

# Socialist Policy in America?

Two critical writers delve into the pros and cons of socialism.

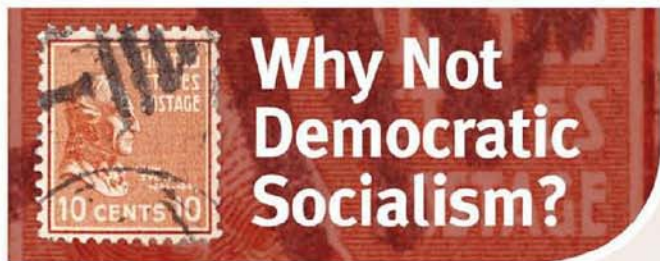
The February 16, 2009 cover of *Newsweek* magazine published the following headline: "We Are All Socialists Now: The Perils and Promise of the New Era of Big Government."

The nearly 100-year-old magazine's bold headline was a response to an unprecedented spending intervention by the federal government into the sputtering and slumping U.S. economy. With President Obama at the helm, the feds were pumping trillions of dollars into the economy in an effort to kickstart a financial recovery. That massive spending didn't start with Obama. The final months of the Bush administration saw the Republican president, with the approval of the Democrat-controlled Congress, spending billions of dollars to bail out the U.S. banking system. America's financial institutions were teetering on the brink of a monumental implosion brought about by the earlier collapse of the housing market, which was inundated in toxic mortgages.

That *Newsweek* story made the point that a decade earlier the U.S. government

spending was 34.3 percent of GDP, compared with 48.2 percent in the euro zone — a roughly 14-point gap. However, in 2010 U.S. spending rose to 40.7 percent of GDP, compared with 47.1 percent in the euro zone — a gap of 6 points. *Parlez-vous français?* As entitlement spending continues to rise over the next decade, will we become even more French-like in our approach to the role of government. Is there a trend afoot towards a form of socialism? Will we abandon capitalism and embrace the social order of some of our friends in Europe? In this presidential election year this topic seems to have now taken center stage in our national debate.

This week's cover story is an in-depth examination of socialism and the current state of that political, social and economic system in the United States. Writing on the left is Forum Left columnist Rana Odeh, who argues the virtues of Democratic Socialism and in doing so attempts to "deconstruct" some popular misconceptions about socialism. Taking up the cause on the right is Forum Right columnist Mark Luedtke, who argues that Socialism is "irrational and deadly".



By RANA ODEH

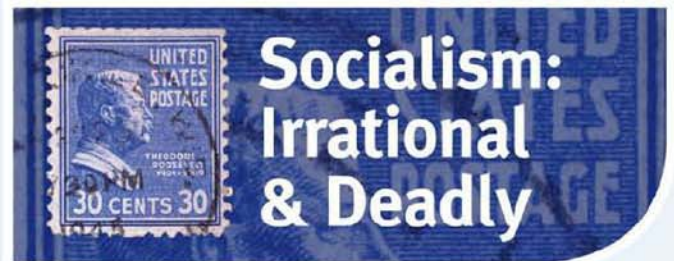
Can you imagine getting paid 100% of your salary for 18 months of maternity leave? What about never stressing over healthcare costs when you, your child or your family members get sick? What about free college education, free childcare, and subsidized (healthy) food and housing? Does it sound too good to be true? This is not a utopian dream. This is the life that Scandinavians enjoy and Americans have come to fear. What if you could have that life with the added benefits of democracy and freedom?

For a better understanding of the Scandinavian systems, I interviewed Dr. Janet Spitz, Professor of business and expert on globalization and international economic systems, who said: "When we hear that the Scandinavian socio-economic system would reduce democracy and freedom, we have to ask in what ways are the Scandinavian peoples (Swedes, Finns, Danes, Norwegians) less free and less democratic than people in the U.S.? In all of these lands, people are well-educated in public schools and, indeed, can take advantage of universities that are free of cost or cost a very minimal amount. Since a well-educated and informed electorate is essential to democracy, Scandinavians are, in that sense, better off democratically than we are in the U.S."

The election of President Barack Obama in 2008 has reignited anti-socialism sentiment and has caused many right-wing Tea Partiers to fear the rise of socialism. To the contrary, Obama has done a great job of continuing on a straight path of free market corporatist capitalism. With the post-crisis handouts to big banks, and tax cuts to corporations, the Obama administration has reached a new low in policy-making that further favors corporations.

In an attempt to better understand this fear of socialism, I interviewed two retired school teachers who remember the Cold War all too well. The fear of socialism dates

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By MARK LUEDTKE

In his book *The New Evolution Diet*, Paleolithic lifestyle pioneer Art DeVany calls humans lazy over-eaters. "We humans evolved when food was scarce and life was full of arduous physical activity. Hence, our bodies instruct us to eat everything we can lay our hands on and to exert ourselves as little as possible." Because of the environment our ancestors evolved in, humans are genetically programmed to take the easy route whenever possible.

Proponents of socialism are experts at preying on this human weakness. Vladimir Lenin claimed that "the socialist state can only arise as a net of producing and consuming communes, which conscientiously record their production and consumption, go about their labour economically, uninterruptedly raise their labour productivity and thus attain the possibility of lowering the working day to seven or six hours or even lower." Humans are instinctively drawn to promises of greater wealth for less — or no — work.

But history exposes this farce. Economist Gary Galles recounts the horrors of early socialist American colonies: "In Jamestown, colonists were indentured servants whose first seven years' output was to go into a common pool. In Plymouth, all accumulated wealth was to be held in common, against colonists' objections ... In both places, the fruits of people's efforts went to others, with disastrous results. Sixty-six of Jamestown's initial 104 colonists died within six months, most from famine. Only 60 out of 500 arrivals two years later survived that long. The consequences of this 'starving time' included cannibalism. Plymouth's first colonists fared little better, with only about half surviving six months. Some, in desperation, sold their clothes and blankets to, or became servants of, Indians."

Galles describes how socialism reduced the colonists to a primitive state, driven by instinct, not reason, and how colonies were saved by adopting free markets. "In

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## Why Not Democratic Socialism?

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back to the Red Scare, and fearful anti-communist propaganda was engraved into the memories of our grandparents, drilled through our parents' minds in the McCarthy era (they literally practiced

lic services in general, to vote against their own self-interest. It is in the best interest of the poor to support government spending on job creation and other social welfare policies, yet the poor in the U.S. have been

**“ The election of President Barack Obama in 2008 has reignited anti-socialism sentiment and has caused many right-wing Tea Partiers to fear the rise of socialism. ”**

regular duck and cover drills), and has even filtered down to us in various forms. Even worse, it will likely be taught to our children for generations to come through newly revised textbooks that stress the superiority of American capitalism. Joanna, long time Ohio resident in her late 60s, vividly remembers experiencing the Red Scare drills, and recounted: “when I was in the 3rd grade, we were given dog tags that had our name and address on it. We would have drills that had us go under

taught to fear government intervention.

I spoke with two Ph.D. students from Finland who well understand the impact of democratic socialism in order to clarify the following five major misconceptions of socialism:

### Dictatorship would replace democracy

Democracy and freedom are two crucial prerequisites for creating and sustaining a high quality of life. Neoliberal critics,



Lauri Holappa

our desks, put our heads down and cover them with our hands ... I was really afraid of the Communists for a while because I felt someone was going to bomb us.”

Ohio resident Andrew Alberico said, “I don't feel for a minute that in the years 1946 to 1960 or so, that there was any danger that the Soviet Army was going to attack Western Europe. Americans are amazingly ignorant of history. We were never told any of the history. We were just told that the Communists were evil, that they wanted to take over the world, that they wanted to take away our freedoms and that they wanted to destroy our capitalistic economic system.”

This anti-communist propaganda is so successful that it has led even the neediest people, who would benefit most from free healthcare, education and more pub-



Jussi Ahokas

however, argue that socialist ideologies and policies would diminish America's democracy. But we can see by looking at Swedish tripartite corporatism that employing a socialist system does not take away people's freedom or democracy. To the contrary, social democracy enhances civic engagement and defuses the power of special interest groups. Dr. Spitz maintains: “In short, the Scandinavian model increases freedom, and increases democracy, paid for with higher taxes. Americans who are at the top end of the income and wealth distribution and who would see their relative advantage erode under such a system, cannot legitimately say: “The Scandinavian system would make us freer and more democratic, so we're against that because we want to keep most of our population afraid of home-



## Socialism: Irrational & Deadly

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Jamestown, each man was given three acres of land, in exchange for a lump-sum tax of two and a half barrels of corn, and communal work was limited to one month (not during planting or harvest). In addition to creating private property,

Mises explained that because the value of goods can only be determined through exchange, it's impossible to perform economic calculation in a socialist society. Mises defines socialism this way, “Under socialism all the means of production



this made the marginal tax rate on most of colonists' efforts zero, turning indolence into industry. Rather than starving, they became exporters of corn to the Indians. [In Plymouth] the change from communal to private-property rights dramatically increased the Pilgrims' productivity. The beginnings of that productivity led to the bounty celebrated at Plymouth's famous 1623 Thanksgiving. And as historian Russell Kirk reported, “never again were the Pilgrims short of food.”

The history of socialism is unimaginable

are the property of the community.” The community appoints an agent, the state, to manage all production. But since the state owns all production goods, there can be no exchange. There can be no prices. Therefore it's impossible for its agents to rationally calculate the value of any production good.

The implications are profound. Without prices, accounting is impossible. Rational economic analysis is impossible. There is no rational means to measure whether an activity is worthwhile or not, or to allocate

**“ The history of socialism is unimaginable mass murder, starvation, torture and imprisonment. ”**

nable mass murder, starvation, torture and imprisonment. Advocates tiptoe through the mass grave of socialist history, conveniently avoiding the hundreds of millions of corpses, in hopes of cherry-picking a case that will appeal to baser human instincts. Unfortunately for the advocates, rational analysis of these examples invariably illustrates their ignorance of both economics and history. This isn't because socialist advocates are stupid or bad messengers. The reason no socialist makes a rational case for socialism is that socialism prohibits rational economic calculation.

### Economic calculation

In 1920 Ludwig von Mises, the dean of the Austrian School of Economics at the time, delivered the most devastating argument against socialism to date. In his essay entitled “Economic Calculation in the Socialist Commonwealth,”

resources between activities.

Mises explains, “Without economic calculation there can be no economy. Hence, in a socialist state wherein the pursuit of economic calculation is impossible, there can be — in our sense of the term — no economy whatsoever. In trivial and secondary matters rational conduct might still be possible, but in general it would be impossible to speak of rational production any more. There would be no means of determining what was rational, and hence it is obvious that production could never be directed by economic considerations.”

Mises' 1920 prediction of how production in a socialist society would evolve presciently describes the blighted landscape of primitive factories exposed after the Iron Curtain fell. Mises also predicts the ubiquitous shortages we now know are endemic to all socialist countries.

But Mises' most profound observation

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lessness and starvation." Instead they say: "The Scandinavian system would reduce democracy and freedom" and hope that no one has any clue about the truth, or lack thereof, of that statement."

### Private property rights would be violated

Private property rights, including intellectual property rights, are also strongly protected under the Scandinavian system, and have nothing to do with social welfare whatsoever. "Protection of property is one of the first sections in Finland's constitution," said Jussi Ahokas, a student at the University of Eastern Finland.

### Socialism destroys competitiveness and eliminates incentives for innovation

Critics argue that in a socialist system people lose the incentive to be competitive and innovative, when according to a 2009 study conducted by the Boston Consulting Group and the Manufacturing Institute, the U.S. ranked eighth in innovation, falling behind seven socialist-oriented economies. "We have only to look at some of the most competitive businesses globally to see the falsity of that claim. Germany holds the global lead in manufacture of wind turbines. The Volvo is a Swedish car that is globally competitive. Nokia is a Finnish firm that makes mobile phones and tires and other globally competitive products," said Dr. Spitz. Jussi attributes the high innovation rate of Scandinavian countries to government funding of public education all the way through college. The government does not only pay for your college education, but you can apply for additional grants. "There is a great incentive to go to college" added Jussi.

The development of private property and innovation are not stifled by higher tax rates in the Scandinavian countries, so the American tax cuts to large corporations and high income earners are not justifiable as an incentive to innovate or to create a trickle-down effect. We have seen through the current recession that the trickle-down theory is just a myth. Innovation incentives are not the only route for big corporations to avoid paying high taxes. General Electric was able to completely evade paying its tax liability in 2010 by taking advantage of the many loopholes in the corporate tax system.

### The quality of healthcare would diminish under a government-sponsored health system

Healthcare is another industry that thoroughly understands the advantages of many loopholes and deregulation in the U.S. Despite what many believe, the quality of healthcare in the U.S. will not diminish if the federal government provides universal healthcare. The U.S. currently spends at least double the amount on healthcare per capita than all the countries that provide universal healthcare, and this is not to say that the quality of care in the U.S. is better. As shown in the 2009 Organization for Economic Co-operation and Development (OECD) health report, the U.S. has fewer doctors and beds per 1,000 patients than the average OECD country, which is a group of industrialized Western nations. The U.S. also spends the highest percentage of its funding on out-patient (including same-day) surgery, keeps in-patients for a shorter period of time than the average OECD country, and pharmaceutical drugs cost 30-50% more in the U.S. than in other OECD countries.

"Having recently completed a study of pharmaceutical profits, I can attest to the contribution that these enormous profits make to the cost of healthcare in the U.S." said Dr. Spitz. The U.S. is the only modern country that does not enforce price regulation, which allows pharmaceutical companies to enjoy such great profits. "One way pharmaceutical firms have staved off price regulation is through their lobbying activities, spending \$24 million per quarter lobbying Congress people. Pharmaceuticals are key players in maintaining the high cost of healthcare in the U.S., as one special interest group," added Dr. Spitz.

Countries that offer free, or at least affordable health care, in fact spend far less than the U.S., because people seek preventative care to avoid the emergency room, which is much more expensive. "Medical care is transformed from reactive emergency care to preventive care at a far lower cost, and with far superior results for the populace," said Dr. Spitz. "The overall quality of any healthcare system is indicated by the longevity index of that nation. The U.S. ranks well down the list," she added. While drug spending in the U.S. leads the world, the CIA World Factbook reports that the 2011 U.S. life expectancy, at 78.37 years, is 50th place in the world life expectancy



is about rational behavior itself. Mises explains the starvation of early American colonists. Prevented from performing economic calculation and isolated from any economy with prices to emulate, the colonists were stripped of their ability to make rational decisions. Thus they played instead of working. Starvation and cannibalism followed. Only when they adopted markets and were able to perform economic calculation could they become civilized and prosperous again. Even if a socialist society were ruled by super-benevolent super-geniuses, the inability to make rational economic decisions would doom it.

### The worst rise to the top

Of course there are no benevolent geniuses in government. As Lord Acton observed, "Power tends to corrupt, and absolute power corrupts absolutely." Since the socialist society has abolished ownership and voluntary exchange of production goods, the only way to allocate them is through violence. Land and capital must be appropriated from private owners through violence, and labor must be allocated under threat of violence backed by violence.

As Mises proved, the allocation of production resources can only be arbitrary and chaotic. Ubiquitous shortages of consumer goods cause chaos and death. Those in power must promote a strongman to protect themselves from the people. In his famous book, *The Road to Serfdom*, Nobel Prize winning economist F.A. Hayek explained why the worst rise to the top of the socialist state, "Advancement within a totalitarian group or party depends largely on a willingness to do immoral things. The principle that the end justifies the means, which in individualist ethics is regarded as the denial of all morals, in collectivist ethics becomes necessarily the supreme rule."

Because socialist governments cannot meet the variety of demands of individuals, the strongman must appeal to the baser instincts of the masses. He must identify a bogeyman and motivate the masses against that bogeyman to maintain power.

Socialism also corrupts bureaucrats because since they cannot rationally allocate production goods, they tend to allocate them for the good of themselves and their cronies.

### The myth of good socialist governments

Socialist advocates often point to Canada as an example of a good socialist country

because they fail to understand why the Canadians are doing relatively well. The major reason is that Canadians dramatically reduced government spending and regulation during the 1990s. Economist David Lee recounts, "Under the joint leadership of Prime Minister Jean Chretien and Finance Minister Paul Martin, Canada underwent one of the most fiscally responsible periods in its history. [...] Following a peak deficit of \$42 billion in fiscal 1993-1994, the administration managed to reverse the deficit and produce a surplus by 1997-1998, and sustain the surplus over the following two years before posting a historical record of \$17.1 billion in budgetary surplus in fiscal 2000-2001."

Socialist advocates typically ignore the ubiquitous shortages produced by socialized medicine in Canada. Economist Thomas DiLorenzo informs, "All countries that have adopted socialized healthcare have suffered from the disease of price-control-induced shortages. If a Canadian, for instance, suffers third-degree burns in an automobile crash and is in need of reconstructive plastic surgery, the average waiting time for treatment is more than 19 weeks, or nearly five months. The waiting time for orthopedic surgery is also almost five months; for neurosurgery it's three full months; and it is even more than a month for heart surgery" (see The Fraser Institute publication, *Waiting Your Turn: Hospital Waiting Lists in Canada*). That's why so many Canadians come to the U.S. for medical care.

Proponents of socialism also frequently point to Sweden as an example of a socialist paradise, but the reality is similar to Canada. Reason magazine reports, "[Economist Andreas] Bergh says that despite popular mythology, Sweden is not a socialist success story but instead owes its economic growth to the lowered tax rates and deregulation of the early 1990s, which allowed innovation and investment to flourish. Bergh also ... warns that Americans who are hoping to emulate Swedish success by growing the public sector are learning the wrong lessons from Sweden."

Economist Per Bylund adds, "Since the mid-1990s Sweden has had only balanced budgets and even reduced the national debt from just over 80% to under 40% of GDP. The welfare system has also, slowly and step by step so that people would not notice the change, been restructured through adding incentives for people to choose productive labor instead of welfare checks. Many welfare programs have also been changed from



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ranking. The U.S. clearly does not lead the world in health care quality.

On another health note, the U.S. ranked last on paid maternity leave out of the 30 OECD countries. The U.S. federal government does not fund paid maternity leave at all, while all the other OECD countries offer at least a short-term paid leave, and Denmark offers a minimum of an 18 month, full-pay maternity leave. "The Finnish government offers 18 months total parental leave and the father is allowed to use 6 out of the 18 months for paid paternal leave," Jussi said.

According to the U.S. Census Bureau report "Child Care Arrangements," employed families living below the poverty line spend 32.4% of their monthly income on child care, families with a monthly income of less than \$1,500 spend 34.5% and families with a monthly income of \$1,500-\$2,999 spend 17% of their monthly income on child care arrangements. Employment is discouraged

income; food, health, education, housing, transportation and child care, it is clear that those priorities are very expensive for the average American, but very affordable for the government to guarantee to all. Although the federal government could afford this socialist-oriented system without raising the average person's tax burden, we should realize that if the government provides these social services and subsidizes healthy food and housing, Americans would be able to afford higher taxes, enjoy their current lifestyles, and even afford to save, which is currently impossible for many. "Between paying higher taxes and eliminating social welfare policies, the majority of Finns would choose to pay higher taxes. It is less burdensome," said Lauri. "Nobody goes hungry in Finland," he added.

What Americans should fear today is not stronger social welfare policies, but rather the erosion of our educational

“...high costs of healthcare, childcare and education have driven U.S. households into unsustainable debt.”

by this high childcare cost, which does not include baby food, diapers, pediatric care, transportation, clothing or any of the parents' needs. Childcare in the U.S. is unaffordable, to say the least.

Such high costs of healthcare, childcare and education have driven U.S. households into unsustainable debt. "U.S. households have the highest debt-to-income ratio in the world, at a 2007 world record high average of nearly 140%, meaning that if a household's annual income is \$75,000, it has a total debt of \$105,000, excluding mortgage debt," said Fadhel Kaboub, Professor of economics at Denison University. "The debt-to-income ratio is even greater for the poorest 20% of American households, at a 2007 record-high of over 260%," he added. This unsustainable level of debt is attributed to the excessive lending prior to the Great Recession that banks have resorted to in order to encourage more consumer spending, the engine of U.S. economic growth.

**Tax rates would sky rocket to unaffordable levels**

Finally, when we consider the few necessities on which Americans spend their

system, health system, public infrastructure, environment and social services. We must not fear socialism, and should become aware of the media propaganda that keeps us misinformed, politically disengaged, apathetic, and undermines any participatory democracy. If having a more socialist-oriented system means having a better quality of life in a free and democratic society, then: why not democratic socialism?



Rana Odeh is a DCP Debate Forum freelance writer. She holds a BA in English and Philosophy from UD and is currently a graduate student in the ICP Program at Wright State University. Reach Rana at RanaOdeh@DaytonCityPaper.com or view her work at RanaOdeh.com.



the previous never-ending subsidization of laziness to provide limited time only support while adjusting to changes in the market." It's ironic that as Swedes and Canadians benefit from moving toward capitalism, socialists point to those countries as models for socialism.

why everywhere in the world economic freedom increases, the standard of living increases, and everywhere economic freedom decreases, the standard of living decreases. There are no exceptions.

For centuries the U.S. was largely a capitalist country. Taxes and regulations



**Why not capitalism?**

Socialism is government control of the means of production. It's also institutionalized theft. By any objective measure, the U.S. is one of the most socialist governments in the developed world. The federal government seizes nearly \$4 trillion in resources from the people every year. It is \$15 trillion in debt. That's not counting state and local governments. No other country comes close.

What resources U.S. governments don't seize directly, they control through regulation. In 2010, the Federal Register contained 81,405 pages of regulations. Regulators add thousands of pages every year. DiLorenzo adds, "On top of all of this, state and local governments have

were low. There was no central bank. Capitalism empowered Americans to create the greatest country the world has ever known. Unprecedented capital accumulation during that time is why the U.S. remains relatively wealthy despite a century of socialist advance. But now nearly all production in the U.S. is controlled by the state for the benefit of those in power. Meanwhile, other countries, including China, have moved towards capitalism. As a result, the stagnant U.S. economy is rapidly being overtaken.

But as those early colonists learned, overcoming the instinctual appeal of socialism is nearly impossible. Americans continue to expand the socialist state, and other than those with access to the

“This socialism is the root of America's economic problems.”

literally thousands of regulatory agencies and commissions that regulate everything from allergies to zoos. ... Then there's the [Federal Reserve]. In addition to attempting to fix prices (interest rates) and causing perpetual boom-and-bust cycles with its monetary manipulation, the Fed performs dozens of regulatory functions. The regulatory functions listed are too numerous to print.

The U.S. government gained control of the means of production by corporatizing every sector of the economy via regulation. They have institutionalized theft on a scale unprecedented in history. This socialism is the root of America's economic problems.

So why not capitalism? Capitalism is an economy without government intervention. Neither politicians nor producers can use government coercion to loot the people. The only way for producers to profit is to satisfy consumers. They continually innovate or go bankrupt. That's

levers of power, Americans suffer more for it every day.

But it doesn't have to be that way. We can chose reason over animal instincts. We can choose cooperation over violence. We can choose compassion over barbarism. If the Canadians, Swedes and Chinese can move toward capitalism and enjoy tremendous benefits, Americans can do the same, but better. If America is to return to a trajectory of greatness, Americans must re-adopt capitalism. Now.



Reach freelance writer Mark Luedtke at MarkLuedtke@DaytonCityPaper.com.