

Socialism Has Failed. Period.

by [David R. Henderson](#)

Wednesday, August 7, 2019

Two free-market economists, Robert Lawson of Southern Methodist University and Benjamin Powell of Texas Tech University, have pulled off a marvelous stunt. Their just-published book, *Socialism Sucks*, is a humorous travelogue about their experiences in various socialist and allegedly socialist countries in the last few years. The book, subtitled “Two Economists Drink Their Way Through the Unfree World,” is the best in this genre since fellow drinker P.J. O’Rourke’s 1998 book, *Eat the Rich*. The humor is not quite as good as O’Rourke’s—how could it be?—but the economic insights are better. (Disclosure: I informally mentored Powell when he was an assistant professor 15 years ago.)

Why this book and why now? The reason, the authors note, is that so many people today, especially young people, say they favor socialism. It’s important, therefore, to point out what real socialism is—government ownership of the means of production—and what its effects are: at best, economic stagnation, and at worst, widespread starvation with millions of accompanying deaths. They point out that in 2017 the *New York Times* did a series on socialism with “little focus on the intentional mass killings carried out by socialist regimes.” That’s like a series on Nazi Germany with only tangential reference to the Holocaust.

In their introduction, titled “Not Socialism: Sweden,” Lawson and Powell tell us why Sweden is not close to being a socialist country but, rather, has a heavy dose of free markets along with a highly developed, i.e., expensive, welfare state. And, sure enough, their “beer measure” of economic freedom fits the Swedish case nicely. The beer is good and there’s lots of variety: that’s the free market at work. But the beer is expensive due to high taxes: that’s the effect of the welfare state.

The titles of their remaining seven chapters pithily sum up what they found in their travels: the chapters are “Starving Socialism: Venezuela,” “Subsistence Socialism: Cuba,” “Dark Socialism: North Korea,” “Fake Socialism: China,” “Hungover Socialism: Russia & Ukraine,” “New Capitalism: Georgia,” and “Conclusion: Back in the USSA.”

Each chapter, besides being funny, is informative. Consider the one on Sweden. Swedish reformers freed the economy in the last half of the 19th century and good results followed. Between 1850 and 1950, incomes increased eightfold, while life expectancy rose by 28 years and infant mortality fell from 15 to two percent. Sweden’s huge government spending as a percentage of GDP is relatively recent: in 1950, the authors note, Sweden’s taxes were 19 percent of GDP, which was below the percentage for the United States. Sweden’s explosive

growth in government spending occurred between 1960 and 1980, when it rose from 31 percent of GDP to a whopping 60 percent. The result: Sweden went from being the fourth-richest country in the OECD in 1970 to a mediocre 14th.

The first country they traveled to that appears actually to be socialist is Venezuela. Well, almost traveled to. Because of their concern about safety, they went to the Colombian side of a bridge to Venezuela and interviewed lots of people coming and going, only once tiptoeing onto the Venezuelan side of the bridge.

Is Venezuela socialist? Earlier in this decade, American advocates of socialism had little doubt that it was and, moreover, that its economy was thriving. They quote Bernie Sanders's 2011 comment that "the American dream was more apt to be realized" in Venezuela than in the United States. And a 2013 article in *Salon* claimed that Venezuela's president Hugo Chavez "had racked up an economic record that a legacy-obsessed American president could only dream of achieving."

Lawson and Powell fall short of documenting that Venezuela's economy is socialist but they clearly establish that the Venezuela government's price controls, badly run socialist oil sector, and government attacks on private property have left the economy in rubble. Their stories of people driving and walking miles to cross the bridge into Colombia to buy basic food items are heartbreaking. Widespread shortages of food have taken their toll. The authors report a finding by some Venezuelan universities that in 2016, three-quarters of Venezuelans had lost an average of 19 pounds!

They also point out one other consequence of heavy government control: diminished political freedom. In his 1962 classic, *Capitalism and Freedom*, Milton Friedman had argued that without a relatively free market, political freedom cannot last. Those who want to oppose a strong central government need to be independent of that government. Venezuela is the latest proof of that point. During the 2018 presidential election, they write, "Many voters went directly from the voting booth to nearby 'Red Spots,' where the government checked their IDs and handed out food rations—essentially a bribe for voting." For those who think that replacing Nicolas Maduro with Juan Guaido will be a silver bullet, the authors note a dismal fact: Guaido's party is a member of the Socialist International.

In Cuba, Lawson and Powell noted a strong difference between the government-run sector—yes, Cuba really is socialist—and the small but sometimes thriving private sector. The government-run sector sucked—to use the authors' disparaging verb of choice—while the for-profit private sector was not that bad. The first night they stayed in a government-run hotel for which they had prepaid using a British middleman. Why that circuitous route? Because the U.S. government refuses to allow American companies to do business with Cuba.

One little problem: the hotel couldn't find the record of payment, so the authors had to pay again with cash and got one room with two beds. Powell writes:

"Two *cervezas* didn't give me beer goggles strong enough to overlook the shoddiness of the hotel. Three out of the four elevators were out of service, and we waited what seemed like forever before we decided to hoof it up the five flights of stairs with our bags. We found our room down the dark hallway, and Bob needed both the key and his shoulder to open the door."

Even worse, the bathroom had a missing ceiling panel and there was mold everywhere. Moreover, as they learned the next morning, "running water was not guaranteed."

By contrast, when they stayed in a privately owned building in Havana and paid three dollars less per night, they got a two-bedroom apartment with a clean bathroom that had toilet paper and reliable hot water. They note the reason: the owners had an incentive to produce quality whereas the employees of the government-run hotel did not.

The socialists in the Soviet Union, Communist China, and National Socialist Germany, they note, had the worst democides of the 20th century: "planners simply decided to eliminate whole populations they thought interfered with their plans." The democides, they write, "were justified in the name of making a 'new socialist man,' a perfect worker who would outperform his exploited capitalist counterpart, but that guy never showed up." Instead, socialist workers underperform because they're not rewarded for their performance.

One element they ran into in Cuba, and which seems to exist everywhere, was attractive young women engaged in the oldest profession. Did they partake? In my favorite humorous passage, they write:

"For the record, Bob and I both married our high school sweethearts, and while we may drink a lot while traveling, we are not looking for sex. The risks of disease and divorce are too high a price to pay for a quick lay. (And because we know our wives will read this, it is also very, very wrong.)"

The other socialist country they dared not enter, for the obvious reason—self-preservation—was North Korea. Instead, they looked at North Korea across the Yalu river from Dandong, a city in China. The reason for the double-entendre of the chapter title, "Dark Socialism: North Korea," is presumably that not only is it a hellhole in which millions of people have starved but also that it's literally dark at night. They write:

"Nighttime satellite images reveal South Korea lit up like a Christmas tree, with a

massive star of light emanating from Seoul, and lesser filaments of light flowing all across the country. Except for a small dot of light in Pyongyang and narrow stretches of light spilling across the Yalu River in China, the North is dark. Nowhere on earth is the contrast between socialism and capitalism as black and white—or, in this case, black and light—as it is here."

The comparison between North and South Korea is, plainly, night and day. The CIA estimates North Korea's average income at \$1,700, compared to South Korea's \$37,000. Remember that both countries were in horrible shape after the 1953 Korean War armistice. With the same history, language, and culture before then, the difference has to be that one is Communist and the other guarantees private property and a fair amount of economic freedom.

They refer to the Chinese economy as "fake socialism." The Communist Party runs the government but allows a great deal of private property and economic freedom. And the results show. Powell writes about Shanghai: "There were far more thirty-story buildings than I could count. Even limiting myself to the forty- or fifty-story buildings would have been dizzying, especially after I'd consumed a few of the café's beers." The authors point out that the number of Chinese people in what economists call "absolute poverty" fell by 750 million between 1981 and 2011. Although Lawson and Powell were much safer in Beijing than they would have been in Pyongyang, they were lucky to escape unscathed. The day after they spoke about Austrian economics and novelist Ayn Rand's philosophy at a free-market think tank called Unirule, the Chinese government blockaded Unirule's building and prevented its founder from leaving his home.

In "Hungover Socialism: Ukraine and Russia," the authors lay out what's wrong with Communism, not just in how it "works" but also in its theoretical structure. The underpinning of the Marxist system was the labor theory of value, according to which the value of a good or service depends on the amount of labor used to produce it. The authors give a refreshing counterexample to any cost-based theory of value: growing an orange in a greenhouse in Alaska might cost six times as much as growing one in Florida, but consumers would not value Alaskan oranges more than Florida oranges. Looking at a fourteen-foot-tall statue of Marx in Moscow, Lawson said to Powell, "I bet there's never been a guy who has been so wrong about every major thing he wrote about and who still has as many followers as Marx." Powell argues cogently that there was only one great Marx: Groucho.

Understandably there's less humor in this chapter than in most of the others. The reason: mass murder. They detail the grim statistics from the late Hoover scholar Robert Conquest and others about the more than ten million people killed by Lenin and Stalin. They also reflect on the enormous damage done in the 1930s by *New York Times* reporter Walter Duranty who

was effectively a propagandist for Stalin. Duranty, in his acceptance speech upon winning the 1932 Pulitzer Prize, stated, “I still believe they [the Bolsheviks] are doing the best for the Russian masses and I believe in Bolshevism—for Russia.”

The *New York Times* has not done much better recently. One column it published in its 2017 [Red Century Series](#) was titled “Why Women Had Better Sex Under Socialism.” Lawson and Powell note that Francine du Plessix Gray’s book *Soviet Women: Walking the Tightrope*, based on hundreds of interviews of Soviet women in the late 1980s, reports much evidence to the contrary. One statistic: because birth control was so bad—condoms were low quality and in short supply—Soviet women had five to eight abortions for each birth. I challenge you to read about the Soviet abortion factories and conclude that Communism led to better sex.

The one bright spot in their tour, other than Sweden, was the former Soviet republic of Georgia. That’s why they refer to Georgia as “New Capitalism.” Lawson has visited Georgia at least 15 times since 2005, and he met early with the minister of economic reforms, Kakha Bendukidze. Between 2004 and 2006, writes Lawson, Bendukidze implemented numerous free-market reforms, reducing the government’s size, deregulating, and privatizing businesses. One statistic: he cut the number of employees in the Ministry of Agriculture from 4,374 to 600. He also implemented a flat-rate income tax, which replaced the “progressive” tax that the International Monetary Fund had helped design. While Georgia is still poor, writes Lawson, he attributes that to decades of Communism and then, following the Soviet Union’s collapse, over 12 years of socialism. Lawson is bullish on Georgia and he’s probably right.

In their concluding chapter, “Back in the USSA,” they report on a July 2018 socialist conference they attended in Chicago. They found that the leading hardcore socialists were engaged in a gigantic bait and switch: attracting young people with their views on issues like abortion, the environment, and immigration, not with socialist ideas per se. How did the speakers deal with the horrible facts about North Korea and Venezuela? One speaker blamed North Korea’s poverty on natural disasters, the end of Soviet aid, and U.S. economic sanctions. All have contributed to North Korean poverty, of course, but notably missing from his list of causes was the main one: socialism. And the socialist speaker on Venezuela, after correctly detailing the mess in that country, blamed it on—are you ready—Chavez’s and Maduro’s “state capitalism.” Gee. I’d never thought of that.

But rest assured that socialism, wherever it is practiced, does indeed suck.