by an outside agency, the less self-direction there can be. Coercion and self-direction are mutually exclusive. And as government planning supplants personal planning, the sphere of personal autonomy weakens and shrinks and the sphere of governmental authority strengthens and grows. More socialism means less real democracy.

Democratic socialism, then, is not a doctrine designed to protect the liberal values of independence, autonomy, and self-direction that many on the left still value to some degree. It is, on the contrary, a doctrine that forces those of us who cherish those liberal values onto a slippery slope toward tyranny.

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Does Democracy Lead to Socialism?

B.K. Marcus

Presidential candidate Bernie Sanders has brought “democratic socialism” out of the shadows of fringe ideologies and into the spotlight of mainstream American politics. Nevertheless, many find Sanders’s self-description perplexing. Is socialism seriously still in play? Didn’t the horrors of the twentieth century finally bury that ideological monstrosity?

No, that’s *communism* you’re thinking of. To quote the [Democratic Socialists of America](#) (DSA),

Socialists have been among the harshest critics of authoritarian Communist states. Just because their bureaucratic elites called them “socialist” did not make it so; they also called their regimes “democratic.”

If the Communists weren’t really socialists, then what the heck does socialism mean?

The basic definition of socialism, democratic or otherwise, is *collective ownership of the means of production*. The DSA website says, “We believe that the workers and consumers who are affected by economic institutions should own and control them.”

But the DSA keeps the emphasis on democracy:

Democratic socialists believe that both the economy and society should be run democratically—to meet public needs, not to make profits for a few. To achieve a more just society, many structures of our government and economy must be radically transformed through greater economic and social democracy so that ordinary Americans can participate in the many decisions that affect our lives.

Socialism, then, as the democratic socialists understand the term, is just the logical consequence of the democratic ideal:

Democracy and socialism go hand in hand. All over the world, wherever the idea of democracy has taken root, the vision of socialism has taken root as well.

On this point, at least, many in America's free-market tradition would agree.

Anti-Democratic Anti-Socialists

[Ludwig von Mises](#) may have been the most radical classical liberal in twentieth-century Europe, but when he came to the United States, Mises found himself at odds with American libertarians who felt that his liberalism didn't go far enough.

Some of these disagreements would strike most of us as highly abstract, such as [the question of whether or not the philosophy of freedom is based in natural law or utilitarianism](#). But at least one practical point of contention was the issue of majoritarian democracy. Mises had defended both capitalism and democracy in his book *Liberalism*. American libertarians such as [R.C. Hoiles](#) and [Frank Chodorov](#) shared Mises's appreciation of the free market but were far less sanguine about majority rule. The harshest language came from *Discovery of Freedom* author [Rose Wilder Lane](#):

As an American I am of course fundamentally opposed to democracy and to anyone advocating or defending democracy, which in theory and practice is the basis of socialism.

It is precisely democracy which is destroying the American political structure, American law, and the American economy, as Madison said it would, and as Macauley prophesied that it would do in fact in the twentieth century. (Letter from Lane to Mises, July 5, 1947; quoted in [Mises: The Last Knight of Liberalism](#))

Why would Lane argue that democracy is “the basis of socialism”?

Majority Fools

Voting turns out to be a particularly bad way to make economic decisions. Mancur Olson's book [*The Logic of Collective Action*](#) wouldn't appear for another 18 years, but some version of his thesis was probably already familiar to Lane and her radical allies. Olson argues that majority rule separates the benefits and the costs of decision-making.

Elections aren't just a poll of everyone's opinion; they are organized campaigns by different groups fighting for their interests. A voter doesn't go into the booth having studied the controversy in question. He or she brings to the polls an impression of an issue based on how different organized groups have presented their cause during massive advocacy campaigns prior to Election Day. Every such campaign is a case of a special-interest minority trying to persuade a voting majority.

And it's not a level playing field, to borrow one of the political left's favorite metaphors. Olson explains how the incentive for group action decreases as the size of a group increases, meaning that bigger groups are less able to act in their common interest than smaller ones. Small groups can gain *concentrated benefits* while the rest of us face *diffuse costs*.

The textbook example is sugar tariffs ("or what amounts to the same thing in the form of quota restrictions against imports of sugar," as former *The Freeman* editor Paul Poirot [put it](#)). Why is Coke sweetened with corn syrup in the United States and with sugar everywhere else in the world? Because sugar is cheaper everywhere else while [the US government keeps sugar artificially expensive](#) for Americans. The protections responsible are a huge benefit to a small group of domestic sugar producers (and, as it turns out, also to corn growers) and a burden on the rest of us.

Ignore the corn-syrup issue for a moment and pretend that Coke is still made with sugar. Let's imagine that government price supports make each can of Coke, say, 5 cents more than it otherwise would be. That difference adds up, but at the moment you're buying the can of soda, it's an irritation, not a hardship. Even if you bother to figure out how much extra money you have to spend on sweet drinks each year, the figure probably won't be enough to stir you to petition the legislature to repeal the sugar lobby's

protections. In fact, the loss isn't even enough to prompt you to learn the cause of the higher price.

That's what economists mean when they talk about *diffuse costs*. (And the Coke-drinker's very reasonable cluelessness about the cause of his lost nickel is what economists call "rational ignorance." See "[Too Dumb for Democracy?](#)" *The Freeman*, Spring 2015.)

On the other hand, the sugar producers will make billions from lobbying and campaigning to explain why their favorite barriers are good for the economy.

Take this example and multiply it by all the special interests seeking government favors. Even if you do understand what's going on, even if you know how this hurts the economy and consumers and yourself, it's not like there's ever one plebiscite, a big thumbs-up or thumbs-down for free trade in sugar. Every issue is addressed separately, and every issue faces the same logic of collective action we see in the case of the sugar. (And as with the case of sugar, where the corn industry has its own interests in promoting higher sugar prices, many issues have multiple special-interest groups with their own reasons for supporting socially harmful policies.)

Now replace agribusiness in this example with [teachers unions](#) or the [AARP](#) or anyone else who benefits from a government program, even if that program hurts the rest of us.

The democratic system is rigged from the outset to favor ever more interference from ever-bigger government. From this perspective, Rose Wilder Lane doesn't seem quite so polemical for equating democracy and socialism.

Democratic Socialists for Crony Capitalism

But is big government the same thing as socialism? The DSA denies it. They insist that they prefer local and decentralized socialism wherever possible. How long an elected socialist would keep his hands off the bludgeon of central power is a reasonable question, and a chilling one, as is the question of how long a socialist democracy would honor the civil liberties that the DSA claims to support.

But even if we reject the DSA's claims as either naive or fraudulent, there is still a compelling reason to reject the equation of big government

and socialism.

Government doesn't grow to serve the poor or the proletariat. Democracy spawns special interests, and special-interest campaigns require deep pockets. None come deeper than the pockets of established business interests.

Real-world capitalists, despite the rhetoric of the socialists, rarely support capitalism—at least not in the sense of free trade and free markets. What they too often support is government protection and largess for themselves and their cronies, and if that means having to share some of the spoils with organized labor, or green energy, or the welfare industry, that's not a problem. Corporate welfare flows left and right with equal ease.

“Democratic socialists,” according to the DSA, “do not want to create an all-powerful government bureaucracy. But we do not want big corporate bureaucracies to control our society either.”

If that's true, then democratic socialists should aim to reduce both the size of government and the scope of democratic decisions. Unfortunately, they're headed in the opposite direction—and trying to drag the rest of us with them.

[Originally published](#) at FEE.org on March 3, 2016.

Why Do They Turn to Socialism?

Edmund A. Opitz

Every person of good will longs for peace on earth; he strives for justice and fair play in human affairs. Proclaiming such goals as these does not distinguish the Socialist from other men; rather, it is his means for attaining these ends that marks him out.

The operational imperatives of a Socialist order demand a coercive arrangement of society, within which the lives of the many are planned and managed by the few who wield political power. Why do many otherwise idealistic and intelligent people find this scheme appealing? This is a recurring question. Everything about freedom seems so natural and so right to those who understand it that they can't help but wonder why anyone rejects it in favor of Socialism or Communism. But millions do.

The twentieth century faces Left, and nation after nation succumbs to a "progressive" ideology. Marxism, of the Moscow or the Peking variety, is the official faith of hundreds of millions of people the world over. Countless others may reject Marxism, but they embrace a "liberal" ideology; they advocate national planning, state regulation of key industries, public works, welfarism. Add up these millions and you ask: Who else is there?

Well, there are a few people in today's world who are firmly grounded in the tradition of eighteenth-century Whiggism, or Classical Liberalism; who acknowledge the political wisdom of *The Federalist*; who embrace the free market economic theories of the Manchester and Austrian Schools. There are able scholars in this camp whose writings demolish collectivist theory and marshal solid, carefully reasoned moral and intellectual arguments on behalf of the free economy/free society position.

The soundness of this freedom philosophy is attested even by its opponents, that is to say, by the triviality of Left-wing analysis and criticism of it. The Left rarely attempts to make the case against the philosophy of the free society by meeting its arguments on their own level. We may be sure that if the Left had such a case they'd use it.

The Left opposes the free society position, of course, but seldom by argument, that is, intellectually. Opponents of the free economy position have several typical ways of dealing with it. The first tactic is to ignore it; don't discuss; pretend it isn't there. The second line of defense is: If you can't ignore it, misstate the position; then knock the straw man down. Third, call names. Useful epithets are "reactionary," "eighteenth-century idea," "capitalist," "outdated." Fourth, allege hardheartedness toward the plight of "the poor." This last is almost hilarious.

To the extent that the free economy has been allowed to function in a given nation, in like measure has the free economy elevated more poor people further out of poverty in less time than any other system! What amalgam of ignorance, stupidity, and malice does it take to bring this charge against the free economy that it neglects "the poor"? The record shows that the government handout system, by contrast, not only fails to help "the poor," it keeps them that way—and demeans them to boot!

Attacks Rooted in Envy

The system of liberty has solid intellectual and moral foundations; why, then, do not more people find the case persuasive? Why do so many people gravitate toward freedom's opposite, jostling one another as they crowd the road to serfdom? Is there some human trait which, released from moral controls, is readily enlisted under the banners of Socialism? The answer is, Yes; there is such a trait—envy. Envy, and its twin, covetousness, are unlovely facets of human nature, and only moral energy keeps them bottled up. But when envy and covetousness are uncorked they work against freedom and for Socialism.

Ask the man in the street what he understands about Socialism, and he'll tell you that it's a scheme for dividing up the wealth; "the equal division of unequal earnings," as someone put it; soaking the rich to pay "the poor." Spellbinders of the Left play upon the feelings of envy and covetousness with practiced skill, setting person against person, class against class. These ugly traits of human nature have caused trouble since time immemorial. "Thou shalt not covet," is one of the Ten Commandments; envy and covetousness are two of the Seven Deadly Sins.

Our forebears, aware of the destructive potential of these traits, endeavored to neutralize them by making their control a religious duty.

But if the egalitarian drive is to pick up momentum, it needs the fuel only envy and covetousness can supply. Socialism uses envy and exploits the new morality whose energumens tell people that they should covet their neighbor's goods. Roll your own Ten Commandments and remember that there are easier ways of getting your hands on a buck than working for it! The society is first divided into the Haves and the Have-nots. Then the Have-nots must be convinced that their lack of the amenities is somehow the fault of the Haves; that the man who earns twenty-five thousand dollars a year is somehow to blame for the fact that another man earns only seventy-five hundred.

With a part of ourselves we'd like to believe this, so it is not surprising that a lot of people are reluctant to utter a *mea culpa* in the case of their own failures and shortcomings; they find it gratifying to learn that someone who seems more successful than they, is the reason they are not doing better. Such sentiments as these are music to our ears, but they cannot survive even a limited exposure to economic reasoning.

Advantages of Trade

We can learn from economics, if we will, that the free economy is not like a zero-sum game where one man's gain inevitably means another man's loss. In a poker game, as one man's stack of chips grows higher and higher there is a corresponding shrinkage of the other players' stacks. In the market economy, by contrast, there is a progressive increase in the number of chips (so to speak) available to every player; and every man earns precisely what consumers think his services are worth.

Now, in his secret thoughts, Everyman knows he is worth a great deal more than consumers think he's worth! It is only experience and self-discipline that allows the reality sense in most people to be brought into play and prevail in the end. But economic understanding, and reasonable considerations such as these, must be squelched in order to inflame more acutely the envy of the Have-nots.

But envy is only the first half of the story; the inflamed envy of the Have-nots must be orchestrated into harmony with the aroused guilt of the

Haves. Now, a person whose wealth has been obtained by force and fraud should feel guilty; if there is no guilt feeling associated with advantages gained at another's expense there is evidence of a moral blind spot.

Parenthetically, there are scores of millions in this category—gaining advantages at someone else's expense—every person on the welfare state's subsidy list! And paradoxically, most of these would be thought of as being in the Have-not category, and would so place themselves, and they would attach great virtue to the particular means by which they obtain an income!

Consumers Make the Awards

Every one of us in a free society is rewarded by his peers according to the value willing buyers attach to the goods and services he offers for exchange. This marketplace assessment is made by consumers who are ignorant, venal, biased, stupid; in short, by people very much like you and me! This does seem to be a clumsy way of deciding how much or how little of this world's goods shall be put at this or that man's disposal. Isn't there an alternative?

Yes, there's an alternative, and it occurred to people more than two millennia ago. We'll invite the wise and the good to come down from Olympus to sit as a council among men, and we'll appear before them one by one, to be judged on personal merit and rewarded accordingly. Then we'll be assured that those who make a million really deserve it, and those who are paupers belong at that level; and we'll all be contented and happy.

What lunacy! The genuinely wise and good would not accept such a role, and I quote the words of the highest authority declining it: "Who made me a judge over you?" Anyone who applied for such a role would cast grave doubt on his wisdom and goodness by the mere fact of applying!

The marketplace decision that this man shall earn twenty-five thousand, this one ten, and so on, is not, of course, marked by supernal wisdom; no one claims this. But it is infinitely better than Socialism's alternative, which is to recast consumers into voters, who will elect a body of politicians, who will appoint bureaucrats to divvy up the wealth by governmental legerdemain.

This mad scheme backs away from the imperfect and crashes into the impossible! There are no perfect arrangements in human affairs, but the

fairest distribution of material rewards attainable by imperfect men is to let a man's customers decide how much he should earn; this method will distribute economic goods unequally, but nevertheless equitably.

Parenthetically, it should be understood that the market does not measure the true worth of a man or a woman. If it did, we would have to rate all who make a lot of money as superior beings—rock music stars, producers of porno films, publishers of dirty books, television commentators, authors of bestsellers—and they're not superior. To the contrary! But such people constitute only a tiny sector of the free economy, and they are a very small price to pay for the blessings of liberty we enjoy.

A Guilt Complex

In a free society, those who earn more than the national average are entitled to enjoy their possessions, for they've gained them in a system of voluntary exchange, the well-being they enjoy is matched by the well-being they have bestowed upon other people! There are no valid reasons for anyone to be plagued by feelings of guilt on this score. There is genuine reciprocity in the free society, but its opponents are blind to the market's built-in mutuality.

The Left, therefore, will make a determined effort to instill a guilty conscience in everyone who lives above the poverty level. They use Karl Marx's exploitation theory which alleges that the man who works for wages produces, over and above his wage, a "surplus value" which is garnished by his employer. To be employed is to be exploited, and the whole capitalist class should feel guilty for denying the working class its due!

This naive notion was demolished by Böhm-Bawerk even while Marx lived, and it is not now defended even by Communist theoreticians. But the "surplus value" idea accords with feelings of envy and guilt, so it is still useful as propaganda.

Given a century and more of Marxist propaganda and it is not surprising that there are a lot of guilt-ridden millionaires and sons of millionaires, as well as many captains of industry and top executives whose hearts bleed for "the poor." Envious Have-nots and guilty Haves: fertile breeding ground for Socialistic propaganda!

It is not only among individuals that wealth differentials are exploited; there are Have and Have-not nations. The Have-not nations are those to whom Americans have given upwards of two hundred billion dollars worth of goods since the end of World War II. But despite this incredible bounty (for which the nations of the world rise up and call us blessed!) we still have too much, in the eyes of our critics. The words vary but the music is always the same: Americans who represent only 7 percent of the world's population consume 20 percent of the world's food, drive 75 percent of the world's automobiles, have 75 percent of the world's television sets, and so on and on and on.

Now, I'm an amateur critic of the quality of life lived in America, and for those who insist on having my opinion I'd say that Americans do eat too much, and they stuff themselves with food of the wrong kind. It would be good for them to leave the car in the garage occasionally and walk or ride a bicycle. Furthermore, no mixture of ease, comfort, speed, and gadgetry will add up to the good life—as most persons would agree.

But all this is by the way; the matter at issue here is not the desirability of a more Spartan or Stoic style of life—which, incidentally, is not practiced by the rich of Asia, Africa, Europe, or you name it. It's just that more people in these fifty states are enabled to enjoy more material wealth than all but a handful of people elsewhere, and so we are conspicuous enough to provoke the carefully nurtured envy of the rest of the world.

Should Americans deliberately lower their living standards? Well, perhaps there are good reasons for a return to plain living, hard work, and the Puritan ethic—but deferring to local liberals and critics from the Have-not nations is not one of them!

Productivity the Key

Americans do consume more on the average than the people of other nations. It might be interesting to ask why. The answer is clear: Americans consume more because Americans produce more. If the people of India want to consume more, they'll have to learn to become more productive. And America is bursting with people who would be delighted to tell them how to increase their productivity. You merely have to accumulate capital at

a faster rate than population growth so that each worker will have more and more machinery, tools, and equipment.

Productive efficiency, in other words, requires institutional incentives for capital accumulation—such as widespread belief in the sacredness of private property; an ethic which exalts honesty, thrift, and hard work; the idea of inherent rights, and so on. A nation that builds on a foundation like this is bound to prosper, as America has.

Suppose the American government continues to yield to the pressure of envy stemming from the Have-not nations and increases the tax bite on American citizens so that they will consume less. Suppose, in other words, that a larger and larger percentage of the goods produced here annually is siphoned off and shipped abroad.

What will happen to production here when our people are prevented from enjoying its fruits? You know what will happen to it; production will decline, inevitably. Why does a man produce? He produces in order to consume; consumption is the end in view of all productive activities. If everything a man produces is taken from him he'll stop working; and if fifty percent is taken from him he'll slow down.

The upshot is that the worst help we can give to the Have-not nations is to inflict policies upon Americans which will inevitably make us dollars poorer without making the Have-not nations a penny richer.

This envy/guilt syndrome provides an interesting glimpse into the Socialist mentality, which has little concern with production, with the way material goods come into existence. Socialists are preoccupied with the political redistribution of the already existing stock. There is, in fact, only one way to make economic goods appear, and that is to apply human energy, augmented by tools and machinery, to raw material. Human labor applied to natural resources is the only way to produce food, clothing, shelter, and the amenities; but the Left has no interest in this process, let alone in increasing its efficiency.

Tax and Subsidize

The attention of the Left is focused on taxing producers and subsidizing consumers. Assuming that production occurs by magic, automatically, Socialism has no program except to seize property from the Haves and

distribute it to the Have-nots. The guaranteed end result of this to enforce domestic poverty and spread hunger around the globe. But a certain glamour attaches to any Robin Hood operation which promises to take from the rich and give to the poor—and some of this glamour lingers even after it has become plain that Robin the Hood is actually robbing both rich and poor for the benefit of Robin!

As a result of economic progress, a society moves up from a situation where just about everybody is poor to one characterized by general prosperity, shared by all but a few. That is to say, there will be pockets of poverty in any prosperous society, and the contrast between rich and poor makes the residual poverty painfully obvious to all compassionate people. Indignation suggests a remedy which appears obvious to those who respond emotionally, without thinking. If some are better off than others, why, pass a law to deprive the former of a portion of their property and dole it out to those in need! Not an efficient procedure, by the way; it costs the government several dollars to give one dollar to “the poor.”

Imagine a system of medicine where doctors blamed sickness on the healthy and sought to cure illness by making the well sick! This is madness, and if this tactic were used in medicine, few patients would survive. Economic distress likewise; poverty cannot be relieved unless we know its cause, and this means that we must also learn the cause of prosperity, for poverty can be overcome by productivity and in no other way.

Prosperity in a nation is generated by efficiency in production, and productive efficiency demands such things as a climate of freedom, security for property, the accumulation of capital, progressive technology, good work habits, skillful management, and the like. It follows that any impairment of the functioning of any or all of the factors that cause prosperity makes people poorer.

Here are some examples of political interventions which hamper productivity: confiscatory taxation which diminishes the supply of capital; minimum wage laws which disemploy large numbers of people; monopoly unionism which institutionalizes unemployment by exacting an above-the-market wage and imposing a rigid wage structure; price and wage controls; inflation.

Such political interventions as these do no one any good, and they do some people immense harm. Those most severely affected are the very ones

whose plight arouses our sympathy and causes some short-sighted citizens to demand drastic government action to correct disparities in income! The only sound strategy is to apply the formula for prosperity across the boards; and this means that we must find some way of stopping government from hurting people by unwise legislation. Unshackle production, turn the market loose, and everyone will share—more or less—in the ever-increasing prosperity.

Of course, it is not enough for a nation to be merely prosperous; riches don't bring happiness. A happy person is one who has something to live for, whose way of life challenges him to draw upon his powers and exert his full potential. Material well-being—food to nourish you, clothing to keep you warm, shelter against the elements—is one element in the good life. But in our time this one element looms so large in the eyes of many that evidence of economic distress anywhere is all the excuse they need to demand a program that will wreck the system which produced our prosperity! It is as if a doctor had treated a completely paralyzed patient with some miracle drug which restored function to arms and legs but left the former patient with one stiff knee and was then accused of malpractice and blamed for the man's lame leg!

Justice and Charity

Justice first; no legislation designed to give some an economic advantage at the expense of others, no arbitrary controls which prevent people from being as productive as they choose to be. Then, after justice, charity—which is simply an acknowledgment that some handicapped people can't cope. The scope of private philanthropy is still enormous, even after a generation of government welfare schemes. The springs of compassion have not run dry, and it is obvious that they run more freely in the voluntary sector of society than in the coercive governmental sector.

The coercive sector hits John Doe with heavy taxation during his productive years and uses his money to finance programs he's against. Doe is tens of thousands of dollars poorer as a result. During the same period, the Social Security tax deprives this man of thousands more. And all the while government is inflating the currency which increases the price of everything John Doe buys. When retirement comes, the government leaves

John Doe with a lot less money than he actually earned during his productive period, and it cheapens the value of every dollar it gives him during his latter years. This is how government takes care of the poor!

There is no doubt in my mind that envy, covetousness, and guilt—plus plain stupidity and ignorance—are of Socialism's essence. Socialism would stall at ground level if it could not inflame these feelings and shortcomings. But there are other causes contributory to the advance of Socialism in our time. There's idolatrous religion. We live in a period when the traditional religious faiths no longer exert the hold they once had over the minds of millions of people. The predominant worldview is earthbound, with little or no place for the dimension of transcendence, or the sacred. Unable or unwilling, therefore, to make a religion of Religion, many twentieth-century people make a religion of politics or economics.

A Religious Impulse

The term religion has reference, on the one hand, to an intensity of belief and devotion; and, on the other hand, it has to do with the object which inspires this intense belief and devotion. Lacking a transcendent object, God, because of the prevailing earthbound worldview, intense belief and devotion will affix itself to some object whose nature does not merit worship, such as the State, or Revolution. Thus Socialism or Communism becomes an ersatz religion for millions of people in our time.

The case of H.G. Wells is instructive. Wells was an early Fabian, and, until the disillusionment of his late years, worked tirelessly for the advancement of Socialism. "Socialism," he wrote, "is to me a very great thing indeed, the form and substance of my ideal life, and the only religion I possess. I am, by a sort of predestination, a Socialist."

Similar sentiments have been voiced by a multitude of the intellectual, literary, scientific, and political leaders of our time. Perversely, the low ebb of spiritual religion in our time has affected the churches, making it possible for men whose real religion is reform or revolution to capture large segments of the church for Socialism—by controlling various sounding boards, such as editorial offices, teaching and preaching posts, social action committees, and interchurch councils.

And just as the religious impulse has been bent to the uses of Socialism, so has the artistic impulse. The artist cannot “let nature take its course;” he must impose significant form upon it, bringing his kind of order out of what appears to him to be chaos. Twist the artistic vision around to society, and lo! the planned economy!

The untutored mind does not sense the magnificent and intricate order in a free society, which is the result of human action but not the consequence of human design. Merely enforce a few simple rules against theft, fraud, and murder, enforce contracts, redress injury—and, within these few rules, people acting freely and productively will project an order so complicated that it defies human understanding. Could we fully understand it, economic calculation apart from a market would be feasible—which it is not.

The artist in us dislikes loose ends, insists on tidying things up, is caught up in a vision it feels bound to realize. Fine, on canvas! But if you insist on a certain pre-planned order and pattern as an end result in your society—the nation as a work of art—it is obvious that this overall goal cannot be achieved if everyone in the society is free to pursue his own peaceful goals. There is no way to achieve a unitary National Goal except by nullifying individual goals.

Diversity Encouraged

The free society not only tolerates individual differences, it encourages diversity on the ground that each person has his unique contribution to make to the total richness. This position runs counter to the pressure for uniformity in this age of mass man. The advocate of the free society, therefore, runs the risk of rubbing people the wrong way; often he has to make his case against the grain of human nature which hates dissent. In order that a society may be free, a great many people must exhibit a much higher level of tolerance for individual eccentricity than has hitherto prevailed.

The believer in freedom, then, is like a salesman trying to persuade people to buy a product, by telling them that, chances are, there are things about it they won't much like after they get it! That's a hard sell! Freedom

means putting up with a lot of things you don't like and living with a lot of people you can barely stand.

Freedom of speech and press, of religion and economics, means that other people will say, print, believe, and produce things which we might find distasteful. Freedom doesn't come cheap; it costs, and those unable or unwilling to pay the price will never achieve freedom, nor will they retain the freedom they now enjoy.

The late Dean Inge used to say that labels are libels! How shall we label the social system of America, England, and some European nations in the period between the Civil War and the New Deal? It was an age marked by a great expansion of science and technology, so we might speak of the Age of Science. A fine historian characterized the period as the Age of Materialism.

Democracy took over as the kings departed, and that label is popular. The mode of production during this century was "capitalist," the label given currency by Marx. It suited the Communists to use one label, "Capitalism," for the social system they wanted to destroy, rather than, say, "Democracy."

A Deadly Label

Now, a modern western nation is an exceedingly complex affair, and it takes patient analysis to understand any single phenomenon of the many it exhibits. A social evil demands attention, and it takes knowledge and skill to trace out its root causes. Much simpler to blame everything that goes wrong on Capitalism! Why poverty? Capitalism! Why the Great War? Capitalism! Why the Great Depression? Capitalism! Why unhappiness? Capitalism!

Nothing was better calculated to deaden the analytical and critical faculties of several generations of intellectuals than this Marxist strategy; it worked; "social scientists" were conditioned to salivate on demand over the prospect that they had been chosen to lead humanity into the promised land.

Some able men are attracted to Socialism because it pretends to be scientific and progressive; and they regard themselves as scientific and progressive. But it is obvious that the mass of ordinary people are quite otherwise; they are stubborn and backward, and consequently, they make a mess of things. They refuse to accept the best scientific information

available to them, preferring instead to be sloppy and unscientific. Witness their lifestyle, their eating habits, the way they rear children, their resistance to new trends in schooling, the foolish way they spend their money, their superstitions!

The indictment against the man in the street is a lengthy one, and the conclusion is that ignorant people such as this cannot be trusted to run their own lives. Any volunteers for the job of running people's lives for them? Of course! Lots of highbrows believe themselves competent to operate a progressive society along scientific lines, all for the people's own good, of course.

Who Shall Live Your Life?

Now, it may be true that a lot of people exercise but little wisdom in running their own lives, but it is a non-sequitur to deduce from this that A's situation will be improved if B runs A's life for him against A's will! We know that this cannot work because it violates the basic law of life, a law as fundamental in human affairs as the law of gravity in Newtonian physics: Each person is in control of his own life, and if he doesn't take charge of himself no one can assume this responsibility for him.

Life is a chancy thing, and, of course, we all make mistakes. But the mistakes we make while running our own affairs will teach us something, and we're on earth to learn. As St. Augustine put it, "We are here schooled for life eternal." Unless we are allowed to make our own mistakes, to pick ourselves up after every failure, and stand taller with every success, the learning process is stymied.

The great issue here is between those who regard human beings as mere things to be manipulated into some social pattern, versus those who believe that persons need liberty because without it they cannot work out their proper destiny, which requires this life and the life to come for fulfillment.

The attention so far in this paper has been directed at "them," people of the Left, Liberals, Socialists. What about "us;" free-enterprisers, capitalists, businessmen? Do people get turned on to Socialism because of us? I'm afraid they do.

Now, no one can really blame an ordinary businessman for not understanding the theory of the free economy and for his inability to articulate its concepts clearly. The blame, if any is to be laid, attaches to intellectuals who dig no deeper than this for their understanding of the free economy. Admittedly, however, it does not make our chore any easier when business organizations seek government favors for their members or rush forward to praise wage and price controls.

But the real problem is elsewhere. A sharp distinction must be made between the economic theory of the free market and the ideologies erected around market theory by its self-proclaimed defenders. How many potential supporters of the free economy have been turned off by hearing certain ideologues of capitalism loudly proclaim that you have to be an atheist before you can become a genuine capitalist! Or you have to be a rationalist. Or a utilitarian. Or an anarchist.

Furthermore, it is difficult for an outsider to judge the arguments for the free market on their economic merits if he has to wade through dubious notions of history, art, literature, psychology, ethics, and religion to get to them! High-level arguments in economic theory coupled with low-level arguments in the ideological framework are not very damaging to Socialism, but they can make a shambles of Capitalism! It is only within the right philosophical structure that the market becomes the market economy, and that structure needs shoring up.

Economic action is necessary to survival, but by itself, it cannot generate the free economy. The food, clothing, and shelter without which no people can exist are produced by human exertion on natural resources, and there is no other way. The division of labor is as old as mankind; people have always traded and bartered. These interlocking events constitute the market, and the market is ubiquitous.

But the ever-present market does not become the market economy by spontaneous generation; non-market factors must be present to act as catalytic agents. Create a political structure around belief in the inviolability of the individual person and you have a context of liberty and justice for all in which property is respected and free choice maximized. The market, then, is institutionalized as the free economy. Neglect this necessary political framework—the one we inherited from the eighteenth century—and as it decays it will take the free economy down with it.

Our Fear of Freedom

There is something in human nature itself which makes us ambivalent toward freedom. Human beings would never strive for a free society unless the urge to be free was a drive deeply rooted in human nature; and we wouldn't have to strive for freedom—nor periodically lapse into despotism—were there not a paradoxical strain in our make-up which fears freedom. Let me try to elucidate.

Each of us has his own life to live, his own ends to achieve. We are purposive beings, so we project a series of goals which constitute our lifelong pursuits, and we set up various targets for occasional endeavors. It is a self-evident truth that each of us wants maximum freedom to live the life that is ours and to pursue the goals we have chosen for ourselves.

It is inconceivable that anyone in his right mind would deliberately invite other people to impair his freedom of action, for no one can set goals for himself and simultaneously ask other people to prevent him from reaching them! If, in some bizarre situation, a person does ask another to restrain him, then his real goal is to be restrained—no matter what he says his goal is.

The vilest tyrant imaginable, whose goal is to extinguish human liberty, does not want impediments placed between himself and his goal; he wants to be free to wield power unconditionally. Everyone, in short, desires his own freedom; but not everyone is seriously concerned that all other persons have as much freedom of action as he has. Very few people, as a matter of fact, favor equal freedom—a social condition of maximum freedom of action for everyone.

And there's the rub! Freedom for yourself is a biological urge; the will for equal freedom for everyone stems from a more complex facet of our nature.

Man Must Think and Choose

No person can help wanting freedom for himself. This is part of our fight for survival, the struggle to continue in existence. Man shares this with every other living thing. But every living organism—except man—has a

built-in servomechanism which preserves the nature and guarantees the continuing identity of the organism in question, whether tree, tiger, oyster, or whatever.

The truly human person, however, is a different kind of creature; we cannot complete our nature—realize our potential to the full—without deliberately willing to do so. Our inner freedom is so flexible that each person has a lot of latitude in choosing what he will make of his life. Your final destiny depends on the wisdom of your daily resolves. Each of these daily and hourly decisions we make breeds consequences—for which we must assume responsibility, and with which we have to live. This is intrinsic to the human situation.

Things would be much simpler if we could just sit back and let Nature take its course with us, as Nature does take its course with animals. It'll never happen! Nor can we be wound up like robots to function as we should, as T.H. Huxley once wished. Belying his name as “Darwin’s bulldog,” the famous scientist said, “If some great power would agree to make me always think what is true and do what is right, on condition of being wound up every morning before I got out of bed, I should instantly close with the offer.” Don’t wait, the offer will never be made!

We are neither robots nor animals. We are persons, gifted with an inner freedom, which puts us under the necessity of choosing where we face the constant risk of making wrong choices. We are responsible beings, and the burden weighs heavy on us. This is the freedom we dread—our unique freedom which forces us to strive constantly if we would attain our humanity.

It is in this fear of freedom that Socialism takes root. Socialism offers the siren promise that we need not be individually responsible, either for ourselves or for anyone else. “They” will be responsible for us, and at the same time relieve us of any obligation toward others; the burden of being human will be lifted from our shoulders.

Human nature, then, exhibits these two facets; the biological urge to be free, and the all-too-human wish to shirk responsibility. The biological drive to be free manifests itself in some types as a grab for power, a lust to dominate others. This is a constant threat latent in human nature, which is why every period in history has to contend with tyrants and dictators.

That history is not one unbroken record of tyranny, that freedom ebbs and flows, is due to the fact that this authoritarian thrust in human nature may be re-channeled. Such re-channeling is our first line of defense against tyranny, and it consists of moral and religious restraints on the will to power which the authoritarian accepts as binding upon himself. The energies of the might-have-been tyrant are redirected in constructive ways.

There is a second line of defense against tyranny. This barrier is located in the hearts and minds of the to-be-tyrannized-over; it is a deeply felt conviction which affirms, in the familiar words of the eighteenth century: "Resistance to tyrants is obedience to God."

Our ancestors believed that life and liberty were inseparably joined; both were gifts of God. And because no one could fully serve his Maker unless he was free, freedom was just as precious as life itself. No person who acquiesced in tyranny could fulfill his life's purpose.

In a nation where both lines of defense are in working order, there is maximum liberty for all persons. On the one hand, inner restraints quench the thirst for power; and on the other, a people, who know that the purpose of life cannot be realized unless they are free, will be alert to detect the slightest threat to their liberties. But when the would-be tyrant recognizes no inner curbs on power, and when the populace invites him to rule over them because they shirk the responsibility and burdens of being human, then the dictatorship is total.

To be a person means accepting full responsibility for our acts of choice and our conduct. But the prevailing earthbound ideology instructs us that we don't really possess free will and, because we are the mere end products of our natural and social environment, we are not responsible for ourselves. Accept this blighting ideology and the will to freedom withers; you have optimum conditions for tyranny.

The same materialistic ideology which convinces the multitudes that they are not responsible convinces authoritarians that there are no inner restraints on power. Dictatorship gets the message: All systems go! The tidal movement of Socialism in the twentieth century is no mystery.

You'd like to roll back this tide? It's very simple! The social order outside of us is a reflection of the mental and moral situation inside of us. If there is social disorder, we may infer that there is disorder within, in our hearts and minds. The great Spanish philosopher, Ortega y Gasset, puts it

this way: “Any explanation of the visible changes appearing on the surface of history which does not go deep down until it touches the mysterious and latent changes produced in the depths of the human soul is superficial.”^[1] Each person, therefore, must first work on himself before his improved understanding can radiate to those in his orbit.

If only we could straighten out our own thinking we might order our lives aright, and if a significant number of people did this, then the society—which, after all, is but a reflection of ourselves—would begin to square itself away. This is a slow way to go, but it is the only way.

If we have looked back over history to learn the lessons taught by the rise and fall of nations, we know that societies never die of old age but only of auto-intoxication. We learn that civilizations have been, and can be, rejuvenated—from within! What other peoples have done in times past we can do today and tomorrow—provided we have the will to do it. We have all the ingredients for the restoration of our society; only the will is lacking—and only individual decision can make that up!

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^[1] *What Is Philosophy?*, p. 31.

There Is Nothing Green about Socialism

Marian L. Tupy

Earlier this month, I [wrote](#) about the determined efforts of socialists on both sides of the Atlantic to conflate capitalism with racism. No doubt, some promoters of capitalism were racists. But that is hardly surprising, since racism, along with slavery and wanton cruelty, were universal and until recently, eternal phenomena.

The truth is, no culture in documented history comes close to the high standards of civilized behavior that we expect from one another in the contemporary, which is to say democratic and capitalist, West. What I objected to in my column was the implicit notion that socialism was, somehow, less racist. And, as I showed by looking at the history of socialism, the opposite comes closer to the truth.

Yet Jean-Jacques Rousseau's noble savage—a mythological creature living in harmony with nature and fellow beings—maintains a stronghold on socialist imagination. Consider the recent articles in *The New York Times* titled, "[The Climate Crisis? It's Capitalism, Stupid](#)," and "[Lenin's Eco-Warriors](#)."

In the first, Benjamin Y. Fong recommends democratic socialism as a solution to global environmental problems, while in the second, Fred Strebeigh praises Lenin as “a longtime enthusiast for hiking and camping” who turned Russia into “a global pioneer in conservation.”

Before delving deeper into *The Times*' peculiar take on the environmental legacy of socialism, a little bit of background is in order.

Socialist Propaganda

This year marks 100 years since the Bolshevik putsch in Russia—an event that unleashed upon the world the most destructive ideology ever conceived by the human mind. *The Times*, which is the main source of news for progressive intelligentsia in the United States, has chosen to commemorate the cataclysmic events of 1917 in a series of sympathetic (and much-

ridiculed) articles with titles such as, “[When Communism Inspired Americans](#),” “[Thanks to Mom, the Marxist Revolutionary](#),” “[Make It So: Star Trek and Its Debt to Revolutionary Socialism](#),” and “[Why Women Had Better Sex Under Socialism](#).”

Recall that *The Times* was complicit in whitewashing the crimes perpetrated by communist regimes for close to a century, beginning with the discredited reportage of Walter Duranty—an Anglo-American correspondent who famously described concerns over man-made famine in Ukraine as “malignant propaganda.” Duranty’s crime against journalistic standards of truth-telling (from 1932 to 1934, the Holodomor claimed between 2.4 and 7.5 million lives), [earned him a Pulitzer Prize](#)—a high honor that *The Times* has repeatedly refused to relinquish.

But, let’s return to the newspaper’s recipes for saving the planet. According to the writers in *The Times*, capitalism is destroying the planet, while socialism (both in its original Leninist form and in its “democratic” form that is currently advocated by the US Senator Bernie Sanders) could save it. As Fong writes:

The real culprit of the climate crisis is not any particular form of consumption, production or regulation but rather the very way in which we globally produce, which is for profit rather than for sustainability. So long as this order is in place, the crisis will continue and, given its progressive nature, worsen. This is a hard fact to confront. But averting our eyes from a seemingly intractable problem does not make it any less a problem. It should be stated plainly: It’s capitalism that is at fault. . .

We have a much better chance of making it past the twenty-second century if environmental regulations are designed by a team of people with no formal education in a democratic socialist society than we do if they are made by a team of the most esteemed scientific luminaries in a capitalist society. The intelligence of the brightest people around is no match for the rampant stupidity of capitalism. . . .

On the defensive for centuries, socialists have become quite adept at responding to objections from people for whom the basic functions of life seem difficult to reproduce without the motive power of capital. There are real issues here, issues that point to the opacity of sociability, as Bini Adamczak's recent book, 'Communism for Kids,' playfully explores. But the burden of justification should not fall on the shoulders of those putting forward an alternative. For anyone who has really thought about the climate crisis, it is capitalism, and not its transcendence, that is in need of justification.

The Best Solution

Bini Adamczak's "playful" *Communism for Kids* aside, I think it is possible to answer most of Fong's concerns by looking at the actual environmental records of socialist and capitalist economies.

To start with, all forms of production result in some environmental damage. Agricultural production clears forests, displaces wildlife and destroys the biosphere. Industrial production spews harmful gases into the atmosphere and releases pollutants into rivers. Even the service sector pollutes, given its reliance on electricity and the concomitant CO2 emissions. So the real question is not which economic system is the perfect steward of the environment, but which economic system is the better steward.

When answering that question, the following concepts should be kept in mind: economic efficiency, tragedy of the commons, and the environmental Kuznets curve.

Socialist economies were very inefficient. (That's still the case in the surviving ones in Cuba, Venezuela, and North Korea.) To compensate for the inefficiency of central planning, which emanated from the lack of a market-based price mechanism, socialist economies generally ignored environmental damage and other negative externalities.

To maximize production (in order to try to keep pace with the much more efficient capitalist economies), socialist countries had low, or non-existent, emission standards. Health and safety regulations were either

ignored or lacking altogether. Socialist economies also banned independent trade unions and, often, resorted to slave labor.

The socialists' disregard for the environment was further exacerbated by their contempt for property rights. In capitalist economies, farms and factories are owned by individual people or corporations. If they cause damage to the environment or the workforce, they can be held accountable in the court of law. In socialist economies, land and air (and, in the most extreme cases, people) were owned by the state and suffered from the "[tragedy of the commons](#)."

A state-owned factory tasked by the central planners with producing a certain quantity of iron bars, for example, was not only allowed, but actively urged, to meet its production quota irrespective of the damage caused to the environment and to the populace.

In capitalist economies, the state is entrusted with enforcing environmental standards and protection of workers. In socialist economies, the state is both the enforcer of production quotas and the supposed protector of the environment and the workers. When it came to choosing between the two, the socialists almost invariably chose the former: they cut corners in order to compensate for the inefficiency of central planning.

The Socialist Disregard for the Environment

That problem is clearly illustrated by the comparison of the amount of CO₂ emissions per dollar of output in socialist and capitalist countries. Note that, over time, emissions declined in the United States from already low levels. A similar trend can be observed in Russia after the collapse of the Soviet Union in 1991 (regrettably, I do not have data for the USSR prior to 1991).

Perhaps the best example of socialist disregard for the environment can be seen in data for China. Emissions during Mao Zedong's Great Leap Forward (1958–1962) were, compared to the United States, stratospheric. They declined afterward but remained very high until the late 1970s, when China abandoned socialism. Since China started liberalizing its economy (by introducing the price mechanism and property rights), its emissions drastically declined.

Last but not least, socialist countries were, in large part as a result of central planning, much poorer than their capitalist counterparts. That is

important, because of a phenomenon known as the environmental Kuznets curve. As a general rule, the richer the people are, the more likely they are to pay for “luxury goods,” such as clean air and rivers, as well as high health and safety standards in the workplace. It may sound strange to the modern ear, but a clean environment and happy labor force are, in a very real sense, “luxuries” that were unavailable to our much poorer ancestors.

Really poor people, such as those in large parts of Africa and Asia, are primarily concerned with their survival. All other considerations are secondary. Don’t believe me? Following the collapse of the Zimbabwean economy, people started slaughtering the previously protected wildlife in order to feed their families.

Following the collapse of the Venezuelan economy, animals from the zoo in the nation’s capital found themselves on the menu. During the Holodomor in Ukraine, people ate one another. My point here is not to denigrate environmental concerns, but to point to the real trade-offs that poor people in dysfunctional socialist economies have to face on daily basis.

Socialism, then, is not the answer. Historically speaking, environmental damage emanating from socialist production was vastly greater than environmental damage emanating from capitalist production. All and I repeat all academic studies done in the aftermath of the collapse of the Soviet empire found the quality of the environment in the formerly socialist countries to be inferior to those in capitalist countries.

The best way to protect the environment is to get rich. That way, there is enough money not only to meet the needs of ordinary people but also to pay for cleaner power plants and better water-treatment facilities. Since capitalism is the best way to create wealth, humanity should stick with it.

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Is Germany Successful Thanks to Socialism?

Kai Weiss

Many [different](#) political projects have been dubbed as socialist successes by the Left over the last century. At least they were dubbed as successes at first because, as we always found out afterward, the failures and misery which followed obviously showed that this wasn't real socialism. The list is long, going from the Soviet Union, Maoist China, Cuba, Latin America to even countries like [North Korea](#).

But with the ongoing failures of classic socialist examples—most recently [Venezuela](#), Argentina, and Brazil—it seems like the Left has resorted to looking to continuously successful economies as versions of what they might call moderate socialism, or “democratic socialism.” Scandinavia is most often used in this new strategy. [Disproven a thousand times](#)—even by the Danish Prime Minister himself, who [declared](#) in 2015 that “Denmark is far from a socialist planned economy, Denmark is a market economy”—it is nonetheless used frequently.

One country I have not seen used as a prime example of socialism yet is my own home country Germany. It seems, though, as if there's a first time for everything because, a few weeks back, I got an email with the question: “What is it about Germany that seems to make socialism work?”

Of course, it would be great for the Left to lay claim to the success of Germany. And sure, Germany is indeed a country that has lived under extreme economic interventionism over a long period.

Otto von Bismarck, Chancellor of the German Empire from 1871 to 1890, [set up](#) the first modern welfare state as we know them today. He found lots of helping hands in the historicist school led by Gustav Schmoller, which not only had the famous “[Methodenstreit](#)” (i.e. the methodological debate) with Carl Menger and the up-and-coming Austrian School of Economics but also continuously argued in favor of state intervention into the economy.

The dark economic history of Germany continued with excessive money printing which led to the [hyperinflation](#) of 1923, and then the rise of

the collectivist right. When Hitler got into power, the Nazis regulated the economy to death. It's true that they weren't socialists in the way that they communalized all property. Instead, private property did still exist in name—the problem: nothing could be done with it. There were no more entrepreneurs who could use their property to innovate. There were mere “Betriebsführer,” i.e. “works managers,” who led businesses by solely following the commands of central planners. The economy slumped, people were close to starvation, and after World War II, the entire country was in ruins.

The “Economic Miracle”

But the indeed socialist—or at least interventionist—past of Germany took a turn post-World War II. And with the now so famous, and even more so mystical “Wirtschaftswunder,” i.e. “economic miracle,” started off the success story seen over long periods since then.

Common knowledge says that the United States' Marshall Plan was responsible for the rapid economic growth, rebuilding the country by throwing a lot of money at it. But that's a mistaken view—and an important one, because to this day it helps perpetuate the myth that nation-building such as in the Middle East or [sending](#) billions of dollars of aid to Africa works in any way (“It worked in Germany, so . . .”).

The effects of the Marshall Plan can be seen as no more than minuscule, as David Henderson [explains](#) (and as Tyler Cowen shows in more detail in [this](#) must-read essay):

Marshall Plan aid to West Germany was not that large. Cumulative aid from the Marshall Plan and other aid programs totaled only \$2 billion through October 1954. Even in 1948 and 1949, when aid was at its peak, Marshall Plan aid was less than 5 percent of German national income. Other countries that received substantial Marshall Plan aid exhibited lower growth than Germany.

So, why was there a “Wirtschaftswunder”? Henderson gives two main reasons: a monetary reform and the freeing of the economy by abolishing

price controls and cutting taxes. All of this was implemented thanks to one man: Ludwig Erhard.

Erhard, who had lost his pre-WWII job because he refused to join the Nazis, was the perfect man for the Allies' goal of de-Nazification. But even better for advocates of free markets, he was influenced by the likes of [Wilhelm Röpke](#), Friedrich Hayek, and especially the Freiburg School, a group of economists led by Walter Eucken who advocated for ordoliberal policies. Ordoliberals don't advocate for completely free markets, but pretty darn close: They want the state to only set the framework, provide some small welfare services, and use anti-trust measures when monopolies start to build.

What Erhard did was unthinkable in a hostile environment. The Allied forces, still heavily controlling Germany, left the Nazi price controls and rationing intact. But when Erhard became Secretary of the Economy in West Germany, he quickly ended all price controls and stopped rationing—to the dismay of the US advisors. After enacting these new policies, Erhard was confronted by US General Clay:

Clay: “Herr Erhard, my advisers tell me what you have done is a terrible mistake. What do you say to that?”

Erhard: “Herr General, pay no attention to them! My advisers tell me the same thing.”

It is no surprise that Robert Wenzel [calls](#) Erhard “the greatest policymaker ever.” He is certainly in the running. He, not a Keynesian Project like the Marshall Plan, enabled the miracle that wasn't miraculous—as he admitted himself in his [book](#) *Prosperity Through Competition*:

What has taken place in Germany . . . is anything but a miracle. It is the result of the honest efforts of a whole people who, in keeping with the principles of liberty, were given the opportunity of using personal initiative and human energy.

The Deutsche Mark as Europe's “Stable” Currency

The second major post-war reform was a currency reform. As Henderson explains:

. . . in 1947, the amount of money in the German economy—currency plus demand deposits—was five times its 1936 level. . . . The basic idea was to substitute a much smaller number of deutsche marks (DM), the new legal currency, for reichsmarks. The money supply would thus contract substantially The net result was about a 93 percent contraction in the money supply.

It set up the German Mark to become the preferred currency in Europe for decades. Still afraid of a return to the hyperinflationary period of the 1920s, the German Bundesbank never inflated the money to the same extent as almost all other countries. The Mark was by no means a stable currency and quickly lost value as well. But it [was](#) in much better shape than all other European currencies. So much so that it put pressure on other national central banks not to print too much money either.

It was just one reason for less stability-oriented governments to suggest the implementation of a common European currency—the French President Francois Mitterand even [made](#) it a condition for German reunification: You are in favor of the euro or else there's no reunified Germany. In this context, the [proposal](#) by Philipp Bagus that German Chancellor Helmut Kohl should have just left Germany as two states seems at least worthy of consideration. West Germany could have left its relatively modest monetary policy instead of having to adopt the excessive one conducted by the ECB [ever since](#).

The Internal Devaluation and “Agenda 2010” Reforms

Erhard was Chancellor from 1963 to 1966, but when he was gone the country once again slowly adopted more interventionist policies—especially by increasing the scope of the welfare state. In the 1990s, the German economy once again slumped—though nowhere near as close as fifty years before of course. The solution would have been another radical

reform in favor of the market economy. Instead, Germans chose the second-best option: [gradual, moderate reforms](#).

First, labor unions did something that would be impossible in countries that have similar problems today—like France and Greece—as Germany did two decades ago: They let the market work by letting labor costs [decrease](#) rapidly, and, by international comparison, the economy became much more competitive—especially since labor costs [increased](#) in other European countries.

Second, a left-wing coalition of the Social Democratic Party (SPD) and the Green Party surprisingly introduced important reforms called “[Agenda 2010](#)” in 2004. These reforms included cuts in [income](#) and [corporate](#) taxes, a decrease in pensions, and reductions in unemployment benefits. It cost Chancellor Gerhard Schröder the job because after losing a no-confidence vote in parliament, he and his SPD came in second in the next election—second to a woman for which the reforms didn’t go far enough: Angela Merkel. She [thought](#) that the state should get out of the lives of people even more than “Agenda 2010” intended. The economic policy of the German government should be: “Freedom, self-responsibility, more room to breathe.”

The Success of Germany—for Now

“Agenda 2010” [set](#) off the current success story of Germany. But with success comes danger: The danger of taking it for granted. This is the path Germany is following right now. While Schröder implemented the reforms, Merkel takes the credit for the economic growth seen.

In the meantime, she has not followed through with her plans to free the economy even more. Instead, she has possibly become the most left-wing Chancellor in post-war Germany.

Over the years, Germany has introduced a minimum wage, lowered the pension age (despite the impending system [bust](#)), adopted a [costly](#) energy transition by massively subsidizing renewable energies, and has financed a huge, subsidized migration wave which costs German taxpayers a tremendous amount of money (reports [say](#) \$86 billion over only the next four years).

It is questionable how long this course can still be taken, when the tide will turn, and less stellar results will come—thanks to economic interventionism, it is just a matter of time.

In an 1862 speech Ferdinand Lassalle, an early German socialist, coined the term “Nachtwächterstaat”—the night-watchman state. Of course, Lassalle used the term in a ridiculing way. But what Germany needs at this moment is just that.

Not due to socialism, but thanks to Ludwig Erhard’s radical pro-market reforms, the modest monetary policy by the Bundesbank over decades, the internal devaluation of the 1990s, and the reforms of Gerhard Schröder and the Social Democrats in 2004, Germany is successful today.

It’s time that Angela Merkel, leader of the CDU, the party of Ludwig Erhard, realizes that and once again adopts principles that truly reflect economic liberalism. It’s unlikely of course—but one can still hope.

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Socialist Policy Tanked Venezuela's Economy, Not Falling Oil Prices

Julian Adorney

Left-wing commentators are struggling to come to grips with Venezuela's economic collapse. In early August, Stanford University professor Terry Lynn Karl joined the chorus [claiming](#) that falling oil prices are the problem.

It's true that the price of oil [fell](#) from around \$100 per barrel in 2014 to around \$50 in 2017. But socialist policies exacerbated the oil crisis and created the poverty we see in Venezuela today.

Resources Don't Dictate Prosperity

Free-market societies are less affected by falling commodity prices, in part because their wealth does not rely on raw materials.

Hong Kong and Singapore are two of the wealthiest economies in the world, with a 2016 [gross domestic product per capita](#) of \$57,676 and \$84,821, respectively. What turned these resource-barren spits of land into thriving metropolises, with bustling commerce and a prosperous middle class? Economic freedom.

It takes an average of just two days to [start](#) a company in Hong Kong—three in Singapore. Singapore has [one business](#) per [350 people](#), which means competitive enterprises constantly vie for consumers' money with innovations and excellent service. Both economies encourage investment and trade, which allows consumers and businesses to benefit from the wealth and ideas of other nations.

[According to](#) the Fraser Institute's "Economic Freedom of the World: 2016 Annual Report," Hong Kong and Singapore are the two most free economies on earth. As the Fraser economists note, "countries with institutions and policies more consistent with economic freedom have higher investment rates, more rapid economic growth, higher income levels, and a more rapid reduction in poverty rates." Free markets encourage trade, entrepreneurship, and investment, which create wealth.

By contrast, the [poorest economies](#) in the world are characterized by oppressive government intervention. In 2014, the 40 least economically free nations had an average per capita GDP of \$5,471 (in 2011 dollars). Compare that to \$41,228 for the freest 40 nations.

Abundant natural resources cannot make up for a lack of freedom. Iran has [over](#) 150 billion barrels of oil reserves but is one of the 10 least economically free nations in the world. Price controls [and](#) industry subsidies crippled their economy for decades, and the government strictly [limits](#) access to financing for business. Iran's GDP per capita in 2014, before oil prices fell, was just [\\$6,007](#).

How Venezuela's Oil Industry Fell Apart

In Venezuela's case, a government takeover of the oil industry reduced supply, sowing the seeds of future impoverishment. The oil industry was nationalized in 1976, but, [wary](#) of the mismanagement and corruption of other nationalized oil companies like Pemex, Venezuela let Petróleos de Venezuela (PDVSA) operate as a mostly private company with decision-making freedom and competent business managers.

When Hugo Chavez took power in 1999, he curtailed this freedom. Chavez [closed Venezuela's](#) oil fields to foreign investment and stopped reinvesting oil proceeds in the company. He [fired](#) 18,000 workers at PDVSA, replacing professional oil employees with inept but politically loyal workers. Bids [started](#) taking months longer to complete as staff kept changing their technical specifications. Fatal accidents and fires became more common because Chavez' yes-men didn't understand how to safely run an oil refinery. PDVSA middle managers [required](#) Rolex bribes to schedule meetings.

Chavez pushed for a natural gas pipeline from Venezuela to Brazil. [According to](#) Luis Giusti, who competently ran the pre-Chavez PDVSA, this would "bring gas that does not exist to markets that do not exist."

Predictably, oil production collapsed: The *Washington Post* [notes](#) that production fell 25 percent from 1999 to 2013. PDVSA made its decisions based on politics rather than the needs of consumers, and output plummeted as a result.

Had Chavez instead privatized the oil industry, Venezuela would have enjoyed more oil, delivered more efficiently, and would have suffered less waste and corruption. When China privatized Venezuela's agriculture industry, agricultural yields increased. In a working paper for the World Bank, economists Sunita Kikeri and John Nellis [explain](#) that privatization improves performance. When private companies compete and innovate, they can reduce waste and more efficiently manage resources to create more value.

Even as Venezuela suffocated its oil industry, socialist policies in other industries left the country more reliant on oil. When Venezuela nationalized manufacturing, output [dropped](#) to 1965 levels. [Nationalizing](#) electricity led to rolling blackouts, and a government takeover of supermarkets and farms created food shortages. [Price controls on](#) key goods gave companies little incentive to produce, a fact not helped by government [raids](#) on businesses that Chavez felt were operating below capacity.

It Could Have Been Different

Healthy non-oil industries could have diversified Venezuela's economy and blunted the impact of falling oil prices. By strangling them, Chavez and his successor, Nicolas Maduro, forced the economy to rely more on oil at precisely the wrong time.

In 1998, oil [represented](#) 77 percent of Venezuela's exports; by 2011, that number had risen to 96 percent. Production plunged, but it still represented an ever-growing slice of an ever-shrinking pie.

Commentators who dismiss Venezuela's suffering as being caused by the oil crisis need to explain why other oil-dependent countries have not collapsed. According to the World Bank, seven nations rely more on oil than Venezuela. [All seven](#) saw economic growth from 2013 to 2017. Had Venezuela emulated the economic freedom of nations like [Chile](#), its people would not be starving in the streets.

[Originally published](#) at *Real Clear World* on August 29, 2017.

What Venezuela Can Teach Young Socialists

Marian L. Tupy

Nikita Khrushchev, the Soviet dictator between 1953 and 1964, allegedly [said](#) that when “the world is socialist, Switzerland will have to remain capitalist, so that it can tell us the price of everything.”

Just as it was important that the Communist world be continuously exposed to at least one country that got its economics right, such as Switzerland, so it is instructive for the capitalist world to be continuously exposed to at least one country that gets its economics wrong, such as Venezuela.

Communists Actively Needed Capitalism

Khrushchev, like all early communists, believed in the eventual triumph of socialism. In the early 1920s, the Soviet Union sold some of its best art to American millionaires, such as the US Secretary of the Treasury, Andrew Mellon, in order to raise funds so that they might prevail in the Russian Civil War.

The Communists believed that they would get the paintings back after communism triumphed in the United States. In the event, America got the National Gallery of Art, while the Russians were left with empty rooms at the Hermitage.

But, Khrushchev’s point about Switzerland was a serious one. Early opponents of socialism, including Ludwig von Mises and Friedrich Hayek, [pointed out](#) that without the free market, socialists would have no way of determining the prices of anything.

In a capitalist economy, nobody sets the prices of goods and services (unless, of course, one considers heavily regulated parts of the economy such as the American healthcare system under Obamacare). Prices emerge “spontaneously,” depending on supply and demand. Socialist countries, in contrast, employ thousands of bureaucrats who try to estimate future supply and demand and incorporate those estimates into Soviet five-year plans.

By Khrushchev's time, it was clear that Soviet "plans" were not worth the paper they were scribbled on. The failure of central planning explained both the shortages of basic goods in the USSR and the need for an independent and capitalist Switzerland.

Conversely, it is useful for people in free-market democracies to be constantly reminded of the consequences of alternative economic and political arrangements, such as those in contemporary Venezuela.

The country's attempt to build [21st-century socialism](#) has run into predictable problems, including rising infant mortality rates, triple-digit inflation, widespread food shortages, a collapsing healthcare system and failing rule of law, and the growing repression of the opposition by the state.

Wrong, Wrong, and Wrong

As I have argued [before](#), all socialist countries eventually come to experience similar economic and political problems. And, just as surely, there will always be those in the West who will jump to socialism's defense. Vladimir Lenin, the founder of the Soviet state, called such people "useful idiots."

I was reminded of the immensely seductive nature of socialism this week, when Tucker Carlson, the host of the eponymous show on Fox News, [hosted](#) a young socialist from [The Students and Youth for a New America](#). To give you a sense of the conversation between the two, I have transcribed some of Dakotah Lilly's statements below:

We need to acknowledge that what Venezuela is facing right now is terrorism at the hands of the opposition. Opposition has bombed schools, they have bombed buses, [and] they have taken wiring and strung it across roads to behead cops on motorcycles. These are not choir boys. These are violent extremists, hell-bent on taking away the progress that Venezuela has made over the past few years.

If you look at the casualties that have happened in the past few months in these protests, the majority of those that have

been killed have been trade unionist leaders, have been dedicated Chavistas, have been people on the Left.

In terms of economics, the sanctions that the United States has put on Venezuela and the hoarding done by multinational corporations in Venezuela, certainly does not help the [economic] situation.

Almost everything that Lilly says here is demonstrably false. Extensive [reporting](#) by the *New York Times*, hardly a promoter and defender of “unbridled capitalism,” shows that most of the victims of political violence in Venezuela have been anti-government protesters.

Prey for Socialism’s Siren Call

Moreover, the sanctions imposed by the United States on a few individuals connected to the Venezuelan government have nothing to do with that country’s economic meltdown.

Aside from oil exports, Venezuela does not have or make anything that anyone in the world wants to buy. Thus, when the oil price [collapsed](#) from \$140 to less than \$50 a barrel, the country lost most of the foreign exchange it needed to purchase food and consumer goods abroad. Shortages ensued.

Admittedly, it is not entirely fair to criticize American millennials for their almost unfathomable ignorance. The state-schools system is, by and large, broken. American pupils can go through years of primary and secondary “education” without learning about communist crimes and socialist economic failures. Solutions to these problems are not easy to find. History and economics are not the most popular of subjects, and more often than not, the faculties are Left-leaning.

To make matters worse, young people, such as Dakotah Lilly, are deeply idealistic and easy prey to the siren call of socialism. They see the imperfections of free-market democracy at home and assume that countries with the opposite economic and political arrangements, such socialist Venezuela, must offer a better life to their people.

The people of Venezuela, however, have discovered that it ain’t so. The people of America should learn from the Venezuelan example.

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The Myth of Scandinavian Socialism

Corey Iacono

Bernie Sanders has single-handedly brought the term “democratic socialism” into the contemporary American political lexicon and shaken millions of Millennials out of their apathy towards politics. Even if he does not win the Democratic nomination, his impact on American politics will be evident for years to come.

Sanders has convinced a great number of people that things have been going very badly for the great majority of people in the United States, for a very long time. His solution? America must embrace “democratic socialism,” a socioeconomic system that seemingly works very well in the Scandinavian countries, like Sweden, which are, by some measures, better off than the United States.

Democratic socialism purports to combine majority rule with state control of the means of production. However, the Scandinavian countries are not good examples of democratic socialism in action *because they aren't socialist*.

Social Democracy Is Not Democratic Socialism

In the Scandinavian countries, like all other developed nations, the means of production are primarily owned by private individuals, not the community or the government, and resources are allocated to their respective uses by the market, not government or community planning.

While it is true that the Scandinavian countries provide things like a generous social safety net and universal healthcare, an extensive welfare state is not the same thing as socialism. What Sanders and his supporters confuse as socialism is actually *social democracy*, a system in which the government aims to promote the public welfare through heavy taxation and spending, within the framework of a capitalist economy. This is what the Scandinavians practice.

In response to Americans frequently referring to his country as socialist, the [prime minister of Denmark](#) recently remarked in a lecture at Harvard's Kennedy School of Government,

I know that some people in the US associate the Nordic model with some sort of socialism. Therefore I would like to make one thing clear. Denmark is far from a socialist planned economy. Denmark is a market economy.

The Embrace of Global Trade and Individual Choice

The Scandinavians embrace a brand of free-market capitalism that exists in conjunction with a large welfare state, known as the “Nordic Model,” which includes many policies that democratic socialists would likely abhor.

For example, democratic socialists are generally opponents of global capitalism and free trade, but the Scandinavian countries have fully embraced these things. [The Economist](#) magazine describes the Scandinavian countries as “stout free-traders who resist the temptation to intervene even to protect iconic companies.” Perhaps this is why Denmark, Norway, and Sweden rank [among the most globalized countries](#) in the entire world. These countries all also rank in the [top 10](#) easiest countries to do business in.

How do supporters of Bernie Sanders feel about the minimum wage? You will find no such government-imposed floors on labor in Sweden, Norway, or Denmark. Instead, minimum wages are decided by collective-bargaining agreements between unions and employers; they typically vary on an occupational or industrial basis. Union-imposed wages lock out the least skilled and do their own damage to an economy, but such a decentralized system is still arguably a much better way of doing things than having the central government set a one-size-fits-all wage policy that covers every occupation nationwide.

In a move that would be considered radically pro-capitalist by young Americans who #FeelTheBern, Sweden adopted a universal school choice system in the 1990s that is nearly identical to the system proposed by libertarian economist Milton Friedman his [1955 essay](#), “The Role of Government in Education.”

In practice, the Swedish system involves local governments allowing families to use public funds, in the form of vouchers, to finance their child's education at a private school, including schools run by the dreaded *for-profit corporation*.

Far from being a failure, as the socialists thought it would be, Sweden's reforms were a considerable success. According to a [study](#) published by the Institute for the Study of Labor, the expansion of private schooling and competition brought about by the Swedish free-market educational reforms "improved average educational performance both at the end of compulsory school and in the long run in terms of high school grades, university attendance, and years of schooling."

Overall, it is clear that the Scandinavian countries are not in fact archetypes of successful democratic socialism. Sanders has convinced a great deal of people that socialism is something it is not, and he has used the Scandinavian countries to prove its efficacy while ignoring the many ways they deviate, sometimes dramatically, from what Sanders himself advocates.

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Nordic Socialism Isn't the Answer for America

Nima Sanandaji

The new American Dream is to be found [in Denmark](#), at least according to the American left. As the support for free markets is falling, many Americans turn to the vision of introducing democratic socialism, inspired by the Nordic countries. It was the quest of introducing a Nordic-style welfare model that propelled Bernie Sanders, an unlikely candidate, to compete with the much more well-funded and connected candidate Hillary Clinton for months in the Democrat primary. However, the aim of introducing a Nordic-style welfare model is also shared by Clinton, who will run against Trump in the coming presidential race. Ezra Klein, editor of the liberal news website Vox, [has explained](#), “Clinton and Sanders both want to make America look a lot more like Denmark—they both want to pass generous parental leave policies, let the government bargain down drug prices, and strengthen the social safety net.”

Out with the Old

Turning towards democratic socialism is a major course change in American politics. For a long time, Americans have favored small governments and free markets over a generous welfare state. However, opinions are changing. A recent [Harvard University study](#) shows that a significant share of the American youth has lost faith in the free-market system. Merely 38 percent of Americans in the age group 18–34 support capitalism. This is only slightly higher than the 33 percent who support socialism. As a contrast, amongst the middle age generation (50–64 years), fully 52 percent are in favor of capitalism while only 15 percent prefer socialism. Amongst those over 65, as few as 7 percent support socialism, while 60 percent believe in capitalism.

The same poll showed that Bernie Sanders, the self-proclaimed socialist, was by far the most favorable candidate among young Americans.

A majority of 54 percent had a favorable view of Sanders, compared to 37 percent for Hillary Clinton and as few as 17 percent for Donald Trump.

Bernie Sanders, who joined the Democratic Party in 2015 after having been the longest-serving independent in US congressional history, used to be an old-fashioned socialist. His recent popularity owes to a clever shift in rhetoric, wherein Sanders explains that he doesn't believe in socialism in general, but rather Nordic-style democratic socialism in particular.

Tried, and Failed

These days, it is difficult to generate enthusiasm about pure socialism. The system has failed, leading to human misery on a wide scale in every country in which it has been introduced. The Soviet Union, Cuba, Venezuela, and North Korea are hardly positive role models. China, the last major socialist country, has in many ways transitioned to a capitalist economy. A less radical idea that is gaining ground is democratic socialism.

Democratic socialism is becoming increasingly popular amongst the Left in the United States. An important reason is that positive role models exist. In fact, a number of countries with social democratic policies—namely, the Nordic nations—have seemingly become everything that the Left would like America to be: prosperous yet equal and with good social outcomes. Bernie Sanders himself [has explained](#), “I think we should look to countries like Denmark, like Sweden and Norway and learn from what they have accomplished for their working people.”

Is it likely that the US will become more equal, prosperous, and better prepared to face social challenges if democratic socialism is introduced? Will the American Dream of social mobility be strengthened in such a system? Will Americans benefit from longer life spans and lower poverty if they adapt Nordic-style welfare models? According to Bernie Sanders, Democrat activists, left-of-center intellectuals, and journalists, the answer seems to be yes. However, as I show in my new book [Debunking Utopia—Exposing the myth of Nordic socialism](#), much of this is built upon misconceptions about Nordic societies:

- Yes, it is true that Nordic societies combine high living standards with large welfare states. However, numerous studies show that the high tax

systems significantly impede the living standard in these countries. Nordic countries compensate for large public sectors by having strong working ethics and adapting market-friendly reforms in other fields. The lesson for America certainly isn't that higher taxes will create more prosperity, but rather the opposite.

- Nordic societies did not become successful after introducing large welfare states. They were economically and socially uniquely successful already in the mid-twentieth century when they combined low taxes and small welfare states with free-market systems.
- The root of the high levels of equality, the economic prosperity, the high levels of trust and other advantageous social features of the Nordics seem to be a unique culture rather than unique policies. After all, Spain, Italy, and France also have large welfare states built upon the ideals of democratic socialism. Why doesn't the American left believe that US society would evolve to resemble Southern Europe after introducing a large welfare state?
- Over time, the generous welfare states of Nordic nations have created massive welfare dependency, gradually eroding the strong norms of responsibility that undermine the region's success. This, combined with the growth-reducing effects of a large state, explains why Nordic countries have gradually, over the past decades, moved towards less-generous welfare, market reforms, and tax cuts.
- The combination of open borders, high taxes, and generous welfare systems has been anything but a success in Sweden. The open-border policies that Sweden experimented with in 2015 led to a massive influx of new arrivals, who are finding it very difficult to integrate into the country. The result is massive social tension and increasing poverty. Countries such as the US, Canada, Australia, New Zealand, and even the UK are much better at integrating the foreign-born in their labor markets.

Lastly, while the idea of Nordic-style democratic socialism is all the rage among the left in the US and other countries, in the Nordic countries themselves social democracy has never been weaker than today. In Denmark, the social democrats themselves have introduced massive market reforms and called for a much slimmer welfare state. In Sweden, the only

one of the Nordic countries to currently be led by a center-left government, the Social Democrats are polling their lowest support in modern times.

In a time when the American left—and, for that matter, much of the global left—are enthusiastically pushing for a Nordic-style democratic socialism, perhaps it is worth knowing more about the strengths and shortcomings of the system?

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Does the Economy Need More Central Planning?

Lawrence W. Reed

Thanksgiving is just one day each year. But because we have so much to be thankful for, maybe it ought to be every day.

G.K. Chesterton once said, “I would maintain that thanks are the highest form of thought; and that gratitude is happiness doubled by wonder.”

Think about that, especially Chesterton’s use of the word “wonder.” It means “awe” or “amazement.” The least thankful people tend to be those who are rarely awed or amazed, in spite of the extraordinary beauty, gifts, and achievements that envelope us.

A shortage of “wonder” is a source of considerable error and unhappiness in the world. What should astound us all, some take for granted or even expect as entitlements. Of those who believe more government is the answer to almost everything, some days I think they don’t even notice the endless wonders that result from things *other* than the political power they worship.

We’re moved by great music, sometimes to tears. We enjoy an endless stream of labor-saving, life-enriching inventions. We’re surrounded by abundance in markets for everything from food to shoes to books. We travel in hours to distances that required a month of discomfort from our recent ancestors.

In America, life expectancy at age 60 is up by about eight years since 1900, while life expectancy at birth has increased by an incredible 30 years. The top three causes of death in 1900 were pneumonia, tuberculosis, and diarrhea. Today, we live healthier lives and long enough to die mainly from illnesses (like heart disease and cancer) that are degenerative, aging-related problems.

Technology, communications, and transportation progressed so much in the last century that hardly a library in the world could document the stunning accomplishments. I marvel that I can call a friend in China from my car or find the nearest coffee shop with an “app” on my iPhone. I’m

amazed every time I take a coast-to-coast flight, while the unhappy guy next to me complains that the flight attendant doesn't have any ketchup for his omelet.

None of these things that should inspire wonderment were inevitable, automatic, or guaranteed. Almost all of them come our way by incentive, self-interest, and the profit motive—from people who gift their creativity to us not because they are ordered to, but because of the reward and sense of accomplishment they derive when they do. Some see this and are astonished and grateful, happy, and inspired. Others see it and are envious and unappreciative, angry, and demanding. Still others hardly notice, and busy themselves trying to micromanage the world according to their own grand designs.

My senses are always heightened when I'm outdoors, at least in terms of noticing nature. Plants, animals, the stars—all that “stuff” fascinates me. I want to know what this weed is called, where that bird is headed and why, and what the name of that star is. While walking my dogs recently, one natural wonder after another accosted me—fragrant honeysuckle in full bloom on a gorgeous Georgia morning, followed by a stunning spray of roses in a neighbor's yard, and upon returning to my home, the intricate, colorful clematis and braided hibiscus I planted just weeks ago. I am in constant, obsessive awe of a world so far beyond my comprehension—and so remote from *any* mortal's ability to duplicate or centrally plan.

As an economist, I'm inevitably drawn to the economic implications of these observations. No economist ever said it as well as F.A. Hayek: “The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design.” In his memorable Nobel Prize acceptance speech delivered 40 years ago this fall, Hayek illustrated the point brilliantly:

If man is not to do more harm than good in his efforts to improve the social order, he will have to learn that . . . he cannot acquire the full knowledge which would make mastery of the events possible. He will therefore have to use what knowledge he can achieve, not to shape the results as the craftsman shapes his handiwork, but rather to cultivate a

growth by providing the appropriate environment, in the manner in which the gardener does this for his plants.

The central planner would undoubtedly note that like a perfectly shaped bonsai tree or rose bush, some humans need a good pruning (and that very same central planner would probably be the first in line to do it, enjoying every minute of it). You can take a bonsai tree or a rose bush and cut it back or tie it up with good results. But try doing something comparable to your fellow citizens and you just might find they'll never leaf or bloom again.

Admittedly, the human to natural world analogy is fraught with limitations. I intend it only to provoke the reader to think and take it as far as it holds. In the process, it will be useful to remember that humans by their nature are not robots. We're not so easily planned for as a programmer programs a machine. When we're children, parents are our central planners, but the point of adulthood is that, at some point, parents should leave us alone. We tend to go further when the environment allows each of us the freedom to plan for ourselves. Amazing things happen when we do.

Leonard E. Read, FEE's founder, wrote a classic essay ("[I, Pencil](#)") in 1958 that explains an exquisite fact: No one person in the world knows how to make a simple pencil, yet pencils and far more complicated things are produced by the boatload every day. That should be a humbling thought if you think you can somehow plan an economy for millions of people.

The more one allows the world's wonders to witness to him, the less he'll want to play God with other people's lives or with the economy that their trillions of individual decisions create.

One more point about "planning." The question is never whether there will *be* planning but rather, as wise observers of human society have pointed out, whether *the plans of some individuals with little power are displaced by those who have more power*. "The more the State plans," wrote Hayek, "the more difficult planning becomes for the individual."

The Progressive intellectuals and their followers are in awe of what they think they might accomplish through the use of government power. They might benefit if they stopped to smell the roses. Like the rest of the natural world, what real life in a free environment *actually* accomplishes is much more awesome.

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Actually Bernie, Markets, Not Socialism, Promote Kindness

Julian Adorney

Bernie Sanders' success is remarkable. He may be behind in [delegates](#), but he remains competitive in a two-horse primary race, despite being an avowed socialist who has made denouncing capitalism central to his campaign.

In the last Democratic Party debate, Sanders even [refused to disavow](#) the Castro regime in Cuba, after [video surfaced](#) of a younger Sanders praising Cuba's "revolution of values," and how the Cuban people were working for the common good, rather than just themselves.

Sanders does not favor political oppression, but he clearly prefers Cuba's collectivist approach over the greed he thinks comes from competitive markets.

He may be surprised to learn that, far from creating selfishness, markets actually promote kindness and a respect for the lives of our fellow man.

Markets Encourage Generosity

In [*Economics and the Virtues: Building a New Moral Foundation*](#), Jennifer Baker and Mark White note a strong correlation between how market-oriented a society is and how likely its members are to volunteer and contribute money to charity. People who live in robust market economies, such as the United States, are more generous towards the less well-off than people in countries with less developed markets.

Part of this could be due to the greater wealth of more market-oriented economies, but the increased generosity is not limited to the wealthy. The working poor in the United States donate [three times as much](#) as people on welfare do. As Michael Shermer notes, "Poverty is not a barrier to charity, but welfare is."

The more we trade and help others to earn our money, the more willing we are to give money to those in greater need.

Evidence of markets increasing generosity can also be seen in lab experiments, such as the Ultimatum Game. In this economic experiment, Person A is given a sum of real money (say, \$100) and given the choice to share some of it with Person B. Person B can choose to reject the offer, in which case neither participant receives any money; or they can accept the split, in which case they both keep their respective shares.

If the first person offers a split that seems too unequal (say, \$90/\$10), the second person will often choose to reject the money and get nothing at all, effectively giving up \$10 to punish the first person for being selfish. The game is a powerful measure of generosity and fairness.

Baker and White surveyed a [number of such studies](#) across many cultures, and the results were clear: people from cultures with stronger markets tend to be more generous to others. In cultures with robust markets, people make higher, more generous offers.

The reason is that markets encourage people to interact with strangers in win-win transactions. This gets them used to thinking in terms of fairness—*what do I need to offer someone else to get what I want*—rather than selfishness.

As former Marxist Herbert Gintis notes, “societies that use markets extensively develop a culture of cooperation, fairness, and respect for the individual.”

Markets Promote Peace

The same humanizing principle applies internationally; it's not good fences but free trade that makes good neighbors.

In “Peace Through Free Trade,” professor Patrick J. McDonald from the University of Texas at Austin [argues](#) that countries that are more protectionist tend to go to war more often. Take a country in the bottom 10 percent of free-trading nations and—without changing anything else about it—reduce its trade barriers until it is in the top 10 percent of free traders, and you decrease its likelihood of engaging in a new conflict by 70 percent.

Why? Because markets humanize our trading partners. Trade requires us to sit down in business meetings (or at least Skype sessions) with people

from other countries to resolve differences and create win-win transactions. You're less likely to want to go to war with a country if you've spent time with its people than if you only see it as lines on a map.

Markets Make Us Value Human Life More

In *The Better Angels of Our Nature: Why Violence Has Declined*, Steven Pinker notes that violence has been declining for centuries. This is true in every category, from murders to hate crimes to child abuse. One factor behind the decline is the spread of commerce. We have become conditioned to trade with others to get what we want. As a result, [strangers](#) “switch from being targets of demonization and dehumanization to partners in reciprocal altruism.”

Another factor is the rise in living standards that capitalism has enabled. In the United States, for instance, life expectancy has [risen](#) from 39.4 years in 1880 to 78.7 years in 2011. This change wasn't inevitable; until the nineteenth century, life expectancy fluctuated from 30 to 40 years. Only since the Industrial Revolution has life expectancy climbed steadily.

Due to market-fueled innovations and new technologies, living standards have increased dramatically since the Industrial Revolution. Kids survive childhood, and [shorter working hours](#) mean that families can be closer-knit.

All of this makes people see their own lives as more valuable. This decreases their willingness to potentially throw their life away in crime, violence, or war. That's one reason we see less violence in wealthier countries—and thanks to markets, we're all a lot wealthier than our ancestors.

If Sanders is interested in genuine solutions to improve human life and cooperation, he should take another look at markets. His socialist criticism ignores many of its greatest benefits.

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Millennials Are in a Love Triangle with Capitalism and Socialism

Andrew J. Taylor

There's been a lot of talk recently about how Millennials—the generation born between roughly 1980 and 2000—think about economics. Much of it was sparked by the fanatical support for self-described “Democratic Socialist” Bernie Sanders from young people in the Democratic primary for president last year.

[Gallup](#) found in April 2016 that, whereas Hillary Clinton had a net favorability rating of -23 among 18–24 year-olds, Sanders's score was +39.

A [Harvard University poll](#) administered at about the same time revealed how this has been translated into policy views. The survey reported that only 42 percent of Millennials supported capitalism. According to a contemporaneous [Gallup poll](#), that was about 10 percentage points lower than the general population. The Harvard survey showed 33 percent of Millennials wanted socialism.

So Millennials have economic attitudes that are different from older Americans. But is their economic behavior different? Do they walk the socialist walk?

Here, the evidence is decidedly mixed.

Health Care

Socialists tend to embrace public goods because all citizens can consume them. Millennials certainly like them. A [Pew Research Center poll](#) from June revealed 45 percent of 18-to-29-year-olds favored a single-payer health care system. This was 14 percentage points higher than any other single age group.

[Census data](#) show Millennials adopted health insurance more rapidly than any other age cohort when Obamacare began in 2014–15. I'm not entirely sure what kind of political philosophy this behavior illustrates, but it does seem to suggest Millennials embraced the Affordable Care Act,

legislation most people believe moved health care in this country solidly to the left.

Recycling and Personal Consumption

Socialism, unlike capitalism, makes a virtue of constrained personal consumption. A major reason for this, of course, is that it is less suited to production. But the connection has helped fuse ecology to socialism in the platforms of left-wing parties across the globe.

You may have heard the argument that Millennials are more environmentally conscious than the rest of us—they don't use plastic shopping bags or flush the toilet, etc. A [survey](#) commissioned by Rubbermaid reported earlier this year that two-thirds of Millennials would give up social media for a week if everyone at their company recycled.

Interestingly, however, the data on behavior do not bear this out. A 2014 [Harris poll](#) conducted for the Institute of Scrap Recycling Industries (ISRI) revealed that whereas roughly a half of respondents over thirty said they “always” recycled, only a third of the younger group did.

Millennials talk about saving the planet for humanity, behavior a socialist mindset deems heroic, but they do not seem to be doing more than anyone else to secure our world's survival.

Transportation

Millennials also use public transportation much more than other groups. Over one-fifth ride a bus or train on a daily or almost-daily basis according to a [Pew survey](#) from late 2015. This was nearly double the proportion of any other age group.

Indeed, younger people seem to have much less love than their elders for that ultimate of American private goods, one's own car. The number of licensed drivers in both the 24-to-29-year-old and 30-to-34-year-old cohorts decreased by about 10 percent between 1983 and 2014 according to the University of Michigan's [Transportation Research Institute](#). The drop for 18-year-olds was a fifth. At the same time, everyone over 45 continues their love affair with the automobile.

This seems consistent with the socialist rejection of material goods, but whether this is correlation or causation is unclear.

Sharing Economy

Moreover, Millennials have almost single-handedly nurtured the “sharing” economy—a marketplace in which peer-to-peer transactions are facilitated by a software platform that permits participants to divide consumption, as exemplified by Uber and Airbnb. According to [Yugo](#), 57 percent of all ridesharing customers are aged 25 to 34.

The sharing economy may sound quite socialist because it seems to eschew private ownership. But as Duke professor Mike Munger has pointed out, people, in general, wish to consume the services that tangible goods provide, not the goods themselves. The sharing economy, in fact, provides access to the services of more material goods than the user would otherwise have—whether that’s a five-minute ride in a car or a two-day stay in a house. Its fundamental principles, therefore, are capitalist.

Entrepreneurialism

A 2014 [Bentley University survey](#) of Millennials reported that two-thirds of respondents expressed a desire to start their own business. But Millennial behavior is different. An [analysis](#) by the *Wall Street Journal* last year found that the proportion of Americans under 30 who own a business has dropped by 65 percent since the 1980s. Millennials might say they want to be Mark Zuckerberg, but they’re not particularly entrepreneurial.

There does exist therefore a disconnect between Millennial economic attitudes and behavior. What explains it? The generation is intrigued by the idea of socialism. It embraces many of its values and the public policies that would bring it about. But Millennials’ behavior is ambiguous. Entrepreneurship in private enterprise is not a particularly appealing career path to them in practice.

Additionally, Millennials’ reduced consumption is probably as much a function of economic necessity as it is a sacrifice of their personal wants to some grand social plan. The Great Recession has left them playing financial catch-up. A [Pew analysis](#) of census data reveals 15 percent of 25-to-35-

year-olds still live with their parents. Traditionally that fraction has been around one-tenth. A 2016 [study](#) by the left-leaning Center for American Progress found that Millennials make less than Gen Xers did in their early 30s. They only earn about the same as Boomers, who are 30 years older and 50 percent less likely to have graduated from college.

So perhaps there's another explanation: When they appear to be rejecting capitalism, it's often because Millennials are simply adjusting America's core economic principles to new technologies and economic realities.

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How Believing in Socialism Can Make You Miserable

Brittany Hunter and Dan Sanchez

On my (Brittany's) college campus, the largest and most active club was the "Revolutionary Student Union," also known as the school's resident Marxists. Even then, I passionately disagreed with socialism. But one thing that struck me was how these students were not only wrong but seemed deeply unhappy. They always walked into class scowling and were always grouching, not just about the evils of capitalism, but about intractable frustrations and perceived injustices in their personal and academic lives.

I often wondered if there was a connection between the dysfunction in their lives and their socialist ideology.

To these young revolutionaries, every frustration in their lives was someone else's fault. If they weren't getting the grades they felt they deserved, some bourgeois professor was to blame. If they didn't have job prospects that matched their high regard for their own intellects, it must be the capitalist system holding them back. Their tendency was to scapegoat "class enemies," not only for societal ills but for their own personal problems as well.

By shifting the blame to others, they relieved themselves of responsibility for their own problems. They wasted their time and energy complaining, wallowing in self-pity, and seeking redress, instead of taking ownership of their lives and fixing up their affairs. As a result, their frustrations only compounded.

This attitude also robbed them of one of the great pleasures in life: experiencing empathetic joy in the happiness of others. According to their zero-sum Marxist mindset, the prosperity of others came at the expense of their own prospects. So they resented anyone more successful than themselves. And they became so preoccupied with dragging other people down that they had little energy left over for lifting themselves up.

If my student comrades ever did manage to impose socialism on the country, it would cause deep and widespread misery. And yet plenty of

misery in their own lives was already being generated by the mere idea of socialism residing only in their minds.

The Psychological Roots of Socialism

Yet, in spite of this, and in spite of all the economic logic and evidence that shows that classical liberalism and capitalism enriches and frees the whole of society, while socialism enslaves and impoverishes it, these young socialists would still cling rigidly to their ideology. Why?

According to Ludwig von Mises, it is not simply a matter of economic illiteracy and intellectual error in general. Rather, it is a psychological matter. He even went so far as to argue that the roots of socialism lie in neurosis.

. . . the root of the opposition to liberalism cannot be reached by resort to the method of reason. This opposition does not stem from the reason, but from a pathological mental attitude—from resentment and from a neurasthenic condition that one might call a Fourier complex, after the French socialist of that name

The socialist frame of mind can be summed up in one word: resentment. As Mises wrote:

Resentment is at work when one so hates somebody for his more favorable circumstances that one is prepared to bear heavy losses if only the hated one might also come to harm. Many of those who attack capitalism know very well that their situation under any other economic system will be less favorable. Nevertheless, with full knowledge of this fact, they advocate a reform, e.g., socialism, because they hope that the rich, whom they envy, will also suffer under it.

Psychologist Jordan B. Peterson also characterizes socialism as both driven by resentment and fostering resentment. In a panel, he said of Marxism:

There is the dark side of it, which means everyone who has more than you got it by stealing it from you. And that really appeals to the Cain-like element of the human spirit. Everyone who has more than me got it in a manner that was corrupt and that justifies not only my envy but my actions to level the field so to speak, and to look virtuous while doing it. There is a tremendous philosophy of resentment that I think is driven now by a very pathological anti-human ethos.

Those who have lost themselves in a downward spiral of resentment would rather fail than succeed if it meant that their class enemies would suffer along with them. The phrase “misery loves company” is particularly applicable to the socialist mindset.

As Mises explained, people often cling to resentment and scapegoating because it offers consolation, however fleeting:

In the case of social failure, which alone concerns us here, the consolation consists in the belief that one’s inability to attain the lofty goals to which one has aspired is not to be ascribed to one’s own inadequacy, but to the defectiveness of the social order. The malcontent expects from the overthrow of the latter the success that the existing system has withheld from him.

It is for this reason that Mises says, “. . . for modern man, socialism has become an elixir against earthly adversity.”

And this compulsive, unhealthy attitude is what closes the class warrior’s mind and makes it impervious to new ideas. As Mises wrote, socialism often amounts to a defense mechanism against an inferiority complex:

The neurotic clings to his ‘saving lie,’ and when he must make the choice of renouncing either it or logic, he prefers to sacrifice logic. For life would be unbearable for him without the consolation that he finds in the idea of socialism. It tells him that not he himself, but the world, is at fault for

having caused his failure; and this conviction raises his depressed self-confidence and liberates him from a tormenting feeling of inferiority.

Only You Can Change Your Circumstances

Luckily, this kind of neurosis can be cured, but it requires effort on the part of the individual. As Mises wrote:

One cannot send every person suffering from a Fourier complex to the doctor for psychoanalytic treatment; the number of those afflicted with it is far too great. No other remedy is possible in this case than the treatment of the illness by the patient himself.

And the starting point for conducting such self-therapy is for each individual to come to grips with the fact that resentment, envy, and scapegoating only brings oneself frustration, stagnation, and needless suffering.

We are all responsible for improving our own lives, difficult and time-consuming as that quest may be. Renowned psychology professor Jordan B. Peterson has built his career and renown largely on helping individuals leave behind resentment and self-pity and take responsibility for their own lives. He argues that, far better than political agitation and contention, that offering that kind of help is the best way to help ideologues grow out of the neurotic tendencies that cause them to cleave to socialism and other toxic creeds. In a [Q&A session](#), he counseled saying to such people:

. . . look, we would like it so much if you could thrive as an individual. Drop your cult-like affiliation. Step out of the shadows, the demonic shadows of your ideological possession, and step forward as a fully-developed person into the light.

The antidote to both socialism and debilitating resentment is individual reflection and action. If one makes an effort to look within and better

themselves, then they will find that that resentment will begin to disappear, self-efficacy will grow, and their lives will improve. And dropping socialism will be a wonderful side-effect.

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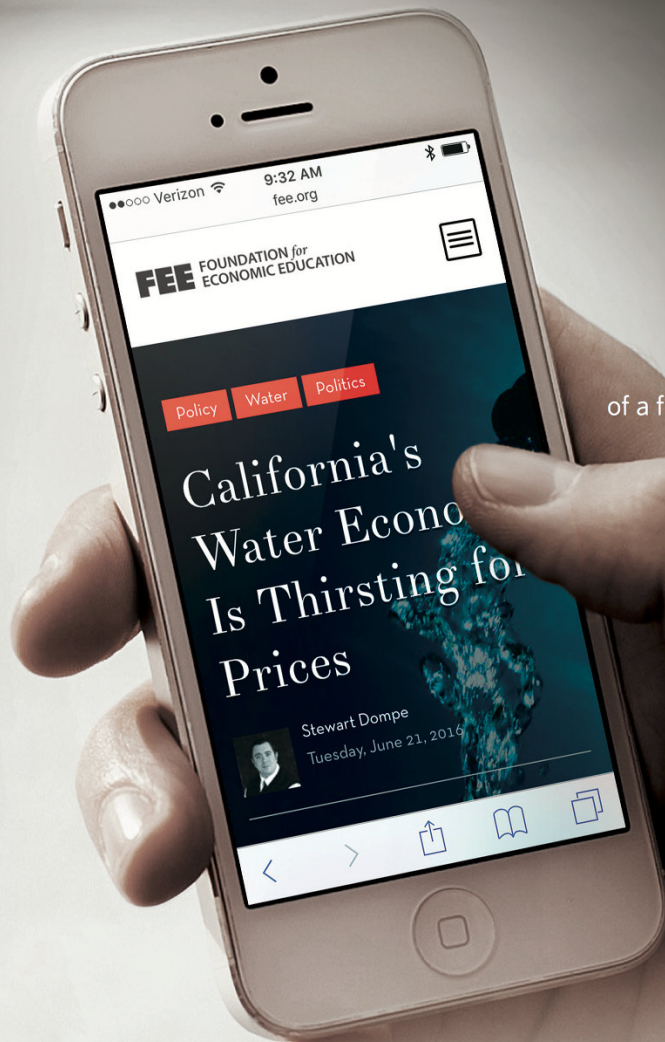
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