



Episode 1,401: New Book The Socialist Manifesto – Refuted

Guest: Gene Epstein

WOODS: As I explained to folks, we did try to get Bhaskar Sunkara to come on here and talk about his *Socialist Manifesto* with us, and he not only refused, but he almost indignantly refused. He made clear that he has no interest in this with whatsoever.

EPSTEIN: Yeah, it makes me feel bad. Yeah, I guess I – mean, I yelled at him a little.

WOODS: [laughing] I know you did.

EPSTEIN: I was yelling at my former self. And no, so that does make me feel bad. But okay, he didn't want to come. And he has published a book just recently, called *The Socialist Manifesto: The Case for Radical Politics in an Era of Extreme Inequality*, and that's what we should talk about.

WOODS: Right, that's what we're going to talk about right now. Now, just so people know, when we say that you yelled, at him, we're talking about the debate Gene did with Bhaskar at the Soho Forum.

EPSTEIN: Yes.

WOODS: And I just loved how animated Gene got. It was just tremendous.

EPSTEIN: Yeah.

WOODS: And this is a kind of an unusual book. It is not the book I thought it was going to be. I thought it was going to be chapter after chapter of laying out the good things about socialism and how it will work. That's about chapter one, and it's highly hypothetical. And then there's some discussion of Marxism and Marxist concepts, but a lot of it is history. A lot of it is going back and looking at what went wrong in the Soviet Union and talking about Maoism and whatever, welfare states and social democracy and all that. So it's not like a manifesto that is just hitting you over the head with principles the whole time. There's a lot of history in it.

EPSTEIN: Well, that's true.

WOODS: But let's start with that chapter one, where he lays out for you what your life looks like now, probably, if you're a laborer, and then he holds out for you an alternative and what that might look like. So do we want to dive into that?

EPSTEIN: Oh, absolutely. And by the way, I want to point out that Bhaskar does justifiably congratulate himself in that chapter by saying that most such manifestos just talk about how terrible capitalism is. And in a way, as he says, that's what Marx wrote – he mostly wrote about how terrible capitalism is – and very little about the alternative. And so I do think that it's commendable that Bhaskar does try to get into some detail about the alternative about how it would work, how would it be set up, and so on.

And by the way, I also want to preface my statements – the question you haven't asked me, which I want to answer in any case: do I have any idea why people think that capitalism is not doing well, do I have any idea why socialism is getting popular? And about a year and a half ago, you asked me that question, when I was talking about how the numbers really are much better than people think. And I really am embarrassed when I listen back on that interview, and I ducked your question. And of course, obviously, lots of things haven't been going well. Clearly, a lot of people do still remember the Great Recession of '08, '09, the slowest recovery on record. Since '08, '09, a lot of young people are weighed down by their share of a trillion and a half in student debt. And so a lot of things aren't going well.

And of course, I believe, as I imagine you would agree, Tom, certainly with respect to the Great Recession, since you wrote a great book about it, that really, it's government that has been causing those problems. Clearly, the student debt is essentially a government creation, as well. So there are reasons for being dispirited about how things are going. And then the extreme inequality that Bhaskar talks about is, of course, a little bit much. And you and I of course care about just whether most people are doing well. The idea of getting obsessed about inequality, that somebody is doing better than I am, is a little silly. But all of that stuff is stirred up, for sure.

But getting to your question about what he's talking about, I want to make sure that I'm fair to him, and I want to jump to the chase and quote a few sentences, few key sentences, from the kind of world that he's describing, what he wants to see happen and what he calls socialism. And he writes – this is all quotes – "Banks are nationalized, and the state takes over all private firms. Collectively, you and your coworkers now control your company. You are more like citizens of a community than owners. You just have to pay a tax on its capital assets, in effect, renting it from society as a whole. Unlike in capitalism, startups aren't fueled by private investment, but rather the capital goods tax that we just mentioned. You also have to pay a graduated income tax, as you did before, on the income you take home."

And now one final couple of sentences: "Now, when new technology is brought in, your coworkers have a different calculus. If they can produce 20% more per employee, why not decrease the work week to 28 hours? For all sectors, legislation dictates the required work week cannot exceed 35 hours. There is still market competition, and firms still fail, but the grow-or-die imperative doesn't apply when your enterprise goal is no longer to maximize total profits."

There's one other quote that I'm going to hold off for a moment quoting. But clearly, clearly, he's unambiguous about one point: the state takes over all private firms. All funding of startups, he says, comes from the government, from the tax that the government imposes. And actually he makes a technical error – he makes several technical errors in what he describes, because he doesn't realize, of course, that if firms need to expand, if firms need to install that better technology, they've got to borrow from the government. And so the

government is going to be basically monopolizing all of the funds that will finance any operation, be it to expand, or certainly any startup.

So what's the obvious problem with that? And that's what I told Bhaskar: pretty much Bhaskar is being consistent in putting out that definition of socialism. Fairly classic socialism, albeit, of course, it's democratic. So we'll get to that in a moment. But of course, what's the problem with that, and why can't Bhaskar I see it? Why can't Ben Burgis see it? The problem with that is that, for example, Bhaskar's own organization, the Jacobins, are now using Kickstarter to finance this documentary that they've put together about socialism. So Kickstarter won't exist. Kickstarter is a private way of raising funds to finance enterprise. My Soho Forum, I've gone to backers, principally to the great Don Smith, to back my operation. What am I going to do, go to the government? A libertarian organization like mine is going to get financed by the government? I mean, how is Tom Woods going to finance his operations? Obviously, he too, has got to go to the government.

So how can how Bhaskar be so naive as to imagine that if you hand over to government – of course, he likes to say there'll be regional banks. You know, it's not like it's going to be totally in Washington. We'll have to supplicate before Albany and all the rest of it. But then he even says specifically that it's going to be a political process, whereby all of these allocations are done. And of course, it's appalling that we have to teach him about the corruption of government, appalling, obviously, that we have to teach him that if you give government this enormous power over allocation of funds for the means of production – essentially, ownership – then that way leads to the complete suppression of individual rights, the right to publish what you want, the right to rent a meeting hall, such as I do at the Soho Forum – all of those rights are going to go by the wayside. And for that reason alone we have to plead with somebody like Bhaskar – who loves basketball, by the way; amazing that he does. He doesn't mind that all those basketball players are paid so much. He sprinkles his Twitter feed with statements about how he's staying up for the professional basketball game. But how is any of that going to work? And now of course, I'm talking as an intellectual, and I'm emphasizing intellectual endeavor, such as Tom Woods' endeavor or *Jacobin* magazine.

And again, I wrote Ben Burgis, by the way, who's a socialist who was on *The Dave Smith Show*, and asked him: how do you feel about crowdfunding? *Well, I have to think about it.* You know, how do you feel about venture capital firms? How do you feel about a world in which all of the funding is locked up by government? And do you really believe that if you allow politicians or bankers who work for government to have all the power to allocate money, do you really think that we can have a free society? So in a way, Tom, maybe that's the end of it. Maybe there's nothing more to be said, because hopefully, these people care about freedom, and don't they see the connection between property rights and the ability to run a firm and your personal rights?

And then when he passes this statement out, that "For all sectors, legislation dictates the required work week cannot exceed 35 hours," then we talk about the rights of other workers, you know? I mean, either one extreme or the other. I mean, for example, what if in a worker-owned firm, they wanted to work 45 hours, because they like what they do and they like the money that they make from doing it? So it's just amazing how indifferent he – as somebody who seems to respect individual rights, how indifferent he is to the rights of people in the act of being so zealous about the need for the socialist economy to be controlled? I could go into other points, but do you want to dwell on that for a moment, Tom? Any comments from you about that?

WOODS: Well, first of all, in your debate with him, I thought – again, I think I said when we did a little episode following up on the debate, that the arguments you made surprised me. They were not the arguments I was expecting. So like these, the ones you're making now – but that was partly because the debate had to do with freedom, specifically, not so much with prosperity. I mean, also prosperity, I think –

EPSTEIN: Well –

WOODS: Oh, no, at the end, he took that out, right?

EPSTEIN: He took it out. He writes me – that's why I was getting a little nervous about him. I got an email from Dave at like four in the morning, where he's telling me that, *Didn't I tell you that prosperity cannot be in the resolution?* No, we'd agreed to do it.

WOODS: Right.

EPSTEIN: So I probably wrote him, "Oh, no, let's take it out." So actually, it was okay to debate freedom. Well, really, I mean, if that was the surprise, certainly, gosh, I take it that we should not be – again, we share some views about the world with Bhaskar, and with, as I mentioned, Ben Burgis, who has also been prominently around. He was on *The Dave Smith Show*, and I did a follow-on with Dave about Ben Burgis. And as Dave said, you know, in a way, maybe you're more of a soulmate because you object to American imperialism. You object to American militarism, as does Bhaskar. And so that's why I feel a little bit bad about yelling at him, not that I can win him over, probably, but still, I do want to emphasize the common ground. And Bhaskar does make statements, he does seem to care about individual rights. And so it's a little bit baffling that he does not see the connection between property rights and individual rights, or indeed, the throwback to the Norman Thomas, Michael Harrington socialists, or Irving Howe, maybe names of people that your viewers are too young to remember, but they were a part of the – Michael Harrington started the Democratic Socialists of America, of which Bhaskar is a member. And they have identified with the American Civil Liberties Union, and so they did care about these things, and they didn't see the obvious connection –

Or in my case, by the way, when I had my great conversion from the depravity of socialism in my 20s to capitalism. That was my first conversion. That was when I realized that it's simply an oxymoron to call yourself a libertarian socialist, that unless there can be free access to the means of production, because there's scarcity – because what everybody wants always adds up to more than there is – then somebody's got to allocate – just labor. The labor with which – I mean, Tom and I, we allocate our labor to do what we want, what Dave Smith does, what Bhaskar does, and we do use capital goods – I rent a hall. We do use equipment. All of that stuff has to be bought. And if we can't get access to that property, we can't get access to the funds. Do you really think that it's okay to have government lock it up? I mean, of course, I couldn't penetrate Noam Chomsky on this point, and Chomsky, of course, in his healthy distrust of state imperialism, should have understood the healthy distrust we have of the government.

And then on top of that, it was actually Murray Rothbard who made the point to me when I read it and which converted me, that bear in mind it is not just that the state will want to allocate scarce resources in the means of production; it's that the state will have to, because

resources are inherently scarce. And so they'll have a perfect excuse to tell Tom Woods and Gene Epstein and possibly Bhaskar that we can't deal with you.

Now, okay, I guess to get to next point, Tom, when we now talk about how this operation will work I guess from the standpoint of actually being managed and promoting prosperity for people, then there we do get into a bit of a mess, as well. So let me shift to discuss that part of it. Another quote from Bhaskar: he says, "Two key markets under capitalism are done away with: the traditional labor market and capital markets. But markets for goods and services remain. Too many informational problems exist for them to be done away with. Companies will also still have to compete with each other. Inefficient firms will collapse," and so on.

So in other words, too many informational problems exist for markets in goods and service to remain. There, a second slight confusion arises, because when he talks about capital markets, he actually does not mean the market for capital goods, at least he certainly doesn't mention that. He only mentions banking. He's talking about the market for capital funds, and so we're going to have worker-owned companies who are going to get the government to allocate the funds, and those worker-owned companies have got to be servicing each other, because clearly any firm that I know – if it's a pizza joint, then it's got to buy things from other joints, it's got to buy capital equipment. All of those coordinations are going to have to be managed, basically, by the central body, because the central body is going to be in charge of allocating all the funds up.

And that's again where Bhaskar makes a mistake. He seems to think that that only startups need money. He doesn't seem to realize that if a company that in at least a vibrant economy, where prosperity is promoted, then companies need funds to expand with. They won't necessarily have the funds in their own earnings, especially since each company will not only have to pay a fee to the government, the capital goods tax; on top of that – this is the other amazing, funny part of it – Bhaskar has a little bit of a listing of how you'd allocate the salaries. He will have a manager who's going to earn a little bit more than others, and one wonders why the managers are earning a little bit more than the janitors. But of course, it's going to be a much narrower allocation of salaries than we have in a typical capitalist firm. Bu on top of that, he's going to have a progressive income tax, so one would wonder, why is it necessary? But of course, that's because he believes in these things.

So these firms are not going to have a whole lot of extra money to expand, and that's what's going to happen. Some of them will want to expand because some of them will have some ambition. And then he throws in this business about bringing in new technology, that workers will not fear new technology because they won't lose their jobs as a result of the new technology. They can work, and they can work 20% less or 30% less. I mean, again, how is that going to be coordinated? How is the firm that gets new technology, that decides to work less, that has to service other firms, maybe sell them supplies – how is that going to be coordinated? How are they going to get money? All of this basically has to be superintended by the super planning agency that has to decide who gets what kind of funds to expand, which firms are allowed to die.

And then on top of that, he says we're going to have competition. We'd have competition where certain firms are going to have to go under? Certain pizza joints are going to compete with other pizza joints, I guess. And then the pizza joint that has to compete with the pizza joint that's driving it out of businesses is probably going to go to Albany or go to Washington and ask for more money. So essentially, I'm not sure if I'm painting it – maybe you can help

me, Tom, to paint this, because I'm trying to deal precisely with how Bhaskar says it's going to work – that essentially it's going to mean that a whole lot of very complex decisions will have to be made by the government agencies that are holding all of the investment funds. Because nobody is going – there will be no VC, no venture capital firm funds, there will be no crowdfunding, no Kickstarter. It all has to be superintended by the super agencies.

And that way lies chaos. They will, by Bhaskar's own assertion, be managing things according to political standards. So things that some people don't like to be sold, they don't like to see sold – who knows? Maybe prohibition will come back. Maybe they won't be selling alcohol anymore. Maybe certain people in government in charge will not allow any kind of thing that they don't approve of. A lot of things will probably go underground. And certainly, dissenting organizations that are seeking funds are very unlikely to get any kind of backing from the government. But in terms of actually how this will be coordinated, that's crazy.

Now, the next part of it, the final part that I would mention would be the new technology. How – I mean, he actually does have a little anecdote. *Oh, you work for this firm, and you've come up with a new idea, and so you go to the to the government-run bank, and you raise some money to start your startup firm.* You know, they're all for startups. But do you really think that does Steve Jobs, given his personality, would have charmed the guys at the top and gotten money for his operation? Do we really think that Jeff Bezos, who's revolutionized the way goods – has driven prices down, has brought us prosperity in that way, or Sam Walton – would their visions necessarily have gotten backing from the bureaucrats in charge?

And do we really think that, on top of that, that because this is supposedly democratically run, because we have senators and congressmen being elected, that you and I can have enough time in the day to be monitoring or to have some sort of tabs on all of these crazy decisions that are being made by the people who have to make these decisions? And indeed, for Congress to interfere would probably be foolish, because congressmen, they can't even keep up with the number of bills that they're voting on today. They don't even know what's in those bills. Are they really going to know how decisions are going to be made to mine copper or to deliver oil or to deliver windmills or to deliver pizza dough, all of those complicated processes? They'll just have to leave them alone, let them do it. But then will they really have the vision to accept the visionaries who have arisen over the last 10 years or 20 years or 50 years, who've really brought us prosperity through technological improvement?

So all of that is just such an incredible leap of faith. The only thing that – by the way, what Bhaskar does with his history, as perhaps you know, Tom, is essentially he has a cute line toward the end of the book where he says: "Yeah, to put it mildly, I guess the best you can say about socialism in the 20th century is it got off to a bad start." That's what he says [laughing].

WOODS: [laughing] Yeah, you can say that again.

EPSTEIN: Yeah. But you know, he lays it out. Yeah, I would have wished for a little bit more, you know – I mean, the book is rather muddled. I mean, at certain points, he's really conceding that capitalism has done wonders. It's got a little bit of a muddling. In a way, I don't blame him.

WOODS: Right, but he does admit that, and so that kind of gets back to the whole issue of he didn't want to debate prosperity, and I noted in his book that, like Marx himself, he admits

that capitalism is a tremendous wealth-creating engine; it's just a question of the distribution of power and that wealth.

EPSTEIN: Well, it's funny that you talked about a new – I'm not clear what you thought about my new argument. My new argument, I thought, with Bhaskar, which is the argument I will make in a couple of minutes, which is that if Bhaskar – this of course is the statement I made to him and others. Actually, let me begin – I'll get into that, but let me begin with a quote from Bhaskar which I think is important.

By the way, I just want to emphasize one thing, though. You do recognize, though, that even if we lived in a world in which – let's put it this way: even if we lived in a world in which property-based capitalism did not really bring the fantastic prosperity that it can – I say that because we haven't really seen it unleashed. But even if that were not so, even if it didn't bring, of course, incredible prosperity, we would certainly have a strong bias in its favor, because we would understand that classical liberalism is impossible to conceive, unless people can exercise individually exercised property rights. And so socialism is obviously inimical to that, and so a rights-based argument against socialism is, of course, vital to me and I'm sure to you, as well. So I don't know if that's new, but so I want to emphasize that part of it. That, obviously, it's freedom and prosperity – you know, didn't "God" – to put it in quotes since I'm an agnostic – "God" created a fantastic world, in which both freedom and prosperity can be realized through the same system. What a great combination.

But yeah, indeed, as you said, Tom, I could read a few statements which are somewhat odd, where he'd suddenly conceding – he's very coy about China, about what happened in China, although he talks about the fact that many – and of course, he hates Stalin and the rest, and of course, he says that Marx was always totally well-meaning, always wanted to see real socialism, not the kind of socialism that Stalin and Mao stood for. You know, that's the usual strophe.

When he talks about China, he's not very forthright in pointing out that it was the market liberal reforms of 1978 that kicked off the huge increase in the standard of living. There was a book by – I forget the guy's name for a moment – Orville Schell know called *To Be Rich Is Glorious*. That was a quote from Deng Xiaoping, "To be rich is glorious." Those Chinese like to lay it out there. That's what a socialist government was saying, to be rich is glorious. That was the credo of capitalism that the Chinese government was espousing. And there were very extensive market reforms. And the economic freedom index measures that, and I think the economic freedom index teaches us all that there are degrees of socialism. In a way, there is a continuum. It's funny, you and I don't believe in left and right, but there is a kind of way to talk about how, at the one extreme you have true free markets, and at the other extreme you have socialism, and then you have things in between, and there is a continuum. China moved very much in the direction of markets, and because markets, once you unleash entrepreneurial energy, then even in a society in which the government is getting in your way, there are some extraordinary achievements that can be made, because markets really are powerful. All of that happened in China. Bhaskar mentions it glancingly, but not very explicitly.

But now I want to get to my final challenge to Bhaskar and to the others, and I want to quote from something he writes, which I think is germane to his attitude. He writes, "Our task is formidable. Democratic socialists must secure decisive majorities in legislatures while winning hegemony in the unions. Banner organizations must be willing to flex their social power in the

form of mass mobilizations and political strikes to counter the structural power of capital and ensure that our leaders choose confrontation over accommodation with elites. This is the sole way we will not only make our reforms durable, but break with capitalism entirely and bring about a world that values people over profit." And I mean, earlier, he says that we really can't stop at the Bernie Sanders-like, Swedish-like social welfare state. That's his point. We've got to keep fighting. Our task is formidable. Winning decisive majorities in both the Senate and the House, then on top of that, take to the streets, take over the – my God, that's formidable indeed.

And so why do I quote that? Because I want to be able to tell Bhaskar this: you know, there is another way. The other way is to recognize that capitalism provides you with the way, that basically worker-owned firms are what we would call partnerships. You know, every worker is a partner. It goes back to George Reisman's point that before the capitalists came along, it was pure profit, that essentially there will be no workers and everybody's going to be an owner. Everybody's going to be a capitalist. Everybody's going to be a partner in the operation. And indeed, we have partnerships, and so you want to extend that model, and because you believe that everybody should be a participating, voting member of the company. And there's nothing in capitalism that says that you can't do that, and essentially, in a sense, of course, what he doesn't realize is that, as Reisman put it, I think quite wittily, that essentially what capitalism brought about was wages. You want to return to pure profit. Everybody just simply gets his share of the profit.

And so all you need to do is recognize how much power you have to start that going right away. The numbers I keep throwing out, you know, the bottom half of the population accounts for one-third of all consumer spending; the bottom four-fifths account for nearly two-thirds; the labor unions you want to take over, in the US alone have more than a trillion dollars in pension fund money. Globally, labor unions have the estimate – it surprised me – approximately 40 trillion in pension fund money. You have the financial firepower to do what I could call a hostile takeover. This would be a different kind of hostile takeover. You boycott a firm. If you have one-third of consumer spending, you can boycott a firm, drive it into bankruptcy, and then take it over. Or you can start your own firm. Maybe – the idea just came to me just this morning – maybe there should just be a worker-owned version of Uber. The drivers could presumably link up and hire their own people to coordinate on computer and steal Uber's idea, because it's not really patentable. They could steal Lyft's idea, and just do it in a way by making all workers partners. And you'll have immense advantages.

You know, when I wrote this to Ben Burgis, he was a little bit taken aback, but he said – I keep mentioning Ben Burgis, because he's a socialist who's out there a lot. He's coming out with his own book, and he was on Dave Smith's show. So I get more communication with Ben. Bhaskar has shut me out of his life. But Ben responds, and I wrote Ben – Ben said, "I'm against hierarchies, and I'm for worker control." And I said, "Well, that makes two of us, Ben." You know, why not? Do it. And then Ben then started to fumble a little bit, and he said, "Well, but it would be so difficult to compete with capitalist firms, because, they can dictate the wages." You know, they start with that business about how capitalists dictate wages and how it's not actually bargained, or they don't bid up wages.

But at the moment I didn't want to argue that point with him, and so I wrote him back and said: Yeah, but Ben, think of all those dividends, all that waste that goes to these overpaid executives. You'll save on that if you're competing with a capitalist firm. Think of all the dividend payouts, all the capitalist fluff that all the capitalists skim, that they drain from the

companies – according to you, at least. So why should it be so difficult to do? And wouldn't the workers be better motivated in your world? After all, they won't be taking orders from the hierarchy from this? But then are you really telling me now that you can't possibly operate a worker-owned firm unless you strip away through the iron fist of government, unless you strip away any rights of the capitalist?

So again, I didn't hear from him about that one, because I guess he's got to think about it. But again, all of that is quite possible. And I do mean it sincerely. In a way, that was the – many members, many of the New Left – I considered myself – I helped form an SDS, Students for a Democratic Society when I was an Brandeis undergraduate in the 1960s. And we began to recognize the contradictions of our own view. We hated government. We hated the Vietnam War. We didn't trust government, so how are we going to be in favor of an economic system in which government gets more power rather than less? So there was a huge communal movement. Of course, there still is. It seems to work out only among communities that are based on religious faith, that are held together by the glue of religious faith.

And so when I was on the New York Stock Exchange, ironically, I had free run to do different articles and different stuff, so I was making the rounds of all of the worker ownership movement, and there still is a fair amount of that. But we began to realize that a firm would be failing, and then the union would take it over, and it would be the darling of the day, and then it would fall on hard times. It's very difficult to make that kind of model successful. But it's a fair game. It's a game that's fairly played. If you think that those overpaid executives and all of those capitalists are essentially parasites contributing very little, then just take over your own corporation, run it according to a partnership of workers. And that will realize the socialist dream. And of course, I'm only echoing David Gordon, who's written about this, as well, our own resident polymath at the Mises Institute, who's addressed the Marxists in the same way. We'll have worker-owned firms competing with conventionally owned firms, and we'll see where the workers prefer to work. And that will be a fair competition.

But they are ducking – I mean, as a matter of fact, I could go into some other parts of Bhaskar's naivete He hasn't quite resolved – just as you and I were saying, he seems to pay homage to the achievements of capitalism, as indeed does Karl Marx in the *Manifesto*, about the cheap prices of the bourgeoisie. You know, if they're charging such cheap prices, then that must really be enriching the masses. And so he can't quite get his mind around why this is the case, why capitalism achieves so much for the masses. And yet, in his weak moments, he recognizes – that's Karl Marx and Bhaskar. In their weak moments, they recognize that it does happen, and then if they only took it to the next step and they realized what entrepreneurs do, then we could get somewhere and then they could recognize that if they really value democracy in the workplace – about which I used to be more enthusiastic about it than I am today, but I certainly respect it. I certainly hate to see – you know, I've seen throughout my career irrational, dictatorial bosses, who waste people, who are irresponsible in the way they deal with their personnel. I would like to see them punished in the free market a little bit more. The free market does punish bad managers in the sense that if they don't manage their people well, the firm won't be productive.

But look, if the workers want to take over, then let a hundred flowers bloom, and let's see those experiments happen. But it does appear that Bhaskar is having a heck of a lot more fun writing his books and raising money through Kickstarter for his movie rather than actually facing up to something that he could start tomorrow. He brags about the fact that there were 5 million members of the Democratic Socialists of America only several years ago; now there

are 50 million. Well, those 50 million could raise a few bucks, could appeal to the unions, could start to think in terms of starting worker-owned firms and showing how the socialist experiment, the democracy, the thing that he thinks he brings to the party and nobody else brought to it – how democracy can bring to socialism something that we've never seen before.

By the way, I mean, that's indeed his key point, why he's able to say socialism got off to a bad start, because he doesn't like Fidel Castro either. Castro never really gave rights to the workers. There wasn't really any democracy in Cuba. And somewhat, to my surprise, by the way, I have a Kindle edition of his book, and so I don't even have to rely on the index. I put in the word "Venezuela," and I get no hits at all. No mention at all of Venezuela. But he does mention Cuba. And none of these socialisms really worked out for him, because they weren't democratic enough, and that's the card that he plays. But what you and I would say is that I believe democracy – if you're a minarchist, democracy, government is at best a necessary evil. If you're a minarchist, that's the spirit of the Founding Fathers, and democracy is at best a necessary evil. It is nothing glorious. It's the right of 51% of the people potentially to abuse the other 49%. And none of us have enough time in the day in the division of labor society to actually have any say over how economic decisions are made. So I don't hold too much hope for democracy.

However, democracy in the workplace, you could imagine maybe it could be an exciting idea, people participating and excited about their enterprise and taking it to a vote and all that stuff. But so there's nothing wrong with that. It was David Friedman who wrote about this years ago in *The Machinery of Freedom*, that certainly if the workers want to take over the means of production through capitalists means, some of us might not like it, but we'd have no right to object, and it might indeed be an exciting experiment.

WOODS: Gene, I've just let you be unleashed on this episode [laughing].

EPSTEIN: [laughing] Okay.

WOODS: I mean, I know this has been bottled up for a long time, and it's been good for you to get this out. But let me at least ask you one or two super specific questions from the book and from the beginning of the book, because what he does at the beginning is pose a thought experiment. Imagine that you work at a sauce company, you know, and so he's trying to imagine what your life would look like now and what it would look like in the socialist future. So one of the things he says is that, let's say somebody gets either fired or just decides to move on to some other venture. The beauty of socialism, he says, is that because we will have basic income guarantees and a robust welfare state, the people are not faced with the work-or-starve alternative that they face in capitalism. They can take their time; they can look around; they can find something that's satisfying to them. It's not a matter of work or starve. Because this is a typical, of course, Marxist view, that there's a power disparity between employers and workers. The employers have savings, and they can support themselves. The workers don't, so they have to just work or starve. And this is clearly inferior to a socialist system, where you can make your own destiny and decide what you want to do without your growling stomach overriding that.

EPSTEIN: Well, yeah, I mean, there are a few standard responses to that one. By the way, he actually talks about how in his ideal socialist society, how somebody's goofing off, but he gets due process, and it takes a few months to get that person fired. And as we all know, if all

these people are going to get due process, then very few of them are going to get fired, and you'll have the kind of unemployment we have in France. Employers don't even want to take them on, and worker-owned firms won't want to take these people on.

But to address your point, let's start with George Reisman's great formulation, worker need and employer greed. And certainly, workers have need for a job and employers are greedy; they don't want to pay any more than they have to. But as he put it, imagine that you're moving to a city and you own a car that you've got to get rid of. The car is going to actually be a liability, so you practically give it away. But do you really have to? Well, you don't have to. You can just go to the marketplace and get it bid for, even though you have the need to get rid of it, even though it's a liability for you. So if you go to a place where there are jobs, where jobs exist, then they will be – and where, indeed, where government hasn't locked things up, where there are just a handful of firms that employ, then you just go to the employer that gives you the best bid. And the employer, of course, needs workers as well, is greedy just like consumers are greedy. But the employer will bid for your labor in terms of what your labor is worth to that employer. If that employer does not, then you can go to another employer who will do it. And so just as at an auction, if you miss out on what you want to buy because you're so greedy that you won't raise your bid, you'll miss out on buying the labor that you need in order to make a profit. So all that Reisman is saying in that case is that, while worker need and employer greed are valid statements, it does not mean that wages do not get bid up well above subsistence in a progressing economy, because in the progressing economy, your labor is going to be worth more to those employers, and somebody is going to bid the value of your labor from you.

Now, that assumes, of course, that you have to work. And of course, then we get into these crazy statements, where apparently – you know, Bhaskar actually says at one point that what's new about capitalism is that under capitalism, you have to work, and then we gasp and find in the next sentence he's talking about feudal times. And somehow or other, he doesn't quite understand that in feudal times, the need to work was even greater, centuries ago where starvation really stared you in the face if you didn't work, because just about everybody was poor. And so that's rather stunning.

But the idea that a society has no right to expect that people make their contribution in terms of work, I mean, that seems to be something that Bhaskar struggles with. But again, if we now talk about how, *Don't we want to see a world in which, if workers want to be between jobs, they should be able to exercise that power, not working for a while and being between jobs?* Well, you know, of course you and I would say that if you want that sort of world, then put some money away. There are people who do save. I know a kid – of course, this is an extreme, and he was being paid very well in Silicon Valley. He got himself fired, and he's got money saved up, so he's making a transition. A lot of people do save some money. And of course, the ability to save money in a progressive economy, in a prosperous economy such as capitalism creates, is far greater than it is in a poor economy, certainly in a socialist economy.

But now if we get to the next part: do we want government-dictated unemployment insurance, do we want negative income tax, do we want all of those things? Well, you know, in that case, I know how inclined you are to debate that one with socialists. My tendency, Tom, is to say that, if that's all you want, if you want unemployment insurance, if you want some sort of negative income tax that's dictated by the state, let me give you that for the moment. If that's your only objection to capitalism, that if somebody is not working, he's

necessarily going to starve, because isn't it unreasonable to expect that person to have saved any money, because then you want to create an example, that person has a wife and kids and couldn't save money – then, of course, we bring in, you know, don't we understand that communities are compassionate and that people who have difficulty through no fault of their own, that there are church communities, that if you look back in the late 1800s in the US or read de Tocqueville, the generosity of communities toward people who were having difficulty, all of that exists, and the generosity of families toward each other? All of that usually is more than enough in a prosperous economy to deal with it.

But if at the end of the day, you want to insist that there be some sort of dictated unemployment insurance or some kind of dictated negative income tax so that people who don't save, who have no friends and where there's no compassion won't starve, then okay, then let's have that. Although do recognize that usually your compassion stops at the water's edge, in the case of the US, at the national boundaries, because you're not compassionate enough, really, to prevent the starvation of other people in the world. That's where capitalism really has to shoulder the burden to lift people out of that kind of poverty, because that's where you will generally draw the line, at being generous to other people in the world. You just want to be generous to other people in the United States. So there's an element of hypocrisy in that, as well.

But if at the end of the day, all you and I have to concede is that, let's have capitalism, but let's have some kind of negative income tax or unemployment insurance or some kind of welfare safety net, then, okay. But let's expect those people to make a contribution and work. And do understand that people like Charles Murray and even in Sweden and elsewhere, they have experienced a lot of abuses on the part of people who are given those options, who abuse those options, and who don't work as a result and don't make their contribution, because the state gives them handouts. So do recognize that there are problems even in economies, even in societies where one would think that shaming, as in Sweden, should be sufficient. But a lot of scandals have been exposed, even in Sweden, about abuses. And certainly the abuses in this country, the number of people who claim that they have a right to disability, or the millions of people who are not in the workforce who live on government largesse, all of that, it takes gutsy people at Thomas Sowell to make that point, gutsy people like Charles Murray to make those points. You do get abuses.

And by the way, when Bhaskar at one point talks about in his socialist economy, you have somebody who's not working hard, then you put him on a warning, and then there's a three-month hearing and all kinds of bureaucracy you have to go through in order to get that person fired, then that person, he says, gets a government job. That's it. I mean, those government jobs go to the people who are going to malingering. And you know, the government job point reminds me of Milton Friedman's quip. When they were going to give government jobs to welfare recipients, Friedman quipped I guess in a non-PC way that, look, instead of building offices for these people where they basically do nothing, which will be very costly, let's just say they're on home assignment, because it'll be much more costly to have them come to some kind of cockamamie office to have them do something that the government is going to invent as some kind of need. Generally speaking, it's a waste.

So I don't know if I've spoken to that enough, Tom, but as I say, to repeat the point that, at the end of the day, if all we're going to do is concede, Well, look, let's make a trade. Let's have a negative income tax and unemployment insurance, but give us unfettered capitalism apart from that, so that nobody starves and so you don't have to worry – I see problems with

it, but let's make that concession for the time being, then doesn't that deal with that problem sufficiently?

WOODS: I'm going to say one quick thing before we wrap up, just about some specifics that make me crazy.

EPSTEIN: Okay.

WOODS: He did say – because he was partway through his first chapter, he's talking about Sweden as an alternative.

EPSTEIN: Yeah.

WOODS: And he's saying, in Sweden, things would be different if you were, let's say, switching jobs. You would look in the paper; you'd find unemployment is low. You could get state-funded retraining and so on. And what I was shouting at the screen, because I got it on Kindle – yes, I bought this book, so I could talk to you about it. But the one thing to note is that the unemployment rate for Swedes in the US is much lower than just overall unemployment in Sweden. So hmm, I wonder if there's something about the American system versus the Swedish one. But I'm not even sure he knows that.

And then secondly, state-funded job retraining generally works out to be a boondoggle. In principle, it sounds like a good idea, right? You need to be retrained; you've got obsolete skills. But it just never seems to work, that the state identifies what you need. The private sector, if they need people, they'll figure out how to train them. But I remember – I've got to get Mark Thornton on here one of these days to remind me this, but he was doing a study of job training programs in Alabama, and he wanted to know, of all the people who went through a job training program in that year in Alabama, how many people were successfully placed in a job for which they had been trained? And the answer was two. Not 2,000 [laughing]. Two people. So there's this, I mean, naivete barely scratches the surface of what this really is, to think, well, I'll just come up with a concept. I'll just say, "Oh, well, we'll retrain them." Like we'll just treat it like this has never been tried, or we'll treat it like we have no evidence about this, and then we'll treat this like it's a utopia.

EPSTEIN: Oh, yeah. No, yeah, picking up on your point, Tom, first with respect to playing the Swedish card – he actually says something odd later on about how somebody loses his job because the national union imposes very high wages generally on society. But with respect to playing the Swedish card or the Scandinavian card, generally, they are the first – again, Milton Freeman's quip, when told we have no poverty in Sweden, he said, "Oh, that's interesting. We have no poverty among Swedish Americans either." And, indeed, even Norwegian Americans live better than Norwegians do in Norway, and the Norwegians have 5 million people sitting on a huge oil well with a trillion dollar sovereign wealth fund that they invest from that oil. And that, I've just learned recently, is now heavily invested – the Norwegian sovereign wealth fund is now heavily invested in high-tech companies in the US, so they've sort of hitched their wagon to our capitalism. But so as has been abundantly documented, it's better to be a Scandinavian in the US than to be a Scandinavian in Scandinavia.

But the more important point, really, is that it's just such cheap cherry picking to talk about the welfare states in these handful of countries, rather than just asking yourself: well, we have a lot of examples of welfare states just in Europe alone. We also have Greece; we also have Portugal; we also have Spain; we also have Italy. And so do you really think you can ignore you — you're looking at the track record of a lot of European countries that have run welfare states with involvement of the government in the medical sector. All of that has happened in these countries, and you are going to choose only those ones that did better than the others? You're not going to choose the general — well, we have — you know, I mentioned Italy and Greece. I was talking to a young woman from Denmark, and she was touting the example of her own country, Denmark, which is where she lives. And then I mentioned Spain, Italy, and Greece and Portugal to her, and she's, *Oh, well, you know, those are the Southern peoples.*

WOODS: Oh, my gosh.

EPSTEIN: [laughing] I said, "Look, she's a Dane. She's got a right to be snooty." So you know, but we have a lot of those Southern peoples in our own country. We do have a lot of Italians and Greeks. We've got a lot of other people. We're 330 million people, and when it comes to medical care, we may not even want to look at the general example. But the general example should be what we look at. What has been the range of experience with the welfare states in Europe? And you know, how cheap is it to simply cherry pick the cases that look better than the others and ignore the cases where things haven't worked out well at all? And then we just have to ask ourselves: will our welfare state look more like Sweden or look more like Greece?

So we might probably look more like Greece, especially in the case of medical care, if you look at the one example that Krugman and others were shouting to the skies is the one model of medical care that we have to follow, which we already have, the Veterans Administration, which turned out to be a terminal house. That's how well we managed it. And so, again, it's not to put down Americans, but just to understand that if you're going to use the example of social welfare states, then don't cherry pick your examples. Look at the general results, and you find that maybe it's not that amazing that Europe's growth is so slow, how as much as we complained about US growth — as much as I do — we've been doing a heck of a lot better than Europe. As much as we complain about the way we do, there is a term called Eurosclerosis, and that may have something to do with the way they manage their economies, which is similar to the way Europe, Sweden, and Denmark do. If Sweden and Denmark did well, don't cherry pick those examples and choose only those.

Now, I want to get to your other point you were going to have me answer. What else were you saying, Tom? Because I really wanted to mention another point about that. You went on from Sweden to make a point about —

WOODS: I was talking about job training.

EPSTEIN: Oh, yeah. Well, part of what, by the way, in my own fascinating biography about how I wrote how mommy was a commie and how I rose from intellectual depravity, I did for about seven or eight months have a job with the Human Resources Administration as a program policy analyst, where I was supposed to evaluate training programs. And indeed, they were a bust. And why, obviously, there's nothing so complicated about the problems of a division-of-labor economy, in which you can't necessarily expect everybody in government or everybody in society to be an idealist who focuses on the real purpose involved. People do

tend – bureaucratism exists. Public choice theory, as Bob Murphy taught us both, that's different from private choice. Public choice theory teaches us about politics without romance, that people pursue their own ends, that bureaucracies tend to want to expand, and they want to serve their own purposes. And unless they have the lash of profit and loss – in the case you cite, Tom, unless a company has as its express purpose to recruit people who can actually contribute to the bottom line, unless that focus is in the organization, then there's a great danger that the training programs are simply going to be just throwing anything at the wall. And so it was the same point, that there was absolutely no difference between people who've gone through these so-called training programs and people who didn't.

I mean, it's almost a cheap shot to cite an example, but there literally in the 1970s was a course in teaching people how to repair black and white TVs. Now, perhaps people don't remember that there used to be black and white TVs being bought on the market, but not in the 1970s anymore. So that's what they were teaching. I mean, that was, of course, the most appalling example of a training program that was supposed to get people jobs. And you got a stipend, by the way, for being in the course. Tom Wolfe, by the way, Tom Wolfe, who was the really exuberant journalist who wrote about a lot of things, he also wrote about the poverty programs that essentially only hopeless lames, as he put it, believed that training programs were going to get you anywhere. You get into the poverty program or you enroll in the training program to get a stipend. That was the whole purpose of it.

And so what you want to convey to Bhaskar – what happened to me, by the way, in working for the Human Resources Administration, and just had an understanding day after day and seeing that, obviously, these were just a bunch of people who were pursuing their own interest. And you can't expect ordinary people to keep their eye on the ball and keep imagining that they're going to serve the common good. That's way too much to expect of ordinary people. As my own boss at the time said, you know, poverty is good for us. Poverty is what's giving us jobs. We are poverticians. That's what we are all about. And so that's why the supposed paradoxes – Thomas Sowell explained, is it paradoxical that the government has a food stamp program, but then also has policies that makes food more expensive on the farm level? Is it surprising that the government has a vast bureaucracy that inveighs against smoking, but then also subsidizes tobacco farmers? Are those things surprising? No, not if you recognize that bureaucracies simply want to do their thing. It's not irrational in terms of the goals of a public bureaucracy that does not get subjected to the lash of profit and loss, and that it gets so lost in the shuffle in a complicated society that nobody can monitor it. That's what happens under bureaucratic conditions.

And so that's what will inevitably happen under Bhaskar's society. We certainly won't get the rights that we get even under this flawed capitalism. We won't have a Soho Forum, we won't have a *Tom Woods Show*, and we probably won't have a *Jacobin* magazine. But we also will get grotesque inefficiencies. Although in the end, I don't know if I predicted – I tried to predict under Bhaskar – I said when I was debating Bhaskar, I tried to tell Bhaskar, "You know, Bhaskar, in a way, I trust you, because you know what's really going to happen, is that if you're in charge of this new economy, you will see so much going on that's crazy, you will say, hey, look, we do need crowdfunding. We do need venture capital firms. We do need people to have the right to raise their own money and be given more autonomy, because you yourself will be upset when you see what happens under your kind of socialism." But then, of course, the thing to really fear is that the worst will get on top. As Friedrich Hayek put it, the thing to really fear is that we won't have a compassionate and sensitive young man like

Bhaskar running the economy. We'll have power-hungry people who are generally drawn to power and who will be corrupted by that power.

WOODS: All right, with that we will call our discussion to a close. The book we've been talking about, of course, is *The Socialist Manifesto: The Case for Radical Politics in an Era of Extreme Inequality* by Bhaskar Sunkara. I'll link to it at TomWoods.com/1401, but I will also link there to the Soho Forum website, which you should be checking out –

EPSTEIN: Just one other little plug for me. Of course, you and I have had some nice exchanges on Twitter. I am active on Twitter these days. I may have some debates with my socialist friends on Twitter, and so I'm @GeneSohoForum.

WOODS: Yes, @GeneSohoForum, so we'll also link to Gene's Twitter on TomWoods.com/1401. And I'll also, for anybody who did not see the debate, we'll link to the video of the debate between Bhaskar and Gene.

EPSTEIN: Please do. It's actually – you know, *Reason* sponsors us, and they do very well in their podcast. My podcast debate with Bhaskar, it's a record for the Reason Foundation. They've had hundreds and thousands of hits for that podcast with Bhaskar.

WOODS: That's amazing. That's amazing.

EPSTEIN: So the *Reason* people are very happy with me for that reason.

WOODS: That's good. That's good. I like when people are happy with Gene Epstein. So it's one of these things you can do over the weekend for some weekend viewing, and literally make popcorn. I would actually make popcorn and watch Gene debate Bhaskar. All right, thanks so much, Gene. I really appreciate your analysis here.

EPSTEIN: Thanks very much.