

Socialism — Welfare State — Keynesianism

by STEVEN B. CORD

BEFORE evaluating the three terms mentioned in the title, we ought to be sure to define them carefully.

Take socialism. Its dictionary definition is "the government ownership or regulation of the means of production." As thus defined, is socialism good or bad? Well, for the most part it's bad, of course, because it would stifle freedom of enterprise and lead to gross inefficiency and probably also to dictatorship. There is not one example in the world of a socialist democracy, nor has there ever been, nor is there likely to be.

But some means of production ought to be government owned or regulated, namely the transportation, communication, utility and finance industries. George referred to them as natural monopolies, because competition is not possible in them. Where competition can't regulate the price, the government has to. Generally in this country, private ownership has been allowed in these industries—that is—subject to government regulation, but there are important exceptions, notably the post office and highways. If government ownership in these two areas is socialism, then we can join George in supporting government ownership in these two endeavors. George himself preferred government ownership to regulation of natural monopolies, but in any case one or the other is needed. I favor government regulation, but there is the danger that regulatory agencies will come under the control of the industry they are supposed to regulate. The issues are often obscure to the general public, and the agencies' personnel often come from and go back to the regulated industry, thus they are apt to have the industry's points of view rather than the consumers'.

Since George's time, a new phenom-

enon has become apparent: oligopoly, or the control of an industry by a few producers. These few producers can tacitly agree to limit price competition and "administer prices." If they do such a thing explicitly they are guilty of monopoly practice. In either case the government must protect the consumer's interest for the consumer cannot.

The danger of oligopoly has often been exaggerated by some economists, for the oligopolistic industries (autos, steel, oil, glass, etc.) generally pay the best salaries, do the most research and are the most efficient. Excessive government regulation of oligopolies can become undesirable socialism.

If socialism were defined as "government ownership or regulation of those means of production where competition is possible," then we could reject it outright.

What about the welfare state? This involves government expenditures for health, education and welfare—expenditures necessary to provide equality of opportunity. As George pointed out, an uneducated adolescent about to begin adulthood is hardly on an equal competitive basis with his more fortunate peers; hence the need for free compulsory public education. If hospitals were put on a self-paying basis many sick people would die for lack of money, or be so sick that their equality of opportunity would be meaningless. And people whose savings have been wiped out by circumstances beyond their control—by automation, depressions, war, social injustice, unforeseeable natural disaster—have also been denied equal opportunity and are entitled to social help.

Of course this social help can easily be overdone, so that money is taken from some and given to others without regard to the principle of equal oppor-

tunity. It is not easy to determine where this principle stops and income transference (legalized robbery) begins. Naturally the revenue for health, education and welfare expenditures should be derived from a tax on land values.

Keynesian monetary management is not necessarily anti-Georgist. An unexpected psychological shock can suddenly diminish the desire to extend credit and thus rapidly diminish the money supply, effective demand will then fall more sharply than prices, leaving many goods unsold and thus precipitating a depression. The remedy is obviously to shore up the money supply to ward off a depression or to reduce it when inflation is the problem. What's un-Georgist about that?

Why can't one be a Georgist and a Keynesian at the same time? Perhaps George was, for when he happened to visit Johnstown, Pennsylvania in 1893, a year in which a severe constriction of the currency had taken place, he was told by the president of a rail manufacturing concern there that he could

get plenty of orders for rails, he could get no money in payment. George suggested that the bonds of the street railroad companies ordering rails should be taken in payment of orders, and that certificates to be used as money be issued against them. This was done, and the employees and townspeople were prevailed upon to accept these certificates in lieu of money. The company prospered during that period and unemployment was avoided; eventually the certificates were drawn in and redeemed. "Mr. George regarded this as an illustration of what the United States Government could do to clear up the currency difficulties—issue from its own treasury a paper currency, based upon its credit and interchangeable with its bonds." (*The Life of Henry George*, page 558). Presumably, he would have had the government issue more currency and bonds when a depression threatened, and decrease the money supply during the following prosperity period when inflation became the main economic danger.

Wasn't George anticipating Keynes?

Beautification Drive

On a recent TV program heard in Tampa, Florida, an assessor and reappraisal consultant admitted that a house which is allowed to deteriorate will get a tax reduction, but not the similar house next door which is kept in good shape. On the other hand, a homeowner or landlord who makes substantial improvements can expect a higher tax bill. That's the law as most assessors interpret it.

The station WTVT went on record with this statement: Florida may not want to go all the way and put all property taxes on the land rather than improvements, as Henry George suggested in the last century. But they might want to give assessors a little more leeway in giving appearance-

minded property owners a better break. One important effect might be to reverse the situation in which slum landlords are actually encouraged to let their apartments run down because of the tax break.

However, the officials interviewed emphasized that though the law requires them to take the basic condition of property into consideration in setting a tax value, this does not include landscaping, painting and other routine maintenance and housekeeping. Therefore the surface beauty of the property will not affect Tampa tax bills one way or another. All viewers were urged to join the big beautification drive, even if it meant only keeping the yards neat and tidy.