

Can Socialism Achieve Democracy?

By Michael J. Bernstein

In 1901 Max Hirsch, the eminent Australian Georgist, published a book called "Democracy versus Socialism." Almost 40 years have elapsed since its publication, and yet a re-reading of this book startles one with the impression that Max Hirsch must have written it in 1939. Is he painting a picture of present-day Russia as he describes the functioning of a society based upon planned production, upon complete state ownership and control of all the land, labor and capital? Is he discussing the recent Russian purges as he shows how government officials in a planned economy invariably attribute the failure of production to sabotage? Is he talking about the disappearance of civil liberties and the suppression of the individual in totalitarian states?

No, Max Hirsch has simply predicted the inevitable consequences of transferring all power—cultural, political, and economic—to the state. He has demonstrated logically that there is no guarantee of personal independence so secure as the institution of private property, nothing that so enables the individual to withstand the pressure of the powerful and, in defiance of autocratic or popular condemnation, to create new values for humanity.

Today the issues of socialism and democracy have an immediate significance that they lacked when Hirsch made his theoretical analysis. I am convinced that they represent the fundamental issues of our time. And as Georgists, as the only genuine exponents of the philosophy of freedom, on us devolves the responsibility of demonstrating to a sadly confused world that it has mistaken the socialist promise for the bitter reality, the dream for the harsh awakening.

Mankind, by and large, wants security, peace and freedom. Every social philosophy, every political party, every reform group promises all three as it attempts to enlist the

This address was delivered at the commencement exercises of the Henry George School of Social Science on June 6. "Democracy Versus Socialism" by Max Hirsch, referred to by the author, will be re-published by the School this summer; a syllabus for classroom purposes is also being prepared.

support of the people in its striving for political power. There is no disagreement about the goals. But today, men are wearily tramping the collectivist road in a vain effort to reach these goals. They never do, along that road. But the shouting of demagogues, the screaming of slogans, the loud clangor of irrelevant controversy have drowned out the still, small voice of reason which is trying to tell mankind that it has lost its way; the voice of Henry George pointing out the true path, the voice of Max Hirsch warning against the disastrous course on which mankind seems to be embarking.

The antithesis presented by the title, "Democracy versus Socialism," may be surprising to many otherwise intelligent people who know nothing or very little of the ideas of Henry George. They would ask: "How can you speak of democracy and socialism as contradictory concepts? How can there be fundamental opposition between two ideas which have been so persistently identified for the past century? Have not Socialists always asserted that only their program could breathe life into the dead abstraction of political equality by extending democracy to the economic realm?"

That democracy to be genuine must exist in the economic as well as in the political sphere is a truism found in all theories of social reform. None know it better than do the fol-

lowers of Henry George. But merely to assert it is not enough. What precisely does the term "democracy" mean—and by what methods shall it be attained? These are the questions that must be answered, for they are being asked with increasing persistence among intelligent men and women. These men and women are honest enough to admit that the realities of collectivism, as we see them operative in the world today, bear not even the remotest resemblance to the promises originally made, to the assertions that are trumpeted forth each hour, so confidently, yet so falsely.

The cause of this confusion has its roots in the historical development of modern civilization. Every reform and revolutionary movement since 1830 has been a striving to extend the benefits of political democracy to an ever greater section of mankind. Socialists participating in these movements frequently played a most active role and succeeded in identifying their philosophy with the struggles for democratic rights. There was nothing deliberately sinister about this. Their spokesmen were always careful to point out that without corresponding economic gains for the masses, the democratic reforms attained must remain sterile. But in the popular mind, and in the minds of thousands of intellectuals, Socialists were inseparably linked with the struggle for wider political democracy. And only a few resisted this associational process sufficiently to ask if the economic proposals of socialism would really result in the genuine democracy which the Socialists were promising. We know who these few were—Henry George and Max Hirsch among them. And today, their predictions of many years ago are being confirmed.

In this brief historical sketch, one interesting fact stands out. Up to a few years ago, every important European nation possessed a large and powerful Socialist party. Some of them still exist today. But only in one country did they succeed in



seizing power and imposing a collectivized economy. That was in Czarist Russia. And this was no accident. For only the Russian Bolsheviks realized that to create and maintain a planned society, democracy had to be scrapped, and scrap it they did without scruple. Fascism and Nazism have conquered Germany and Italy, have instituted, as in Russia, a control of the life, labor, and industry of their countries without parallel in history. And they too repudiated democracy.

But the large and powerful Socialist parties of the other world powers have failed because they have insisted upon using democratic methods. They have never realized that the aims of socialism are essentially anti-democratic and can be attained only by using the appropriately dictatorial weapons. In other words, Socialist parties, save in Russia, have been doomed to failure because they have refused to accept the basic contradiction between socialism and democracy, because they have thought it possible to achieve and retain both.

Today everyone clamors for democracy—the Nazis, the Fascists, the Communists, the gradual collectivists. The word has become a fetish empty of all significance. To the Fascists it means that the subconscious wishes of the people have found mystical expression in the words and actions of the leader. The Communists, repudiating the leader principle in theory, though accepting it in fact, assert that Russia has the highest form of democracy because each individual is compelled to work in accordance with the decrees of the state. And the gradual collectivists maintain that if only we could elect or appoint an incorruptible officialdom we could safely leave the organization of economic life to them. Thirty-eight years ago Max Hirsch foresaw all this, and we have reason to be proud of an economic analysis that enabled him to prophesy with such unerring accuracy.

Genuine democracy is not merely a form of government; it must pervade every corner, every aspect of the life of a society. And its essential principle must operate identically in all fields, the economic as well

as the political. What is this basic, unitary principle? Let me attempt a tentative definition: "A community is a genuine democracy only when each responsible adult member of the community exercises an influence and receives a return exactly equal to the contribution his labor and capital have made to the community."

This definition, I believe, gives an accurate picture of the functioning of a free economy in an ideal Georgist society, for its logic is the unshakeable logic of the social implications contained in "Progress and Poverty." Henry George asserted, bluntly and without qualification, that we must make land common property. The implications for democracy of this simple yet fundamental remedy for the ills that have always plagued the world bear analysis.

In a community where land is common property, ideally speaking, the government has only two functions—to collect the economic rent and to give it back to its citizens either through an equal division among them or through the social services that they deem desirable. Each citizen has one vote because that one vote represents the equal share of each in the land, the common property of all. In other words, political activity consists solely in deciding what to do with the economic rent. It is a process in which the influence exercised by each individual and the returns received by him must be mathematically equivalent, because the contribution made by each is equal. So we see that in the political sphere, a free economy requires, as a matter of justice, equality in the exercise of the franchise. And thus far our definition of democracy has been satisfied in every particular.

Now we turn to the field of economic life. In a Georgist society, again ideally speaking, individuals functioning in complete freedom voluntarily initiate those activities

which each one feels will most effectively gratify his desires without interfering with the activity of the other members of the community. Based on an expanding division of labor due to technical advances, such a society must engage in closer cooperation and more rapid exchanges. And the result will be differing rewards for the exertions of each individual, although the enormous discrepancies which arise from unearned incomes will have disappeared completely. The strict arithmetical equality which we found to be essential in the political sphere does not and cannot exist in the economic.

For the genuinely free market is a true democracy too, or more accurately we might call it a consumers' democracy. By a consumers' democracy we mean that the power to dispose of his skill or of his capital which belongs to the laborer or to the capitalist, can only be acquired by means of the consumers' ballot held daily in the market-place. Every customer who buys an automobile rather than an airplane, every patient who prefers Dr. A. to Dr. B., every investor who prefers the stock of corporation X to the stock of Corporation Y, in fact, every child who chooses one toy and not another, puts his voting paper in the ballot box, which eventually decides who shall be elected the leaders in industry, commerce, and the professions. It is true of course that there is no equality of vote in this democracy; some have plural votes. But the greater voting power which the disposal of a greater income implies, can itself only be acquired and maintained by the test of election.

That the demands of those with larger incomes exercise a greater influence in directing the course of production is in itself an "election result," since in a free economy wealth can be acquired and maintained only by meeting the requirements of consumers. Thus the greater wealth of skilled workers, of enterprising producers, of successful business men, would always be the result of a consumers' plebiscite, and once acquired could be retained only so long as it was employed in a way regarded by consumers as most beneficial to them.



And so we see, as a result of our analysis of the functioning of the free market in a free economy, that the essence of a genuine democracy is in the definition we have already given. "Each member of the community exercises an influence and receives a return exactly equal to the contribution he has made." And that simply is the philosophy of Henry George: equality in the administration of the common property, and to each individual the full product of his labor and his capital.

For the Socialists, genuine democracy has meant only the achievement of what they call economic security. But nowhere have they demonstrated precisely the methods by which democracy and security are to be attained. Planning is their solution, and it has become the grand panacea of our age. But unfortunately its meaning is highly ambiguous. In popular discussion it stands for almost any policy which it is wished to present as desirable. Indeed there can be no doubt that it is this very ambiguity which lends it attractive force. Men do not cherish vague emotions about precise concepts. When the average citizen, be he Nazi, Communist, Socialist or what is vaguely called "progressive," warms to the statement that "what the world needs is planning," what he really feels is that the world needs what is satisfactory. It is in fact almost certain that the more of a plan he is confronted with, the less enthusiastic will be his response, the less likely his agreement with the other members of the crowd.

On one thing all planners agree: "planning" requires the destruction of the market. To destroy the market, however, instead of freeing it and widening it, is to destroy the only mechanism by which it is possible to determine, impersonally and justly, the value of the contribution

each individual has made to satisfying the desires of the members of the community. No system of distribution is possible under socialism which does not necessitate the arbitrary, and therefore corruptive interference of government officials. And certain inevitable consequences flow from such an exercise of authority. We see them operating today in Russia, Germany, and Italy. These consequences are inherent in, and not accidental to, any society which, based on the division of labor, destroys the free market, the only objective means of distribution.

A recent personal experience brought home to me most vividly this contrast between state regulation and free enterprise. I am employed in the Department of Welfare of New York City. Several weeks ago I was summoned to a conference at which supervisory officials were discussing a new policy on relief administration which was shortly to be instituted. What struck me most forcibly was that the entire discussion took place without the slightest consideration for the wishes or desires of those to whom the policy was to be applied. The officials were normal, decent people, but their decisions had to be bureaucratic. For bureaucracy consists simply in treating people as objects—in giving them no voice in determining the policies to which they are asked to submit.

Contrast this with any similar meeting held by the executive staff of a business firm in a competitive industry. They wish to sell more of their product, and so they are concerned primarily with pleasing their customers. The latter's wishes and desires are the controlling factors, and that firm is most prosperous which best succeeds in anticipating consumer demand. I know that frequently there is much of fraud, chicanery and unfair practice. But even

these are resorted to for the purpose of securing, even though dishonestly, the good-will of the buying public. And the competition in the free market of a Georgist economy would weed out those whose performance did not coincide with their promises.

Socialists may not intend it, most of them would sincerely and fervently deny it, but their program leads inevitably to a condition in which freedom of choice is destroyed: freedom to labor, freedom to consume, and ultimately, freedom to think, speak, and act. With the destruction of freedom there is destroyed the possibility of any ethical standard. For the disappearance of freedom means the annihilation of responsibility. Men who are not free cannot be described as good or bad.

Today the peoples of the world are badly frightened. They seek to avoid responsibility—to surrender the very attribute which makes them human beings. In Freudian terminology they wish to return to the darkness, the warmth, the safety, yes, the complete irresponsibility of the prenatal state. On every hand we see manifestations of this tendency—in our art, our music, and our literature as well as in our politics and economics. Men have adopted the cult of irrationality and strive for unnatural Utopias. Wishful thinking has driven out thought.

Yes, mankind has lost its way. We Georgists have a tremendous task and a profound responsibility. Perhaps the obstacles seem insurmountable; perhaps civilization itself will disappear in the bloody welter of an unimaginably destructive war. But we cannot shirk the task, difficult as it is. We must persuade the world, through the power of reason, that progress, democracy and freedom are identical conditions, which can be attained through the Law of Human Progress, Association in Equality.

