Is Socialism

Socialism, in various shapes and sizes, is repeatedly put forth as a solution to our economic woes. While the abuses of big business and "free enterprise" are well known, the specific strengths and weaknesses of public, nationalized, or government-run businesses need to be examined more closely. Many of our economic problems are inherent in any economic enterprise—public or private, and a concept as broad as socialism is unlikely to solve such problems.

Public ownership of businesses can offer several advantages, including lower capital costs, greater public control of policies, less incentive to externalize costs and to ignore external social benefits, and some potential freedom from traditional ideologies concerning profit vs. viability.

Like private business, public enterprise has its own particular pitfalls. Without the downward pressure on costs that exists in a competitive industry, public ownership generally lacks any effective mechanism to remain reasonbly efficient. Organizational bureaucracies have an ever-present tendency to expand, and public bureaucracies have demonstrated difficulty of discharging incompetent or lazy civil servants. In addition, there may be political pressures to retain obsolete local plants or retain unprofitable services that considerably overreach any potential social benefit. A public enterprise can be unwisely pressured to take in workers to relieve unemployment or as political patronage. And without competition, there is little incentive to seek improvements or means to evaluate effectiveness.

There is little to show from the history of nationalization and public ownership in Europe that either private or public enterprise consistently provide greater efficiency or social benefit. As Clair Wilcox states in *Public Policies Toward Business*, "Observers of the performance of the nationalized industries in Britain, for instance, are inclined to agree that gas, electricity, and road haulage have been well run and that railroads and coal mines have not. But this judgement would doubtless be passed on the performance of the same industries, under private enterprise, in the U.S."

In the Soviet-dominated Communist countries of Europe, an uncritical belief in the correlation between size and efficiency has overshadowed other factors and resulted in severely damaged economic performance and ineffective use of labor, capital, and transportation facilities. Although their larger production units are equipped with the newest and best machinery and have the best managers, several analyses have shown average unit costs increasing with the size of the plant. While industrialization was probably achieved more rapidly under state ownership, the centralization of control, rigid hierarchical structures, and excessive scale of factories have proved incapable of meeting the problem of intensive growth. Production planning is too inflexible to respond to the desires of individual consumers, and workers seem to have little interest in productivity or reduction of materials costs.

The result of U.S. experience with public enterprise is equally varied. The privately owned, publically "regulated" telephone monopoly is technologically competent, well-operated, but often accused of numer-juggling to hide excess profits. The U.S. Post Office became a national disaster in terms of service and costs. American private enterprise passenger rail service is almost extinct, and a failure when compared to the excellent and improving rail service of other countries.

On the other hand, municipal ownership of public utilities has been somewhat more successful than private utilities. Even accounting for the lower costs to public utilities of tax-free bonds and lower taxes, municipal power costs the public 18 percent less than private power. Eliminating stockholder dividends alone saves 11 percent of every dollar paid to private utilities. In addition, public systems spend less on public relations, political donations, executive salaries, and internal bureaucracy. Yet public power has proven scarcely more open to public participation in issues of nuclear power, conservation vs. generation, and other policy issues.

Economically and technically, both private and public enterprise have records of failure and success. The technical requirements of some industries favor oligopoly or monopoly, with inherent problems for the public whether privately or publicly operated. In other areas, public and private operations compete or coexist successfully, each with somewhat different costs and benefits. The failure of public enterprise to attain higher

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The Answer?

by Tom Bender

standards of social benefit seems tied more to the overwhelming strength of our materialistic attitudes and lack of any sense of what "socially responsible" management would mean than to lack of potential.

In theory, the social benefits of public enterprises should outweigh their "economic" handicaps, but in practice, this has rarely occurred. In consumer oriented industries, public enterprises appear a failure. They have found a successful role in utilities and in credit unions, co-ops and municipal services. Here they have operated within a market economy to provide enough countervailing power to compete successfully with corporate giants to curb major abuses of power by the corporate marketplace.

Viewed pragmatically, public ownership or operation can probably be used as a response to specific situations where private enterprise, under fair game rules, has failed in its obligations and responsibilities. The same view should be taken toward allowing private competition into poorly functioning public enterprises. We need to keep healthy alternatives existing alongside each other as yardsticks to measure performance, to set up structures that encourage public intervention, and allow a shift back and forth between various public and private structures as the need arises.

Experience suggests also that co-existence or competition (under equitable rules) between private and public enterprises can be a desirable state of affairs. Public and private utilities, banking, health services, insurance, retirement plans, and broadcasting already co-exist healthfully. A pluralistic economy may offer us greater freedom for innovation, experimentation, and continued viability than one based on either private or public enterprise.

There is also a fundamental difference between different forms of capitalism and socialism. There is a difference between "making a killing" and "making a living," between the power and damage potential of large and small institutions, and between small ones that want to be big and small ones that want to be small. The small business sector of our economy is the source of most new ideas, products, and jobs. It contains the most efficient and responsive production units, competitive prices, and offers people more control over their work. The same is true of worker-owned businesses compared to nationalized big ones.

With small businesses, the positive features of a market economy are gained, while they largely avoid the negative features associated with size and power, monopoly, and valuing capital accumulation over service performed. A small-business/fair-market economy—with any mix of private and public ownership—can probably provide a more sound basis for our society than either Big Capitalism or Big Socialism.

In both our economy and ones where public enterprise is more common, the greatest problems seem to be caused by scale and values—by the domination of the market or planning by the power of a few large production units, by prices uncontrolled by competitive forces, by placing financial gain before human gain. Similarly, they are caused by unresponsiveness to the needs, resources, and desires of different people, communities, and regions. Big Business has stacked the cards against the small business person so greatly by control of the legal, financial, and political rules of our economy, that small businesses appear far less viable than they are in real economic or social terms. Restructuring these rules from a sound value base gives a greater opportunity to solve our economic problems than any sweeping change from private to public enterprise.

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The similarities between capitalistic and socialistic societies are much more significiant than the differences upon which we focus so much attention. Definitions of socialism and capitalism overlap like crazy-quilts. They blend into each other in untold variations in practice. They grow from similar materialistic roots, operate so similarly in scale, values, bureaucratization, and in placing dollars before social and human development, that their effects are frequently indistinguishable. We need to look beyond the materialism basic to both systems for a sound basis for society—either can be a workable operating mechanism if built on sound values and restructured to serve those values. □□

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