

“The inherent vice of capitalism is the unequal sharing of its blessings. The inherent virtue of socialism is the equal sharing of its miseries.”

- Sir Winston Churchill

Socialism Has Failed.....Again: The last month has not been a good one for the now highly interconnected world economy. Certainly, we have many problems in the US, with crushing debts and deficits and no job growth or really any growth in the economy at all. Expectations that the future looks bleak add to a lack of investment and risk-taking as more and more people stick their financial heads in the sand. But, it's even worse in Europe and other places around the world. The huge fiscal problems in countries like Greece, Portugal, Ireland, Italy and Spain may result in debt defaults and are affecting not just their growth, but ours as well.

If you look at the problems in this country and those in Europe, you find that they are really just differing degrees of the same problem. Our governments (federal, state and local) in the US have spent too much money and borrowed too much money and now don't have enough revenue to cover it. Exactly the same thing has happened in those aforementioned European countries with the distinction being that they are a few years farther down the path of economic ruin than we are. But, we will get there if we keep going.

In a macro sense, the similar debts on both sides of the Atlantic, again, have the exact same root cause. Both here and there, governments have edged closer to socialism by giving ever increasing benefits to the population without asking that population to pay for those benefits. This is an easy thing to do politically. As a politician, it is very easy to give voters something for free or, for that matter, even for half price. People everywhere like to get free stuff. Governments promise their populations free health care, free college tuition, choice retirement plans and the ability to retire earlier than their parents or grandparents did. And, those populations say, “Great....bring it on!” Such is the appeal of socialism.

But, the problem is that nothing is truly free. You can only get "free" health care (or anything else for that matter) from the government in one of 4 ways: **(1)** You pay for it, which obviously means it is not free. **(2)** Someone else pays for it.

(3)

The people providing the service (doctors, nurses, hospitals, drug companies) work for free. Or,

(4)

you borrow the money so that, in theory, no one has to pay for it.

The reason that socialism doesn't work, never has worked and never will work is that all 4 of these options are seriously flawed. Let's analyze each one of these options in order:

1. You can tax everyone in society roughly equally to pay for a roughly equivalent benefit. This option has a political problem because you are no longer offering the populace something for free. But, it has an economic problem, as well. The late, great economist Milton Friedman once postulated that it makes no economic sense to tax the middle class in order to give them their own money back because of the inefficiencies and overhead costs created by running that money through the government.

2. This is where socialists usually start out; promising the populace something and claiming that it will be paid for by some minority of the population, usually corporations, wealthy individuals or foreigners. Politically, of course, it sounds great to tax a few to give a bunch of free stuff to everyone else. The problem is that that minority of the population never has enough money to pay for everything. You can tax the rich to pay for the poor. But, you cannot take enough from the rich to pay for everyone - poor and middle class, as well. They simply don't have that much money. And, if most of what they earned is going to be taxed, they will move somewhere else or stop making money. The British experienced this during the 60s and 70s (before Margaret Thatcher) when Labour governments in the UK embraced socialism. But, governments (including many politicians in the US government like the current president) love to promise that they can do this. When it fails, because after they have taxed the minority into submission, there still isn't enough money for the benefits, then they resort to option #1 above to pay for things. History shows that the populace revolts at that point since the benefits they are receiving don't seem nearly as good when someone else isn't paying for them. Then the system promptly collapses.

3. This is an option to reduce the cost of benefits by having the providers be the ones who suffer by working for little or for free. Although this is technically an option, it is difficult to implement since providers can just do something else. Societies in the past have enslaved part of their populace (always a minority group, again) to accomplish this goal. But, that obviously is not an option in any society with any degree of liberty.

4. Borrowing money is the easiest solution to implement because it appears as though no one ever has to pay for it. The beneficiaries certainly don't have to pay for it, and it appears as

though options #2 and #3 aren't utilized either. But, the reality is that all borrowed money gets paid for by someone eventually. Obviously, future generations can be forced to pay the debts of a prior generation either directly or through a lower standard of living. In many socialist societies over time (South American countries stand out here especially), the solution was to try and inflate the problem away, which means that everyone actually pays for it through greatly reduced wealth, earning power and living standards. The borrowing option is always only temporary because, at some point, no one will lend you money any longer. That is the case with Greece and to a lesser extent Italy and Ireland today.

Socialism just doesn't work in practice. But, there are many around the world still romanced by the theory. So, governments dabble with it, but never figure out how to pay for it. Lately, those governments, including this one, have borrowed that money utilizing option 4 listed above as the most politically viable one and the one which best shields them from charges of blatant socialism. That has led not only to the worldwide problems that we face today, but also to the limited range of options that said governments now have to get themselves out of their financial slump. If you have borrowed all anyone will lend you to pay for your daily expenses, then once a new problem or emergency arises, you are tapped out and have no new place to find cash. We certainly have problems. But, we have no margin for government spending or even major tax cuts to help us out. There is much we can do to change our situation, as I have outlined through proposals in this missive before and will do again in the future. But, anything that increases our deficits and debt now will hasten a deeper and more dangerous set of problems to come, not serve to correct our current ones.

We, and yes Europe and the rest of the world, must turn away from giving ourselves benefits without paying for them. And, we must institute policies that encourage risk-taking and reward investment and saving. We can provide safety nets for those who encounter problems in our society without moving the nation ever closer to socialism. We must understand that even a light form of socialism does not work and does great harm. Just look at the economic problems of the world today for proof.