

Real Solutions for the Economy

Written by Art Thompson, CEO of The John Birch Society

Monday, 27 October 2008

Over the next few weeks, we will be posting a number of short articles designed to point out real solutions to the current economic crisis.

We'll be giving these solutions, which will also be applicable to future crises as well as the current one, for two reasons. First, to provide a better understanding of the problems we face and, second, to point out the steps necessary if we are to solve those problems. Generally speaking, we are going to try to keep these entries short and readable. To that end, we will also be building a recommended reading list for those interested in additional details.



It may sound obvious, but recognizing a problem, while being unable to identify the right solution, can lead to ever greater problems. Almost daily during this economic crisis, the talking heads in the media list and endlessly analyze the details of the current problems afflicting our economy. They then try to provide solutions, but more often than not, these solutions only sound good. If implemented, they would be disastrous.

Recently, for instance, we have even seen a pundit on a major television network discussing the 2008 panic and advocating as a solution “a little socialism now to prevent a lot of socialism later.” Those were his exact words. This particular commentator was more candid than most. The words used most often by the media in their “solutions” are “more regulation,” “better management,” and/or “more controls” by government.

All of these amount to “a little socialism.” But, “a little socialism” has a definition that most do not want to hear: fascism.

Whether it is fascism or full-blown socialism, the stated objective is to control the economy. But, the basic problem is that an economy can not be managed or controlled. Call it whatever you will, but what government intervention in the economy ends up controlling is the people themselves.

When speaking of the word “economy” in the sense of a system, what is really being discussed is the sum of all the individual economic actions taken by people. When the government attempts to control the economy, for whatever reason, what necessarily ends up being controlled is not the abstract concept that we call the economy, but the real actions of the honest, hardworking people whose economic decisions taken in sum comprise that larger abstract whole.

In short, a controlled economy is in fact a dictatorship in that it is control over what people do by the government. Even if it is controlled by a few outside of the government, it still constitutes an oligarchy. On a lesser scale, only involving a service or product, it would be called a monopoly.

Therefore, when anyone advocates controlling the economy he is in fact advocating the building of an oligarchy over

the people by a system of economic controls. Money does not move by itself. Property does not change hands by itself. Manufacturing does not happen without people doing the work: from inventor, to manager, to worker, to the salesman selling the product.

The same holds true for the stock market or banking.

As a result, any government that seeks to control the economy, must increasingly control all of the people that make up that economy. That, however, is impossible. Even the most thoroughgoing despotism lacks the analytical and theoretical tools necessary to control the economic lives of all the people who make up the larger economy of a nation. The tighter a government attempts to control economic behaviors, the more economic dislocations grow in size and severity. This is particularly true in large, populous nations, which by their size and scope are more difficult to control economically than small nations.

But, the inability to achieve widespread positive economic outcomes through government intervention and control is by no means a limiting factor to those who are behind the drive for control. While no government can manage the economy to derive a broad, general benefit for the nation as a whole, the economy can be controlled for the benefit of an elite few.

There are a number of dynamics which occur that are detrimental to both the people and the wealth of a nation under a controlled economic environment. The following are by no means all of these dynamics:

1. The more controls on an economy, the poorer the economy becomes. We need no better example than the Union of Soviet Socialist Republics, or USSR. The Soviets had the most sophisticated planning agency ever devised, and quite publicly and solemnly pronounced their intention to carry out each "five year plan" for economic improvement of the nation. The planning bureaucracy, though, was never able to plan its way into economic growth and stability and the Soviet economy collapsed after a long period (marked by extreme shortages and acute suffering) of stagnation and decline.
2. A controlling factor cannot see into the future relative to progress on a wide scale. It can sometimes see disaster coming, however, when figures and statistics show a serious problem that will effect the economy. Since it cannot see into the future, particularly relative to progress, then decisions are flawed – even without realizing they are flawed. A good example is the pay telephone. Just at the leading edge of the cell phone coming into use, there were a number of Americans who invested heavily in pay telephones. Since they could not see the coming change in technology, they lost a lot of money. If this would have happened on the part of government, the pay phones would still be used and the cell phones discouraged for a variety of reasons. Not the least of them would be that government will always hamper innovation due to either heavy investment in the old, or simply because government cannot do anything without appointing a committee to study it. The slightest unforeseen variable can have a ripple effect on the economy.
3. For an economy to be controlled, it must of necessity be centralized control. There are problems with this on two levels besides that described in point two above. First, the results of decisions made by a centralized control affect all of the people; whereas, in a free society, mistakes usually only effect a few. Second, when mistakes are made in regulation, reversal of any decision takes time. Again, it is the committee concept and when you throw in the unwillingness of government authority to admit mistakes, the problems are

compounded. In the case of an omnipotent state, they cannot admit mistakes since that will cause the people to question their wisdom, then their authority. The more powerful a government, the more that government fears a restless citizenry and the less likely it is to ever admit a mistake, or take remedial action.

4. Those who control the economy tend to become more equal than others. An elite grows. The rich get richer, and the poor get poorer. Even in a communist state. In this case, the elite become the Party leaders. In a controlled society, those who would normally be the entrepreneurs in a free society realize that the only way to get ahead is to join the Party. In a semi-controlled environment, too many people realize the way to their heart's desire is by going along to get along rather than rocking the boat. In a free economy, the enterprising individual uses his head to invent, innovate, and becoming an entrepreneur to achieve his desires. In the process, he provides better ways and means, better products, and jobs for his fellow citizens.
5. Due to point four above, a controlled economy ultimately shrinks. It cannot grow in the sense of providing growth for the population all across the board. Within the framework of freedom combined with growing controls, the rate of growth will be proportionate to the amount of control. Then, at some point, zero growth, and then a shrinking economy. Government or the controlling factor will never relinquish its grip. That iron grip of control will only continually tighten unless there is a large backlash by the people forcing the planners and controllers to relinquish their grasp.

The economic example we use of the USSR was always a façade. What the West saw was what the USSR wanted us to see. They were always a “basket case.” Too much of what we did see was furnished by the West. There have been several books written outlining the fact that Russia did not have an economy as we understand it, did not have the ability to invent, could not even produce a sound product without the help of key people in western governments and industry — from Berlin to Washington. Some of the best series of books on the subject are by Anthony Sutton authored while he was at the Hoover Institute on War- Peace Studies at Stanford University.

From experience we know that it was hard for people to believe that the USSR was always on the verge of collapse. One of the reasons tourists and other visitors to Russia were not allowed to venture out on their own while in Russia without a government “guide,” and were prevented from simply traveling in the countryside, was that had they done so they would have seen the abject poverty outside the major cities and industrial areas. It was particularly hard on the elderly. Early retirement in Russia has always meant dying earlier than one's normal life expectancy.

Whatever they call it, socialism, regulation, management, or controls, the bottom line is detrimental to the people and the economy. And it is always sold as a benefit for the people. Every new control over the people regardless of the real situation with the economy or security or any other so-called crisis is always sold as a solution benefiting the people. And power in the hands of the few grows as a result.

The bottom line: The solutions we will be posting will be based on liberty; the freedom of people to control their own lives, their own destinies; and as always, based on the Constitution of the United States.