



## CONVERSATIONS WITH AN EXPERT



TEXAS A&M UNIVERSITY  
Private Enterprise  
Research Center

On September 23, 2021, Dr. Robert Lawson and Dr. Benjamin Powell visited the Private Enterprise Research Center and that evening, they gave a presentation titled, "Socialism versus Freedom" based on their book titled, *Socialism Sucks*. During their visit, they were interviewed by PERC's Dr. Andrew J. Rettenmaier.

### **T**o begin, how would you define socialism?

*Powell:* Socialism means some form of collective ownership of the means of production. In practice, for any large society, this means state ownership and control over the major factors that go into producing everything. Now that's as if we have capitalism and socialism as zeros and ones, but really, it's a spectrum.

*Lawson:* Our definition is collective ownership. The reality is that even in countries like the United States, there are elements of collective control. For example, in the U.S., most educational production is collectively and centrally planned by either the state education bureaucracies or the department of education in Washington. But the bulk of economic activity in the United States - farming, housing, construction, bars and restaurants - is not centrally planned. It's planned by the individual owners of those pieces of property. The bar owner decides to open a bar or maybe open a restaurant. The decision-making is done by individual, private, decentralized, and largely uncoordinated individual actors.

### Although socialism operates on a spectrum, how do you distinguish communism from socialism?

*Powell:* In practice, any place that claims to be a communist has a socialist economic system. There's plenty of communist political parties that run socialist economies as the framework. When it goes from capitalism to socialism is when you destroy private ownership of the

means of production and replace it with state ownership, which is expected to wither away and be replaced by 'the land of milk and honey,' - communism - but it never does.

*Lawson:* You'll hear people say that communism is when you combine socialism with totalitarian politics. In practice that is basically the way it works. A widespread state-controlled economy does not actually happen except with totalitarian control. I really don't think there is an important distinction between communism and socialism, or communist political parties, or socialist political parties. It was the Union of Soviet *Socialist* Republics. That was literally the name of the country, but it was governed by the communist party. In practice they are more or less the same.



# ROBERT LAWSON

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Honored with Kent Aronoff Service Award, Association of Private Enterprise Education, 2013

Distinguished Scholar Award, Association of Private Enterprise Education, 2009

Faculty Award for Excellence in Research, Capital University School of Management

Co-author of several publications including *Socialism Sucks: Two Economists Drink Their Way Through the Unfree World*

Co-author of the *Economic Freedom of the World: Annual Report*

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**Private property is mentioned in your book as essential to economic freedom. What conditions have to exist for property to be reliably and durably exchangeable?**

*Powell:* Private property means the right to physically secure it so that a thief can't come and take it from you, but it also means the right of transfer, the right to sell it, and to give it away. And that requires an apparatus of law. That law may be provided by the state. It may not be. Essentially, if you own the title to property, it means that you have a bundle of rights to sell or exchange. Private enterprise based on owned property works so well because it gives people long-term horizons for planning purposes. They can invest today, and they have an expectation that the investment will be theirs or their heirs' in the future.

**Of all the countries and places you visited, which one ranked closest to a free market system?**

*Lawson:* The most economically free was Georgia. Of course, that's stunning because it was a Soviet republic as of April of 1991. Thirty years ago, it was a Soviet republic and now it's sixth in the economic freedom index. That's an absolutely amazing achievement.

The former Soviet bloc countries had huge labor taxes just after they gained independence. These countries had payroll taxes of 45% and that's on top of income taxes. All income is taxed away in socialist economies. Today, the top tax rate in Georgia is 20%, this includes payroll and income taxes – all taxes. Our 15% payroll tax plus the income tax in the United States is absolutely higher than in Georgia. They have completely free trade. They have no tariffs at all. None. They inherited a huge number of enterprises from Soviet times and they then privatized those, and unlike most of the former Soviet bloc countries, they privatized in a fair and transparent way.

**In a student lecture, Georgian students asked how they could be so economically free, but also so poor. How did you respond?**

*Powell:* Becoming free is a great way to get rich but it still takes time. Just like saving money is a great way to be wealthy, that interest has to sit in your account and compound and Georgia has been growing rapidly since becoming free but it was starting from a low base. They've been getting richer quicker but still have a long way to go.

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**What struck you as the starkest contrast between bordering the countries you've visited?**

*Lawson:* I've seen some of the world's worst poverty and I can't say I ever get used to it. It's jarring when you see real world poverty on this planet. What was unusual about the Venezuelan and Colombian border was that we saw obviously middle-class and wealthy people driving in their cars across the country of Venezuela to cross the border into Columbia to buy food. Yes, there were certainly some poor people crossing over, but how bad is Venezuela when a rich person is driven to the point where they need to do that? It's not just poor people, this is the entire population now that is struggling to find food. It was jarring, like a punch in the face.

*Powell:* I'll say it's the North Korean border with China going up and down the Yalu River and the discontinuity of development from one side to the other. I mean you've seen this on maps before and how we live in Texas. You can go down to El Paso and look across the river there and see a discontinuity of development but the degree of it between North Korea and China is staggering. On one side of the river, you see skyscrapers and six lane freeways and on the other, dilapidated shacks. This isn't like a country town. It's a big urban center. It's the main export city of North Korea to their main trade partner. From our hotel room, we could see across the river and there's nothing to see. It was all dark. There was nothing there, no lights. The next day you wake up and look out the same window and there's a city of three hundred thousand people across the river from you.



## BENJAMIN POWELL

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Photo credit: Mike Yawn

### What do you think of the current appeal of socialism in the United States?

*Powell:* Most of the people who identify with socialism don't mean socialism in the sense of the nationalization of private property and government owning the means of production. They have some issue that they're upset about that they think is unjust. They've been told that socialism is for equality and respect for others and think socialism is the answer without thinking what the system actually does and would it actually achieve correcting the injustice that I care about. That's not all of them. I think a large number of people who identify with socialism are confused. They think that a big welfare state like Sweden equals socialism when it's mostly a capitalistic economy that just has a lot of transfers.

*Lawson:* The rank-and-file attendee at the conference we attended either wants something like Sweden or they were sort of the single-issue leftists. They care about abortion rights, immigration rights, or maybe police-race issues. They advocate for worker-owned enterprises, so we would get rid of private property and replace it with worker-run enterprises. That's fine - half the breweries in Austin are employee-owned co-ops, but I think there is a deep misunderstanding of how economics works. The division of labor and specialization that is required for us to have the standard living we have is not going to be tenable with worker-run enterprises.

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