

CHAPTER XXVII

Socialism in America

SUPPRESSION OF FREEDOM OF SPEECH. SOCIALISM ALLIED TO COMMUNISM. SOME ACCEPTABLE SOCIALISTIC ENTERPRISES. EVILS OF GOVERNMENTAL CONTROL. THE TVA PUBLIC HOUSING.

On my recent trips to the United States, I have found an uncomfortable feeling that something is happening in American society which is familiar to me because it happened in Great Britain.

There seems to be in American colleges these days many teachers who speak of the virtues of a centrally planned economy with the starry-eyed enthusiasm and the almost touching innocence regarding the realities of economic life which were so apparent in British universities between the wars. There seems to be a growing contempt for profit-making, a growing irritability with the pains of readjustment which a system of free enterprise makes inevitable as, in the course of progress, it continually bursts out of its skin to take a new form. And I begin to ask myself: is it conceivable that the American people, having provided so strong a proof of the virtues of a free economy, are gradually becoming unaware of, or indifferent to, the secrets of their own greatness?

Perhaps I am all wrong about this—I profoundly hope so. It would be tragic if Socialist ideas, like the movements of men, were destined to travel westward.

—PROFESSOR JOHN JEWKES of Oxford
in *Fortune* December, 1951

A SIGNIFICANT and dangerous situation arose in Indiana, where federal authorities tried to browbeat a teacher, who is a strong supporter of the American way of life. They apparently attempted to silence any criticism of socialistic schemes in England; it looks like a clear case of using federal funds to suppress freedom of speech.

Frank W. Hamilton, a teacher in the Indianapolis high school, went to England under the teacher exchange program of the United States Office of Education. He saw the English Government at close range and decided that its "socialism is nothing more than glorified doctored-up communism." But, worse than that, he expressed his opinions clearly and forcibly about the way some things are done in England, speaking of the false notions of America appearing in the British Press and what is taught in British schools about the American position.

Hamilton's report in a local newspaper reached Washington; and an official of the "International Educational Programs" wrote Hamilton telling him that what he had said would "cause unde-

sirable public relations which will deprive excellent teachers in your area of participation in the fine educational opportunities," adding that "this kind of publicity will also deprive the Indianapolis schools of well-qualified foreign teachers who come to the United States on our exchange program." The writer of the letter when interviewed declared, "I acted in the interest of the program, which is bigger than either Hamilton or me"—yes, he said that, bad grammar and all, and this supposedly from an educator!

It is a temptation to go with case after case of this sort of thing. A state trooper, "investigating subversive activities," read a perfectly legitimate, sensible and reasonable criticism of our "social security" and attempted to censor it, telling the writer, "I do not like your attitude." This certainly is a clear attempt to censor correspondence, and in this case the correspondence was of such a nature to which no reasonable person could possibly object, regardless of whether we agree or disagree. It is perhaps a very minor instance of little significance, but it is like the first steps in Nazi Germany and in Russia, where the government censors everything that is written and goes through the mails, and then persecutes its citizens for the stand they take.

We have been altogether too easy-going in permitting these evils, which date back a good many years, even to the beginning of the First World War when, by official proclamation, the President told us that we should be "neutral in mind," to prevent the American people from forming judgment on moral questions. We make a great fuss about liberty and we venerate her statue in New York Harbor, but do we give her true allegiance?

One could go on page after page, or volume after volume, citing similar instances, sometimes of interference with business, sometimes of personal persecution, sometimes of complete disregard for Constitutional safeguards and provisions, thereby threatening the security of every one of us, of our property, and of the American way of life. In the Dollar Line case the court ordered Secretary Sawyer to give the rightful owners possession of the stock of the shipping company, which the Department of Commerce held, but he produced a letter from the President, written after the court had determined that the stock belonged to the company, in which Mr. Truman wrote, "Impairment of the government's title to this stock would seriously affect the public's interest. Accordingly you are directed to continue to hold this stock on behalf of the United States." What can we say of the direct defiance of the judicial branch of the government by the administrative?

The socialist professes to seek public ownership of "the means of production," broadly speaking of all land and all capital but not of wealth, and herein he thinks that he differs from the communist. Unfortunately he also often deludes others into seeing it in the same light. At Vassar College, in a recent controversy between student and teacher, the student spoke of socialism as "the respectable brother of communism," but the teacher commented "This is the worst kind of labeling and false association—socialism is not a brother of communism. Its premises are quite different." It is true that the starting premises are different, but the goal is the same—the end of private property, the destruction of personal self-reliance and freedom, and the bringing of the people into dependence on the state, the universal landlord, the universal employer, the universal capitalist. The result is inevitable; for, as has been said, you can't socialize a cow—capital—without socializing her milk—the product. In this college controversy, we stand definitely with the student.

We sometimes hear it said that we all are socialists to some extent and, in a sense, government must be socialistic. The people act as a body to bind the individual, and many governmental operations are in their very nature socialistic. We all contribute to build roads and lay pavements, free to all, generally with little attempt to allocate cost to users. The postal service is conducted by the government and serves all; and, since it is far from self-supporting, a goodly part of its costs are met not by users of the mail as such but from the general fund supplied by the taxpayers.

Citing such examples as these, the socialist asks why we should not go further. Is it not just a question of degree? If the government supplies sidewalks and roads, why shall it not operate bus-lines and railroads? If it handles the mail, why should it not produce and distribute electricity or own and operate telephone and telegraph companies? Why should it not manufacture many commodities needed by its people and distribute them to all, either through the channels of trade or perhaps gratis, assuring that economic equality which so many socialists seek?

There may be some parallel between socialistic enterprises which we generally accept, such as providing roads, pavements, street lighting, etc., and those which we reject. There are, however, major differences. Often the undertakings which we approve of entrusting to government are of such a nature that it is impossible to allocate costs to individual beneficiaries. The policing of a city, the protection from fire and health hazards, the

disposal of sewage, and countless other undertakings are, in their very nature, socialistic. The police, courts, the armed forces protect us all, and it would be impossible to allocate these costs to each individual beneficiary, for the services are social and collective. This is not true of the distribution of electricity nor of the ordinary commodities of business. In such operations experience shows that it is practicable and proper to charge the individual user for the services, making each person carry his own responsibility. This is far wiser than to pool everything and operate through a general fund.

Of this we are so convinced that we would say without hesitancy that, whenever it is possible for private enterprise to conduct any activity in even a fairly satisfactory way, it is unwise for the government to take it over or to meddle. The reader may dissent, but we believe it is true beyond all argument that nearly always industry and business are far more efficient than any political machine and that private enterprise is more economical and more satisfactory and freer from corruption and fraud than are political undertakings.

The writer is quick to concede that business is sometimes corrupt and that some businessmen are far from being angels, but we are convinced that the standards of honor and integrity are far higher in the business world than in politics. Broken promises, betrayed platforms, and corruption are notorious in political life, but some degree of honor and integrity is essential in business if a man is to succeed.

The intrusion of government into fields now occupied by private enterprise opens up the way and broadens the opportunity to crookedness, corruption and demoralization *of the government*. This we have found again and again through the ages, and the needless extension of the powers of government always means a loss of true liberty.

The trend of socialism is always toward communism, taking from some to give to others in accordance with the principles of Marx, and we see this among the states in our own Union just as we see it among the individuals. It is notably true when the federal government usurps powers and responsibilities which have always been lodged in the states. There is a temptation to apply the Marxist principle to the states, taking from some to give to others. Sometimes the rich states are taxed for the benefit of the poorer ones or states that do not vote "right" are taxed to give benefits to those who support the party in power. Thus a government, once embarked on a socialistic program, drifts

further and further toward communism and becomes more and more firmly entrenched through the patronage and favor which it distributes, and all this brings a denial of the rights of the individual, his rights to property and his rights to freedom.

As an example of the practical workings of socialism, consider the Tennessee Valley Authority, commonly called the TVA. This project has taken us a long way on the road to socialism, and it shows, or would show if the bookkeeping were honest, the disastrous results which always attend socialistic business. The whole scheme is devised, in the opinion of many, to aid in the promotion of socialistic operations by the federal government, with enormous increase of its powers, operations, and political patronage. Under honest bookkeeping, and the proper allocation of interest charges, a claimed annual profit of almost \$20,000,000 resolves itself into a loss of almost five times that sum. Such bookkeeping practices, if followed in private industry, would speedily land the promoters behind the bars, and very properly so; but the government gets away with it and the taxpayers meet the losses.

The total cost of this folly to date has been close to a billion dollars as officially reported, but from this accounting they omit much. The TVA is exempt from practically all taxes. True, they do make some small payments to local governments, in partial compensation for past tax revenue now wiped out, but these amount to only about a fifth of what private enterprise would have to pay.

A recent controversy illustrates still more the tricky accounting and the dishonest arguments advanced in these discussions. The question is, shall the TVA generate the power required by the Atomic Energy Commission or shall it be bought of private electric companies? There is loose talk of a saving of five million dollars a year, but it looks as if this boils down to a difference of about \$300,000 in costs; and, as usual, there is a hitch in it. Apparently no allowance is made for interest on the hundred million dollars of investment of taxpayers' money if the TVA does the job nor is any thought given to the loss of about \$1,500,000 in tax money which would be paid by the private enterprise. It's the same old story of misrepresentation, presumably resorted to by those who seek patronage, jobs and perhaps graft.

Then there is this item of interest: Were private enterprise to tackle this job, interest would be a very heavy burden; but the money for the TVA comes out of the general treasury from the sale of government bonds. It appears simply as public debt and

interest on the investment in the TVA is simply interest on the public debt, with no allocation to the TVA. Were interest charges handled as they would be in private enterprise, it would amount to at least a hundred and fifty million dollars by this time. Apparently the engineering and planning has been done by army engineers, but not charged to the TVA; and this distorts the picture and further falsifies the financial statement. The TVA also enjoys innumerable special advantages, which we would call "graft" in business, such as special government rates on freight, communications, etc., and free postage.

Beside all this, the whole project is built on misrepresentation. The primary *declared* objective of this project was flood control; and the army engineers stated that, without the TVA, close to seven hundred thousand acres of land would probably be flooded about once in every five hundred years. How they reach this figure we don't know, for our memory doesn't go back quite as far as that, and we doubt if physical signs or geology would give an accurate forecast of the future. There is no reason, however, to suspect this as an under-estimate for it was advanced as an argument for the scheme. Well, what has been accomplished?

The TVA, in protecting seven hundred thousand acres, has already flooded permanently nearly five hundred thousand acres, and it has set aside another hundred and twenty-eight thousand acres to be flooded, so this reduces the area protected by the scheme to about seventy-five thousand acres. Considering that such floods appear to be expected only every five hundred years, is it worth the price? Does it pay to flood six hundred and twenty-eight thousand acres *permanently* to prevent floods on less than seven hundred thousand acres every five hundred years? The average yearly flood damage was put at about one and a half million dollars, arbitrarily advanced later, for no very clear reason, by about fifty percent; but the investment allocated to flood control alone is more than a hundred and fifty million dollars, so the interest would be about double the estimated annual damage.

Another object of the enterprise, advanced to give the scheme a semblance of constitutional respectability, was to improve river navigation. To go into details is impossible, but the success of this phase of the work may be judged by the fact that it has been necessary, in order to attract water shipments, to make the rates far below actual cost—and, even at this, it is often cheaper to ship by rail. Apparently if the TVA were to pay all the bills for handling all shipments by rail, the cost would be less than that of navigation improvement.

These were the ostensible purposes of the scheme. They had to be, for they had to find a constitutional justification. But there can be little question that the real objective was to set up an enormous socialistic business of developing and selling electrical energy—something which would serve as a precedent for establishing a vast network of such undertakings covering most of the country; and, as a matter of fact, there are six or more such plants in process. These could easily drive most of the private enterprise in the electrical business entirely out of the game and thus give us a firmly entrenched and far-flung socialistic economy.

These angles of the case—flood control and navigation—having served their purpose as constitutional window-dressing, the tail now wags the dog; and what was hinted at as an incidental thing becomes the major purpose of the undertaking. Now they are spending colossal sums on building steam generator plants, going frankly into the electrical business in direct competition with private enterprise. Multiply what the TVA is doing by six, or perhaps by nine, for there is talk of eight more such schemes, and we shall completely socialize the electrical business.

Of course these schemes get votes. Many of the areas affected sell land at high prices, get jobs and have cheap electricity, paid for by the rest of us who must pay the taxes to cover the deficits. One of the most dangerous aspects of this TVA trickery is that, as proposed by Mr. Roosevelt, it is being held up to us as a "yardstick" by which to judge the rates and efficiency of private companies. Could anything be more questionable than to make such comparisons? Remember that all these figures are incomplete, misleading, and often downright dishonest. Were the TVA bookkeeping honest and consistent with sensible business practice, it might serve as a standard; but beyond all doubt, the comparison would utterly discredit TVA and socialistic operation in general.

We have gone into this at some length for several purposes. Our first purpose was to show the unreliability, or we might even say the dishonesty, of much public accounting; but, like the TVA itself, our secondary purposes have loomed larger and partially eclipsed the first. The whole venture is pure socialism and it offers an excellent factual example of what we can expect when the government does go into business.

It also exemplifies various methods by which such schemes are pushed by socialists and their communist "comrades." Like the camel edging its nose into the tent and then its entire body to the exclusion of its master, schemes like this are slyly introduced on

a small scale, then enlarged, amplified and extended until, by and by, they threaten to drive private enterprise entirely out of the tent. This program of the TVA illustrates methods of the communists and of other kindred cults. Of course such a scheme easily wins support of those who benefit, and what is more natural than that other communities can also see similar benefits for themselves? That is the way it is in politics: each scheme for sectional advantage and favored consideration inevitably begets demands for similar "handouts" in other sections; and thus, little by little, all the people are corrupted and self-government is wrecked.

This insidious, little-by-little process, typical of British Fabian socialism, is often the explanation of the advance of socialism. It is by such methods that socialism is steadily advancing in the United States and bringing with it its even more objectionable brother, communism. Dishonest bookkeeping conceals the true situation, and few will take the trouble to study it and to see the dishonesty, inefficiency, and financial ruin which it brings.

There is no denying that such a scheme as the TVA puts up a wonderful showing, as we know from a personal visit. We read about all that cheap electricity has done for the people of the valley and how they are profiting. It was a backward neighborhood and undoubtedly it has made great strides ahead, but nothing is said about who pays the bills. This we are too stupid to ask; and the beneficiaries of the scheme, egged on by political propaganda, put up a powerful argument for its extension, while the rank and file of taxpayers are too indifferent or too lazy to study the facts and do not realize what is being put over on them. In the end, whether we pay the costs in taxes or in bills for electricity, it will cost us far more than if our needs were met by private enterprise; and dragging this very vital business into politics will mean endless corruption, political patronage, and waste.

Difficult as it is to make comparisons because of the way they keep their books, some comparisons can be made. There are numerous private companies which make far better showing, and which contribute, by taxation, to the expenses of their communities. In several textbooks, intended for school use, we find many statements, some factual and some by implication, but not a word about their bookkeeping, the authors preferring to close their eyes to anything which shows up the weak spots in a "planned economy." They play up the blessings which the TVA has brought, but say nothing about who pays for them; and they

hold it up as a reliable "yardstick" for making comparisons with private industry! Is this fair, especially in a book for students who expect honest guidance and fair-play? The tone of these books is along these lines, and apparently the authors favor the abandonment of our American principles. Democracy appears to be an obsession; and they don't realize, or don't admit, that ours is a republican form of government with every care taken to guard against the pitfalls of democracy. We speak of this because we hope that students using such books will be on their guard.

In attempts to solve housing and slum problems, we have a striking illustration of the progress of socialism in the United States. We are spending, and have spent, literally billions of the taxpayers' money to provide housing for favored groups, and often to supply those pensioners—and pensioners they are—better housing than that which many a self-respecting, self-supporting family enjoys.

To illustrate, consider just what one state, New York, is doing which is typical of many. The cost of forty-two state-aided housing projects, in operation during the year 1955, amounted to 34.1 million dollars, an average just under one hundred dollars a month for each apartment or housing unit. The average income, including rent, was just a shade under forty-two dollars per apartment per month, leaving a deficit of fifty-six dollars and forty-five cents on each apartment each month.

To meet this deficit required a subsidy from the state of over eight millions and from municipalities of over eight hundred thousand, all of which comes of course from taxpayers; and besides this, the tax exemption granted to these public projects amounted to about ten and a half million dollars, which of course had to be met by higher taxes on other properties, which are not tax exempt, and which compete with the tax-free public projects. This all meant that the taxpayers had to raise over six hundred and seventy-seven million dollars to subsidize the homes in which others live, amounting practically to a subsidy of over fifty-six dollars a month paid by the taxpayers as compared to forty-two dollars a month paid by the tenants.

Supposedly this public housing is for families in the low income groups, that is under forty-five hundred dollars a year; which may not strike many of our hard-working, self-supporting people as being so very low at that and certainly not low enough to justify a subsidy of over fifty-seven percent of their rent bill. Furthermore, if the income of a family increased, as it often does,

the rent they pay does not increase; so practically many of our people living in far humbler quarters are taxed to pay more than half of the rent of other families of greater incomes and living in far better homes. That this is true is evidenced by the fact that census surveys show that under thirteen percent of those renting living quarters in New York State pay considerably less in rent for their homes than they pay *through taxes* for subsidizing homes for others.

Such a story shows the gross injustice and folly of the housing program, and revelations at Washington show its unspeakable dishonesty and corruption. To the private operator this unjust and inequitable competition brings disaster and discouragement, and practically subsidized rents in public developments throttle private enterprise. The whole miserable program is typical of what socialism almost always means when Marxist programs are extended to activities which would otherwise be handled by private enterprise.

But perhaps some reader will say that private enterprise does not meet the problem and its failure to provide decent housing for the multitudes is what forces a socialistic public program upon us.

It is true that private enterprise does not meet our needs in this matter of housing, but the reason is clear beyond dispute. We prohibit private enterprise from meeting our needs by a heavy penalty imposed on those who build. Take the tax off houses, and they would spring up like mushrooms; impose the realty tax on land values alone, and old rookeries and fire-traps in the slums will soon be displaced by decent, modern housing. Instead of granting tax exemption to public developments and thus adding to the burdens of the taxpayers, we would not grant tax exemption but would simply impose the entire real estate tax on site values alone. Land speculation would be ended, the inflation of prices deflated, real estate operations rehabilitated and made profitable, the cost of housing greatly reduced, and our cities would begin to thrive.

It may seem that we have wandered from the field of economics in getting into these questions, but this all has a direct bearing upon our economic life and the system under which we live. If we permit the Constitution to be disregarded, as it has been for the past twenty years, we no longer have protection for our rights; and our whole system is in jeopardy, endangering everything. Shall we follow the road which brought the Germany

of Hitler to its end and which has brought Russia where she stands today?

QUESTIONS

Do you believe that education and our school system are better administered by local and state governments or by the federal government?

If the federal government contributes largely to our school system, would it acquire a measure of control over the schools?

Is it desirable that the federal government should control free expression of opinion, as in the Hamilton case?

Should state troopers interfere with criticism of "social security?"

Has the President of the United States moral right to tell us to be "neutral in mind" in moral issues?

Did the interference by the President in the Dollar Line case threaten the separation of the three branches of government?

What would you, as a student, think the rightful place of your teacher in teaching economics and political philosophy? Should he endeavor to lead you to see what he believes to be the truth, using only fair methods and attempting no pressure, or should he toss all the theories and ideas of politics and economics into the pot and leave it to the students to pick out what looks best to them with no guidance?

Was a Vassar teacher justified in condemning a student for speaking of socialism as the respectable brother of communism?

Which do you believe is most efficient in business management, the politician or the business man?

Which would you rather have in control of business, the government or free initiative?

Which do you prefer, free enterprise or socialism?

Do politicians have a higher sense of honor and integrity than business leaders?

Would the control of business by government tend to corruption?

Do you regard the bookkeeping methods of the TVA as honest?

Is interest on the costs of capital investment a part of the costs of operating private business? Should interest on the costs of the TVA be charged against the TVA before we talk about a profit?

Is it honest to secure appropriations for the TVA on the plea of controlling water courses, generating power, and improving navigation and spend the funds for steam-operated power plants, etc.?

Is it good business to flood permanently five hundred thousand acres of land, and to set aside another hundred and twenty-eight thousand acres, to protect seven hundred thousand acres from being flooded every five hundred years?

Was it wise to spend money to "improve river navigation" when shipments are handled far more cheaply by rail than by water even after navigation is improved?

Does the TVA record inspire any great desire to see the government take over all private business?