



Democracy or Socialism

The Fateful Question for
America in 2024

Sven R. Larson

palgrave
macmillan

Democracy or Socialism

Sven R. Larson

Democracy or Socialism

The Fateful Question for America in 2024

palgrave
macmillan

Sven R. Larson
Cheyenne, WY, USA

ISBN 978-3-030-65642-3 ISBN 978-3-030-65643-0 (eBook)
<https://doi.org/10.1007/978-3-030-65643-0>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer
Nature Switzerland AG 2021

This work is subject to copyright. All rights are solely and exclusively licensed by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Palgrave Macmillan imprint is published by the registered company Springer Nature Switzerland AG

The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

*To my grandfather Karl R.,
whose kind heart, unrelenting work ethic and dedication to family
taught us all how to be men and good stewards of freedom*

PREFACE

The relationship between the individual and the state has been the subject of theological and philosophical thought almost since time immemorial. It slowly gained momentum in the last millennium and was thrust to the forefront of political and ideological debates in the past three centuries.

With the French and American revolutions, the relationship morphed into one between the individual and the state. As it did, political thought and theory on the rights, duties and living conditions of the individual citizen sprawled and came to define political, economic, even constitutional matters. This rich intellectual environment has only grown more active with time, making the twenty-first century an exciting place to be in history for any student of the human condition.

Ever since her founding, the United States of America has been home to one of the most active public discourses on political ideas. Our time is no different: like few other countries, America is home to every ideology constructed by man. Thriving under the First Amendment and with the support of a rich body of think tanks, activist groups and individual voices, the American political scene produces more, and more diverse, ideas on how to shape society than any other in the world.

With a conversation on politics and political thought as vibrant as this, our country is in a good position for the future. The tense and sometimes upsetting circumstances of the 2020 election campaign notwithstanding, the deeper, more defining issues of our time will not go unanswered. The defining question is, rather, what course our country will take.

This book is written with that longer perspective in mind. It is not meant as an entry into the daily, even short-term conversation over politics. Focus is instead on the issues that set a goal post on the horizon. It is essential for our country to place more emphasis on this conversation; issues that circulate in daily politics are often symptoms of dividing lines and undercurrents at the ideological level.

At the same time as ideologies make themselves known in the current news cycle they are also often treated with casual indifference. Instead of tapping into the solidly informed literature on socialism, liberalism and conservatism, political debates often tend in the opposite direction. Ideologies are treated more as labels than wells of knowledge and analysis.

One of the first casualties of a stepmotherly approach to ideologies is the future of our country. Just as legislation in the 1930s continue to affect life and business in our time, political and policy choices made today will have influence on the rest of this century. Therefore, it is of utmost importance that those of us who wish to have a say in shaping the future of our country inform ourselves to a level where the hands of the future are on the grinds of the present.

There is no more substantive way to contextualize the present than to place an ideological spotlight on it. It matters what the ideology is, but the first step is always to open the conversation about ideas, ideals and ideologies. It is within the course of that conversation that we shape our vision of what a country can and should be in the future.

I have chosen to focus this book on socialism. Being a libertarian myself, I have not made this choice out of disrespect for an ideology I oppose. On the contrary, while flawed in its policy practice, socialism is highly respectable from an intellectual perspective. It is perhaps the most elaborate, the scholarly richest and the most deeply researched of all ideologies. Its proponents are often of formidable minds; no brief list of examples can be even remotely complete, but the wealth of bright socialist thinkers reaches from Karl Marx, Rosa Luxemburg and John Rawls to Gunnar Myrdal, Alexander Dubček and John Kenneth Galbraith.

These are among many highly intelligent, well versed and exceptionally analytical minds who have made socialism into the ideology it is today. Their work reaches from the most abstract theoretical levels, where Marx, Luxemburg and Rawls dwelled, to systemic policy reforms by Myrdal, Dubček and Galbraith. Far too many, perhaps even most opponents to socialism disregard the formidability of these contributions, perilously

choosing to under-estimate both the ideology itself and its far-reaching influence on current policy making.

It was, in fact, out of frustration with the intellectual indolence of libertarian and conservative thinkers that I planted the first seeds of this book. Those who claim to be fighting socialism are often sorely inept in their endeavor. My hope to make a contribution for the purposes of educating the right side of the ideological aisle evolved and became a deeper inquiry into socialism itself, and its tentative role in defining America's future.

Focus of the book is on the ideology itself; it is there that the American discourse is most notably in need of added value. A better understanding of socialism *qua* ideology—not practical policy—can lead to a more informed debate over current legislation. In order to chart a course from the roots of socialism forward, I selected to approach the ideology from the perspective of political economy. This does not turn the current thesis into an economic-theory exercise, although there is a brief encounter with it for purposes that will be apparent; rather, the idea is to distill the core of socialist political theory to a point where it can inform the most pivotal issues of our time, namely those that affect the ability of coming generations to provide for themselves and differentiate poverty from prosperity.

A book of this kind has to be selective in other ways than its approach to the subject itself. One of the more contentious aspects is the use of terminology; to dispel at least some controversies the book spends a fair amount of time explaining key terms. In addition to reliance on theory and literature to define those terms, the book also uses some simple yet efficient practices for the terminology discussion, practices that may always not be familiar or apparent. One such technique is to place a term within quotation marks for definitional purposes. Used disparagingly in other contexts, it is done here solely to highlight that the current discussion is about the term itself, not the phenomenon it represents.

To this point, the book gives a detailed account of “socialism” and “communism” and the dividing line between them. The purpose is primarily to inform those who are unfamiliar with socialism, or who claim to be opposed to it, of what socialism actually is. As a first step in that direction, one must draw a demarcation line between the socialist and the communist lines of political theory.

An essential tool for this distinction is to confront them both with democracy as a form of government (hence the title of the book). As a means to placing socialism in an applicable setting, the book also ties it

to specific places in time and space: the uprising against communism in Czechoslovakia in 1968, Aleksandr Solzhenitsyn's account of oppression under the Soviet regime, the human-rights movement again in Czechoslovakia in the late 1970s, and the European political landscape as well as the Swedish welfare state as they stood in the late twentieth century.

Many other points in time and place could have been chosen; again, since the thesis of this book is primarily the ideology of socialism and only secondarily its practice, the choice of empirical reference points is guided by the ideological analysis. That is not to say other experiences with socialism are irrelevant; other contributions to the conversation will certainly place a different spotlight on the same subject matter.

Last but not least, the discussion of socialism concludes by delving into the present state of the American economy. While cursory in terms of macroeconomic analysis—the focus again is on ideology and not the economy—the purpose is to suggest how socialism is practiced today and what the future of our country would possibly look like should socialism be a decisive factor in it.

Cheyenne, WY, USA

Sven R. Larson

ACKNOWLEDGMENTS

First and foremost, I would like to thank my friends in the libertarian movement, whose ignorance of socialism is only surpassed by their refusal to study up on said ideology. Without comparison, their hammocking intellects have been my strongest source of inspiration for this book. Had I not spent many years as a front row witness to their comfort-prone approach to ideological adversaries, I would probably never have built the thesis of this book in the first place. My gratitude is considerable to their faith in uninformed conventional wisdom.

I have also been inspired—in a productive sense—by ideologically disparate politicians. There is a vibrant conversation among socialists about how to put their ideology to work. It shows the need for a deep, honest and informed debate over the theory and practice of socialism. Their aspirations to shape America's future is invigorating, but also challenging, to their opponents.

On the conservative side, I have been inspired by Representative Liz Cheney (R-WY). As the Republican Conference Chair in the House of Representatives she has raised the discussion about socialism to prominence in the American political discourse. Her aspirations to make an informed difference are respectable, but they are also stronger than her abilities to do the same. The gap in between became another motive for the outline of this book.

I am genuinely indebted to my wife, Christina, whose unending patience with my pursuit of this book has been a greater support than

I can put words on. A recovering journalist by her own definition, she is also a ruthless editor of book manuscripts. Her red pen makes a bigger dent in a writer's confidence than any professor in a student's self esteem.

I owe considerable analytical clarity to two anonymous referees whose comments on an early draft were very helpful in condensing and distilling my arguments. All remaining flaws are attributable to the author alone.

CONTENTS

Defining Socialism	1
<i>Why the Definition Matters</i>	6
<i>Communism and Intrinsic Tyranny</i>	11
<i>Unavoidable Economic Demise</i>	16
<i>Conclusion</i>	20
<i>References</i>	20
Economics of Socialism 1: Prices vs. Labor Value	23
<i>Marx and Socialism in Practice</i>	24
<i>Prices vs. Labor-Value Theory</i>	26
<i>The Static Nature of Marxist Theory</i>	29
<i>The Iron Law of Wages</i>	34
<i>Labor Value and Central Planning</i>	38
<i>Central Planning and Human Nature</i>	44
<i>Conclusion</i>	49
<i>References</i>	50
Economics of Socialism 2: Planning vs. The Market	53
<i>Capitalist Decline: A False Notion</i>	53
<i>The Welfare State: Socialism Without Central Planning?</i>	57
<i>An Unsustainable Blend</i>	69
<i>The Inevitable Conflict</i>	73

<i>Conclusion</i>	78
<i>References</i>	78
From Strife to Spring	81
<i>History Is Perfect Hindsight</i>	82
<i>Russia 1917: From Chaos to Lenin</i>	84
<i>Prague 1968: Modest Reforms</i>	87
<i>Passing the Point of no Return</i>	92
<i>Solzhenitsyn's Challenge</i>	101
<i>A Note on Charta 77</i>	106
<i>Democratic Socialism Gets a Boost</i>	110
<i>A Penultimate Moment in Sweden</i>	117
<i>An Ideological Lesson</i>	122
<i>Conclusion</i>	123
<i>References</i>	123
The American Welfare State Today	125
<i>Ideological Metamorphosis</i>	126
<i>Welfare-State Entrenchment</i>	134
<i>Welfare-State Consensus</i>	139
<i>Neoconservative Endorsement</i>	144
<i>Capitalism, Nihilism, and Socialism</i>	150
<i>Conclusion</i>	153
<i>References</i>	153
The American Welfare State Tomorrow	155
<i>Expansion Is Inevitable</i>	155
<i>A Note on Government Size and Economic Growth</i>	159
<i>Equality or Solidarity</i>	166
<i>Bipartisanship and Welfare-State Unity</i>	169
<i>Monetized Socialism</i>	174
<i>Hyperinflation: Lighting the Torch</i>	179
<i>US Hyperinflation</i>	183
<i>Conclusion</i>	187
<i>References</i>	187
Index	189

LIST OF FIGURES

Economics of Socialism 2: Planning vs. The Market

Fig. 1 Planning models 61

The American Welfare State Today

Fig. 1 Official U.S. poverty rate, percent of total population (*Source of raw data* Census Bureau) 133

LIST OF TABLES

Economics of Socialism 2: Planning vs. The Market

Table 1	Economic redistribution and the welfare state; Gini coefficient data for 2014	64
---------	---	----

The American Welfare State Tomorrow

Table 1	Debt as share of GDP; current prices	162
---------	--------------------------------------	-----



Defining Socialism

In the past 150 years, with socialism emerging and rising to prominence, the ideological debate over the state-individual relationship has been sharpened decisively. The state is no longer an instrument for an authoritarian leader, one that would deny his subjects the rights to liberty and property; it has become the political method for the reconfiguration of economies, even societies, in the image of a theoretical ideal. Government was given moral approval to enter the lives of individual citizens under benevolent intentions (or auspices), practicing the ideology in large parts of the world, most notably from Saxony to Sakhalin for almost the entirety of the twentieth century.

After the demise of the Soviet Union and an intermission during the 1990s, the socialist ideology has experienced a renaissance. Interest in it has grown gradually in both Europe and America, inevitably leading to an inquiry into how socialism matches up with, or to, the values that underpin the American constitution. However, as a beginning of this inquiry, one must first answer the simple yet profoundly important question: “What is socialism?”.

This question is practically as old as the ideology itself. The answers have varied over the centuries, but with time they have coalesced around a cluster of definitions with a common denominator: socialism is commonly

perceived as the collectivization of the ownership of the means of production. The term “collectivization” normally refers to state ownership, but it can also refer to cooperatives or employee ownership of various kinds.

This definition, best referred to as the property-rights definition, has come to set the tone for the public debate over socialism, a tone that is very much present in the current American political discourse. It is, however, not the only established definition. As interest in socialism increases and intensifies among proponents and opponents alike, the question of how to define socialism will be prominently present in our public conversation for years to come. Logically, with rising interest in the ideology, the question of what socialism is rises to the same relevance, even urgency, making the answer to the question “What is socialism?” quintessential to America’s political, social, cultural, and economic future.

Any pursuit of an answer must begin with a recognition of the alternative to the property-rights definition of socialism. This alternative, which centers on economic redistribution, does not rely on collectivized ownership of corporations to transform a country in the socialist image. The redistributive definition has been given only modest attention, especially among opponents to socialism, yet from a practical viewpoint the American left, as it stands on the cusp of the 2020s, has de facto already adopted this redistributive definition of socialism.

Their critics, on the other hand, dwell in the realm where socialism is defined by confiscation of private property. This has created a public discourse where the two sides talk past one another, unable to agree even on the definition of the very term at the heart of their debate. Given the prolific references to socialism in recent years, it is curious how the left and the right so openly fail to even agree on the terms of their conversation. As a result, for the most part, there is no coherent debate over whether or not America is, should, or should not become a socialist country.

Perhaps the most absurd exhibit of this dysfunctional conversation is the debate over whether or not Sweden is an ideological role model for America to follow. Leading American socialists such as former presidential candidate, Senator Bernie Sanders (I-VT), point to Sweden as a source of inspiration for democratic-socialist reforms. At the same time, Senator Rand Paul (R-KY), a renowned libertarian, has praised Sweden for not being socialist, but in some ways a role model for the American right (Paul 2019). Conservative writer Dinesh D’Souza also attempts to distance Sweden from America’s socialists (D’Souza 2020).

With the right-of-center idea of socialism being firmly planted in the property-rights definition, they have self-restrained their own efforts at effectively opposing socialism. However, their choice of definition is not surprising; if any random group of Americans were asked spontaneously to define socialism, they would likely point to state ownership of corporations and the elimination of private property. However, the redistributive definition has been given at least some presence, both in the political discourse as in Senator Sanders' praise for Sweden and in the academic literature. One of the most precise contributions was provided in a debate in *The Economic Journal* in 1957 over the definition of socialism. British economist Henry Smith of Ruskin College, Oxford, challenged the property-rights definition, explaining¹:

The basis of western or democratic socialism, whether it be as empirical as the doctrines of the British Labour Party or pays lip-service to a revision of Marxism like the bulk of the continental parties, is criticism of the justice in distribution and the efficiency in production of unregulated free enterprise.

While the contemporary American conversation about socialism is dominated by the property-rights definition, the redistributive definition that Smith puts forward is rather well known in Europe. For about a century, socialist parties have played an often prominent role in European politics. Rarely if ever do they call for government to seize control over businesses. Instead, they concentrate their political efforts on the pursuit of what Smith calls "justice in distribution." In other words, by the standard of this definition the means to socialism is not the termination of private property. It is redistribution of income, consumption, and wealth.

European socialists have applied this definition in legislation and other forms of policy-making, successfully for the most part. Plainly, they have implemented their ideology wherever given an opportunity. The inescapable example, again, is Sweden, where the social-democrat government in the 1940s and 1950s constructed one of the world's most elaborate welfare states. Their source of inspiration was a book by Swedish economist Gunnar Myrdal and his wife, sociologist and prominent social-democrat politician Alva Myrdal. Called *Kris i befolkningsfrågan* in Swedish, it has never been translated into English; Larson

¹Smith (1955, 412).

(2018) gives a detailed introduction of the book to an English-speaking audience.

Notably, both the right and the left in American politics are correct in pointing to Sweden as a case study in the debate over socialism. Any such study must begin with the book by the Myrdals, the title of which is appropriately translated *The Demographic Crisis*. This suggests that the Myrdals used a decline in birth rates in the early twentieth century as a reason—or pretext—to reconfigure the Swedish economy in the image of socialism. It was, however, a reconfiguration that carefully followed the lines of the redistributive definition; at the time when the Myrdals wrote their book, the Soviet empire had already been up and running for a decade and a half, offering a lively example of socialism in practice under the property-rights definition. The Myrdals sought to develop an alternative, suitable for practice within the framework of a parliamentary democracy.

In other words, the theme of the Swedish welfare-state project was egalitarianism without totalitarianism. It preserved corporations in private hands, sought to stimulate a maximum of economic growth based on that private ownership and to maximize the taxation of private-sector economic activity. The tax revenue would then be used for large entitlement-spending programs to minimize and ideally eliminate economic differences between private citizens.

Sweden was not alone. Throughout the twentieth century, and in particular through the middle of the century, Western democracies developed welfare states that were designed specifically for economic redistribution. They did so while carefully avoiding systematic government takeover of corporations; social-democrat parties led the efforts to build welfare states for the purposes of redistributing income, consumption, and wealth.

The quest to alter the economic outcomes of free-market, capitalist economies by means of taxes, and entitlement programs led to systemic social and economic transformation. By steering clear of direct property confiscation and state takeover of corporations, socialists in Western Europe have established a narrative where their ideology is fully compatible with a democratic government. This has given rise to socialism with a democratic prefix, under the moniker of which the ideology has attracted considerable interest in Europe. It has motivated substantial changes to the socio-economic structure of countries across the continent.

In America, the conversation on socialism has not evolved quite along the same lines as it has in Europe. That is not to say democratic socialism is unknown to Americans in general; it is certainly established in the current political conversation. In fact, unbeknownst to the vast majority of American conservatives and libertarians, democratic socialism has been practiced here for more than half a century. If one accepts the redistributive definition of socialism, it becomes apparent that President Lyndon Johnson imported democratic socialism to America. It can be contended that the ideology came with the entitlement programs that constituted his War on Poverty. Benefits were no longer paid out exclusively on a dignified, last-resort basis, but made available to gainfully employed adults and their families. Their sole qualifying criterion was the relative size of their household income.

In short, if socialism can indeed be defined based on economic redistribution, then it is indisputable that socialism set roots in America already in the 1960s. President Johnson actually relied on the ideological architecture of the Swedish welfare state in order to formulate and execute his Great Society vision (Larson 2018). However, President Johnson notwithstanding, the idea of socialism still has not had nearly the same impact on the American political discourse as the property-rights definition has. By defining socialism as government expropriation of privately owned corporations, the right has built a strikingly negative connotation to the very term itself. The American discourse about socialism remains aligned with this rather crude conventional wisdom, based on which prominent conservative politicians vow to not let socialism come to America.

Ironically, these often ardent opponents of socialism have failed systematically to stop the ideology from already reshaping large swaths of the American socio-economic landscape. While conservatives predominantly rely on the property-rights definition, rightfully associating it with the Soviet Union, Cuba, and North Korea, liberals, progressives, and socialists operate under the premise that socialism is a matter of economic redistribution. The discord between the two sides of the ideological aisle is well illustrated by how Senators Sanders and Paul both praise Sweden as representative of their respective ideologies in practice.

It is tempting to leave the debate here, with an expectation that the two factions sort out their conceptual differences and take their debate to a higher, more constructive stage. However, one does not need much insight into politics to know the feeble nature of hopes for discord to

be followed by accord. The American conversation about socialism will continue, and it will only intensify as we approach the 2024 presidential election. Likely, not even that election will mark the end of that debate.

Given the quality of the present political conversation, it is unlikely that the parties involved will end their dissonance in terms of how to define socialism. Therefore, seeking an answer to the question “What is socialism?” becomes the responsibility of every politically inclined or interested American. To do so, one must first look beyond rhetorical clichés and find the actual, functional meaning of the terms used.

Inevitably, this means sorting out why there are two definitions of socialism. This question can be condensed into the question: Why would government want to seize control over the means of production?

WHY THE DEFINITION MATTERS

The two definitions of socialism,

- By the status of private property, and
- By the status of the distribution of income, consumption, and wealth,

Are essential to both proponents and opponents of socialism. They all have a history to learn from, one that stretches more than a century back in time, including both experience with the practicing of socialism and a rich body of literature detailing the ideology, including its meaning and implications for future attempts to put it to work.

Contemporary conversations often underestimate the significance of the theoretical history of the ideology. This is understandable yet not excusable: lack of theoretical understanding leaves the practitioner of any ideology, but socialism in particular, with a set of tools that do not make sense in the context of each other. Inadequate insight into ideological theory leaves the socialist with an ad hoc approach to social and economic reform; political and policy work based on such premises will never succeed unless by chance.

Likewise, unless opponents of socialism learn its theory, they too will stand a only random chance to succeed. This is true in particular so long as they remain trapped by their affinity for the property-based definition of socialism.