Episode 1,404: Socialism: The Failed Idea That Never Dies

Guest: Kristian Niemietz

WOODS: I am a big, big fan of this book. The beginning of it is written from a UK perspective in terms of the polling data about people's opinions, but I would say if you adjusted the pro-socialist views downward by 10 to 15 percentage points, you could substitute an American audience there, especially given the direction things are moving in. When did you decide to start it on this project? Because the timing at this moment certainly seems pretty darn good.

NIEMIETZ: I think I first had the idea when this surge of the radical left started here, when it came back. I've long had the idea that banging on about socialism — even though until about four years ago it sounded a bit outdated, I've long thought that it actually does make sense, because once you've cleared up what's wrong with socialism, it then becomes easier to explain what's wrong with milder forms of interventionism. You can then say: and to a lesser extent, this also applies to this form and that form of interventionism, if not, to the same degree. And then events sort of overtook me. Then socialism itself had made a full-blown comeback. And I realized, right, it now actually makes sense to address socialism, head on, not just as a theoretical extreme from which you can then adjust your arguments downwards, but as a topic in its own right. It started with I think a little blog piece or little video, I can't quite remember, some relatively minor publication on socialism, which then went viral on social media. And then I realized that there is a demand for this; I'll extend it into a paper, and then it became a longer paper, and eventually became a book.

WOODS: Later in the book, you have a three-stage process by which, let's say sympathetic opinion, will observe the development of a socialist state. First, you say there's the honeymoon period. *Oh, look at all the advances that are taking place*. And as you say, it's quite possible that there could be some advances. And I've always said, especially when dealing with even just large welfare states, if the state takes that many resources, yeah, it's bound to do something good with it by accident, even. Of course, you're going to get some medical care. If it's taking half the national product, of course you're going to get something. So all right, so that gets summed up in the honeymoon period. Then you have the period where things start going a little sour, and so opinion becomes defensive, and then they want to turn things around. *These people who are critical of this society, well, they are disreputable people*. And then finally, the third and final stage is: well, was this really socialism after all? And it just happens again and again.

NIEMIETZ: Yeah, that's the frustrating thing. I've been debating socialism for 20 years or so, and there's always the thing that as soon as you come up with a real-world example, every socialist will respond, "Oh, come on, you're being silly. Obviously, I'm not talking about that, not that kind of socialism. That wasn't socialism at all." And I started looking at the history of

this little bit, long before I had the idea for this book ,and found that, actually, that wasn't always so. It is the case that these arguments — *This wasn't real socialism, that was a distortion,* and so on — this always comes after the event. Once the socialist example has already been widely discredited, you will hardly ever find somebody making that argument as long as a socialist project is in its prime. And yeah, in the process of writing the book, I found that almost all of them have had a period during which they have some initial achievements, or I'd say at least seemed to have them, had a relatively high international standing. And during those periods, they're always widely praised and endorsed and waxed lyrical about by plenty of prominent Western intellectuals.

WOODS: I want to ask before we — I definitely want to get into some of the specific places that you cover here, but I want to ask if we can think out loud a bit about whether socialists could come back at us with the same kind of argument and say, "Well, you people are always saying that we don't have real capitalism. And so every time we try to criticize capitalism, you say it's not real capitalism." My partial response to that is that, it's true, first of all, that we have mixed economies. We don't generally have real capitalism. But at the same time, we do have elements of the kind of system that we favor. The very fact that we have a stock market reminds us that we have private property in the means of production. So we have elements of our system, and so therefore, to the extent that we have those elements, we do have good results that we can point to. But to the extent that we have opposing elements, we have bad results. So I think we can give a fairly nuanced response, as opposed to, *Well, that's not real capitalism. That's not real capitalism*. Because that's all we get from these people. Nothing was ever? So if nothing is ever real socialism, then doesn't that itself, if not refute the system, at least raise questions in your mind: can this system never be implemented then?

NIEMIETZ: Yeah, of course. I mean, ideas, political theories, economic theories are never implemented in pure form. That's true of socialism, of capitalism, of theocratic systems. That's true of anything. But the big difference between the people on our side who would say that's not really capitalism and the socialist who says that's not real socialism, as you alluded to, is that we accept approximations. We would at least say: right, this is two-thirds of what I want; this is 80% of what I want. We can identify approximations, systems that we consider quite good. It's not that we're measuring socialism by unrealistically high standards. You could say that a socialist who argues that, for example, East Germany wasn't real socialism would have to concede that it was at least little bit closer to real socialism, whatever that is, than West Germany. We're not asking them why was this not a perfect utopia; we're asking them why was it so much worse than West Germany. Why did they have to build the wall, and not the other way around? That's the comparison. And of course, West Germany wasn't real capitalism, either. When I grew up in West Germany, I guess we could record a show of its own, talking about the many things that are going wrong there. But of course, if I had a choice between West Germany and the old East Germany, I know which one I would choose.

WOODS: No doubt. Now, now that you mentioned that, let's go into some of the specifics. You cover in here quite a number of horror stories from the communist periods of the Soviet Union, China under Mao in particular, then Cuba, North Korea, Cambodia, etc., etc. And the way you've organized several of these sections, the same themes appear. And the themes that I have in mind are, there are always pilgrims, let's say, useful idiots from the West, who will go over and visit and then report that things are all right. Not only are they all right; they're wonderful. Or even today about some of these places, you can still find people who are trying to say that Mao wasn't really responsible for what went wrong, and the right wing is making these stories up, and it's all exaggerated. And you can find today too people who say that the

Ukrainian famine is unjustly blamed on the Soviets. Over and over, you can still hear that this. So give us some examples of those two phenomena.

NIEMIETZ: Yeah, right, there is always this period when Western pilgrims travel to these places, and it's happened in all of them. And I tried to concentrate on well established, respected, mainstream academics, because otherwise it would be easy for a critic of the book to say, well, you're cherry picking a few atypical examples. That you really cannot do. I'm picking on specifically people like Noam Chomsky, where no one could say this is some outlier. Noam Chomsky is clearly a rockstar intellectual and has been for many decades an iconic figure on the left. And there's plenty of people who had a similarly iconic status, at least for a while. The names might not be remembered very well, but they were big fish, at least at the time of writing. And you can always find some fairly big names among those pilgrims. And of course, the pilgrims are the one end of a spectrum. They are the extreme. A step down from that, you can find fellow travelers who would not have gone all the way there, who would not have said this is a paradise in the making, but who would still have said, well, yeah, on balance, they're doing the right thing and this is something promising.

Noam Chomsky is in two chapters. He's one of those repeat pilgrims. In the '70s, he was one of the people who tried to downplay the atrocities of the Khmer Rouge in Cambodia. I wouldn't say he was an admirer of that regime. He doesn't actively praise them, but he does downplay the atrocities that they committed or tries to shed doubt and discredit refugees who were talking about these things, the sources of information that the critics of that regime in the West had. And then he appears again in the Venezuela chapter, because he was one of the early admirers of Chavez. He traveled there in I think 2007 when their economy was still booming — in this case due to an oil price boom — and said this is wonderful, I can see how a better world is being created here. And now he says, oh, no, I never described Venezuela as socialist. So this is this process that I'm describing. You get people praising it for a while and then backpedaling, rolling back, and claiming that that place, whatever the utopia du jour is, was just never socialist. Often, it's because a new generation of socialists have grown up. They may have no memory of that. For them, this is something that happened in the past. But sometimes it's the same people who said one thing, then who say something completely different now. Chomsky is one of them.

WOODS: Do you mind if I ask how old a guy you are?

NIEMIETZ: I'm 38.

WOODS: Okay, so you're a relatively young guy. I'm just wondering how much of this you lived through and you observed yourself?

NIEMIETZ: Next to nothing, no.

WOODS: Yeah, so there are fewer and fewer people who have firsthand recollection of this. And then we see things like this really demoralizing report just a few weeks ago, saying that the popularity of Stalin in Russia today is at an all-time high. How do we account for something like that?

NIEMIETZ: Okay, I don't know enough about Russia, but my guess from what I do know would be that this is not so much about socialism, this is mostly about nationalism. This is not Stalin,

the socialist, Stalin, the man of the five-year plans, but Stalin in the sense of a strong leader and some somebody who his enemies were terrified of, and, well, a bit like a very masculine figure, and it would be more a form of nationalistic hero warship than socialism. We can see this to a much, much lesser degree in the in the nostalgia that still exists in Eastern Germany. There you get sometimes the people on the far left here cite those surveys where, whatever, 50, 60% of East Germans say they have positive memories of the GDR, saying, "Ah, look, these people regret it. They want the GDR back. Maybe they were against it at the time, but looking back, they actually like it." Yeah, well, not really. What happens there is often that there are people who idolize or who romanticize some aspects of the system as it was, but that's not necessarily the socialist aspects. So this nostalgia isn't necessarily socialist in the case of Eastern Germany in particular. A lot of that is actually has to do with the fact that, firstly the GDR was very much a law-and-order state, and also that it had very little immigration. Well, being socialist, of course it was not a magnet for migrants in the way West Germany was. And this is one of the reasons why there's quite a bit of flipping back and forth in voting patterns between the Socialist Party, the successor of the former ruling party, and far-right anti-immigration parties. So you would think those are polar opposites. No, not at the voter base. And a lot of this, I would imagine that this Stalin romanticism in Russia is just a far more extreme form of that, that I doubt that they would talk about state-organized childcare or stuff like that. If you asked them what was so great about Stalin, it would be more a form of this big, strong, impressive guy.

WOODS: Right, and that was the impression I got. You know, that still is pretty terrible, but at least it —

NIEMIETZ: That's bad enough, yes.

WOODS: Yeah, yeah.

NIEMIETZ: But it would be even worse if that was also a longing for socialism. But yeah, you're absolutely right; it's bad enough as it is. It's a "make Russia great again" sentiment.

WOODS: So what we've got, then, is I think an equivocation among some people who say they favor socialism, in that it's not really obvious that they're all defining socialism in the same way. Some of them protest that all we want is Sweden. But you know what? All these people who say all they want is Sweden, these are the same people who all the way up until it collapsed were telling us that Venezuela was real socialism and it was generating really good results. So today they say, oh, we don't mean Venezuela; we mean Sweden. But you know what? You did mean Venezuela ten minutes ago, so it's a little hard for me to believe that all you mean is Sweden. And then moreover, there's a new book, *The Socialist Manifesto*, here in the States that does call for socialization of investments ,so that there wouldn't be venture capital, there wouldn't be private banks. The state would decide to allocate funds according to what it believes to be meritorious purposes. Well, that's a lot more than Sweden.

NIEMIETZ: Yeah, you often get people who talk about Sweden or Denmark in the abstract, who then go on to propose policies that they would never dream of doing in Sweden or Denmark. This nationalization thing, okay, this has a bit of a Swedish counterpart. They had a policy like that in the '80s, where they tried to transfer company ownership, I think it was to the workforce in that case. But they abandoned that pretty quickly. That was a short-term experiment and had, even in the short-term, bad outcomes. And the Swedes being a pragmatic people, turned back on that pretty quickly.

But no, we've got the same phenomenon here, that you get people talking about Sweden. But then once you ask them, okay, what do you actually want to do? What are your policy proposals? They come up with a list of things that no Swedish government would dream of doing. Whereas in recent years here, it's been much more common among people on the center right to come up with policy ideas that you could say have their parallels in Sweden. For example, Sweden has something approaching an education voucher system in the way that was proposed by Milton Friedman. And they haven't gone there to whole hog, but they've had some liberalization there. It is relatively easy in Sweden to set up a private school, and students who go there would then have the money following them. It's a money-follows-the-pupil system, which is a little bit like a voucher. And we've had a center-right government implementing a watered-down version of that here. And that was extremely unpopular on the far left, and they're still talking about abolishing that system as soon as they get the chance. But this is something where you can reasonably say, yes, in this respect, we've become more like Sweden; we've borrowed policy ideas from Sweden.

The same thing happened in health care, where we used to have a fairly rigid state monopoly system in health care here. It's now become a little bit more market-oriented. They're using internal market mechanisms. That's something which also comes from Sweden. Again, the socialist left absolutely hates it, and they would abolish it the minute they were given the chance to do it. So it's pretty worthless to bake up Sweden if you then reject all the things that make Sweden work and just talk about some romantic idea of Sweden that you might have.

WOODS: You explain in the book why it is that if you have these ambitions, namely the ambitions to have some kind of collective control — if not state controlled, and who knows? Some kind of democratic control. How's that going to work out except through some elite operating through a state? But some kind of collective control of the means of production that's not private — that it has to end violently. It has to end the way we've seen them all. And so this isn't just that they had bad people in charge, and if only we'd had people more dedicated to the principles of the revolution, it would have worked better. What is the internal dynamic that leads these systems inexorably toward an oppressive, violent outcome?

NIEMIETZ: It's a number of things, but perhaps the most important one is that once you have a central plan in place, you have to be able to enforce compliance with the plan. You cannot allow local autonomy. You cannot allow local divergence from the plan, because otherwise, that would just mess it up completely. If a factory has a production target, then they have to produce that. They can't then say, oh, no, actually, we want to do something completely different. Or if your labor has been allocated to a factory, you can't then say, oh, no, I want to change careers. I want to move to a different city. Because, well, if a lot of people do that, then the plan becomes worthless.

In a market economy, that's not a problem if people's preferences and what people want to do with their lives changes, because we have market prices, which create a balance there. If loads of people move from one sector, from sector A to sector B, then wages in sector A would have to rise and wages in sector B would have to fall. The price system would ensure that this economy moves towards an equilibrium again.

If you don't have a mechanism like that, then you have to force people to comply with the plan. And that's the reason why the Berlin Wall was built, that they were trying to plan an economy, but on the basis of workforce numbers that were changing all the time because

people were emigrating, so that was making the plans worthless. You can't plan an economy under those circumstances. And that's also the reason why in the Soviet Union long before, in the '30s when they were rolling out their first five-year plan, they abolished the freedom to move between cities, which you could do in Czarist Russia and in the early Soviet Union. But as soon as they rolled out the first five-year plan, they abolished that system. They introduced a system of internal passports and internal residents permits, where you needed permission from the state if you wanted to move from, say, Leningrad to Moscow. You couldn't just say, okay, I no longer like it here; I want to go somewhere else, do something else. That was no longer possible. And within that system, within a five-year plan, those restrictions are actually justifiable, because the plan is in place. You are part of it. The state cannot then allow you to do whatever you like.

WOODS: I can't imagine — I honestly — I'm trying to look at things from their point of view. I can't imagine how a democratic socialism could turn into anything other than a bunch of people ordering me around. What else is there? And, okay, we had a vote before they ordered me around. Does that make it all right? Is our general principle: you can vote to order people around? Or is it just when this group of people convened under these circumstances vote? What, do they have some magic dust sprinkled on them that makes it legitimate to order people around? What's the theory behind this?

NIEMIETZ: Yeah, well, I agree. Even if it were somehow possible to organize it in a democratic way, that would then still mean that will be the tyranny of the majority. You would still have an extremely powerful state that has the right to tell you what to do, what sector to work in, where to live, what to consume. It's just that that state would then have the backing of the majority. But majorities can be tyrannical as well. But even that cannot be done, because ultimately, economic planning is extremely specialized and dry and probably quite boring. And therefore in the end, it will always be performed by an elite group, it's not something that you can easily involve the public in. So even on its own terms, this idea doesn't really stack up.

It is already the case in our mixed economies that we're not really making much use of the avenues for public participation that we have. For example, here in our health care system, it is possible for people to get involved in their local area in health care. They have stakeholder groups. I don't remember what exactly they're called, but you can sign up to doctor surgery where they have discussions about what the clinical priorities should be. And so almost nobody does that, because people like the idea in the abstract that, yeah, this is run by the public, for the public. Isn't it great? But you don't want to get down to the nuts and bolts of it, because then it quickly becomes very boring.

We've had that as well with elected police commissioners. That was something brought in by the last government, where in the beginning, I thought, well, this is not such a bad idea. You can have different candidates. They have different priorities for policing, one that wants to focus more on robberies, one that wants to focus more on burglary, on something else. But then what happened is the turnout at these elections is abysmally low. Almost nobody takes part in that, because, well, yeah, we're interested in the broad principles, but not to the degree that we would compare different platforms, different manifestos of different candidates, and then choose one. That's just not how it works.

WOODS: Right. I'm interested that you have a section in which you talk about Western admirers of the GDR, of East Germany, because it's one thing to think about the late 1910s

when American journalists went over to what became the Soviet Union, or even Maoists who had a romanticized view of what Mao was all about. But the problem with East Germany for Western apologists was that you had West Germany right there. So the same people who are identical culturally, who there was no way you could distinguish these people except they lived under a different system, and the results were spectacularly different. And meanwhile, the East Germans have to put up the Berlin Wall. What on earth could Westerners possibly find to admire about that system?

NIEMIETZ: Okay, that chapter is a bit of an outlier for the reasons that you mentioned. In the case of the GDR, there was never enthusiastic support. It had its Western supporters, but if you look at the quotes, they were not as starry-eyed as the people who admired Stalin in the '30s or the people who admired Castro and Mao in the '60s and '70s. They did not see the GDR as a paradise in the making, but it still had its fans, far less so than many of the other places, and far less so than Venezuela a couple of decades later. But it did have its fans, and for different reasons.

In the beginning, that was because the GDR presented itself as the anti-fascist, the anti-Nazi state, because in a Marxist interpretation, Nazism was not a system in its own right, but simply the most brutal form of capitalism. So liberal democracy would be capitalism in good times, capitalism putting a nice face on, and fascism would be capitalism when the gloves are off, the no-more-Mr.-Nice-Guy form of capitalism. That was the Marxist interpretation. And therefore, the GDR government said that, since they no longer had capitalism, since they no longer had private enterprise, they had addressed the root cause of Nazism. They were the part of Germany that made sure that this could never repeat itself. Whereas they portrayed West Germany as latently fascist. Marxists were drawing attention to the fact that some industrialists had supported Hitler, and that was, in their view, proof that Nazism was ultimately a form of capitalism, although even that is actually nonsense. What happened was simply that, once the Nazis were in power, of course businesses behaved opportunistically, but they mostly supported center-right parties before the Nazis had come to power. But that's just by the by. The Marxist interpretation was that.

And some Western admirers or supporters of the GDR believed that. They took that at face value. They said, all right, okay, there are these two different systems here. One of them really has come to terms with its past and is now creating a completely different society. They have some teething trouble. It's not all going well, but they're getting there. Whereas the Western part, well, okay, they're not comparable to the Nazis, but they still have the old industry leaders in place, and it could presumably go back to that. So there was that suspicion.

Of course, then you had the problem that a couple of years later, in 1953, there was a massive popular uprising in Eastern Germany, which was then brutally crushed by a combination of GDR police forces and the Soviet Union. The Soviet troops were still stationed there. And some of the Western supporters then came up with all sorts of excuses, because that's something that Western socialists always struggled with, the idea that you could have popular uprisings, discontent in a people's state. Because according to their ideas, this is a place where the people are in charge, the people as a whole, so therefore, there can't be any discontent. The people can't protest against themselves. The working class can't protest against itself. And they had to come up with excuses, saying either these are sponsored by the CIA, they are sponsored by some West German neo-Nazi group, and you have to come up with some conspiracy, and that's what happened.

And those are usually the periods when this admiration for a socialist regime becomes angry and defensive. This is the stage two that I'm talking about. You get the hopeful version in the beginning. That's the honeymoon period. And then when it turns ugly, then Western supporters have to somehow rationalize that and make excuses for it, and that's when you get these stories, that perfectly normal people who are protesting just because they don't want to live in a dictatorship or because they're just protesting against shortages, they're unhappy with something but they have no sinister motives, must then be demonized. These must be fascist Stooges, imperialists, or disgraced former elites. We see the exact same thing happening now with Venezuela, where they're having protests all the time, have been for five years or more, and in some of the Western press, you get people trying to somehow portray these as part of a sinister conspiracy.

WOODS: Let me wrap up with this question: given what we know about the history of socialism, it seems a bit flippant for people to say, *Well, we don't mean that kind. Oh, don't worry about it. I mean, we don't mean any of that. We have this new and improved version, or we have the original version that was mysteriously hijacked every single time it was tried.* If we were dealing with some kind of food, let's say, and it just kept poisoning us every single time. Your first instinct would not be to say, well, let's think of some excuse for why it went poisonous in that case or in that case. You would probably just steer clear of the thing. So something is odd here that people keep getting drawn back to it. What do you think, just in a short, just visceral kind of response, what do you think at root is driving it? It's not an intellectual examination of the ideas. Maybe for some people it is. What's drawing people back to something like this that's so toxic in practice? What could be driving it?

NIEMIETZ: Well, there is a lot to be said for the theory that socialism is hardwired into us, that our economic intuitions are all fairly socialist. We often extrapolate from the kind of economy that our hunter-gatherer ancestors were living in, where economic activity is collective activity. You have the group, deliberately, consciously collaborating, doing something together and then sharing the spoils. And that is a political act. And the kind of economy modern economy that we have today, a much more complex economy guided by anonymous mechanisms, is just counterintuitive. There's something in us that militates against that. And that will be also the reason why almost no free marketeer — at least, I don't know any free marketeers who have always been free marketeers. Appreciation for free markets is an acquired taste. It's something that you learn about by reading Milton Friedman or Friedrich Hayek, but it's not that you just feel instinctively that you are a free marketeer. It's something that you convert to later. Socialism is just a default opinion. You don't have to read Marx and Engels to become a socialist; you can have socialist instincts, and then you can later read Marx and Engels to express it in more clever-sounding ways.

WOODS: Right, and I think that is generally what happens. And not to say that people around us or the establishment in the US is Marxist. I think that's too simplistic to look at it that way. But they will say things that superficially do sound like they're at least in sympathy with, if not violent revolution — which Marx didn't necessarily say in all cases was necessary. But that's a separate thing. But you can at least see a strain of thought within, let's say, the media, political, and academic classes, whereby if really, really pushed, they might say that the communists, at least some of them had good intentions, and they were kind of like progressives in too much of a hurry. There is some of that, so you would be validated in your socialist instincts. Whereas if you're a market guy, you're not validated in those in any way. Like, you either have to be an extremely independent thinker, or you have to be a reader. You have to thirst after knowledge. Or the third thing, which is how most people kind of fall

into it: you have to be a practical person who lives in the real world and has a job or owns a business. And then you can see without having to read Mises and Hayek what the problems with government intervention are. So the book is *Socialism: The Failed Idea That Never Dies* by Kristian Niemietz. Is there a website you'd like to direct people to or any final words you have for us?

NIEMIETZ: Well, you can find it on our website, IEA.org.uk. And check it out. You can download it for free.

WOODS: That's really crazy. I mean, I assume you accept donations at the Institute of Economic Affairs?

NIEMIETZ: Yeah, we're entirely funded by donations.

WOODS: Okay, so listen. Here's what you do, folks. You go get this free book, all right, and then you send them a donation, because that way you say to them: you're right, a free society does work, and my donation is evidence of that, that it indeed can work. And you've got to read this, and you're going to feel compelled to give a donation.

NIEMIETZ: Yep. Sounds great to me.

WOODS: Okay, great. Kristian, thanks so much for your time. Thanks for this book. As I say, it was so much more than I was expecting, and it's really well done. It's got a lot of information people are going to want. And to see how many people in particular at the time were cheering different regimes, and I have no doubt that later on some of the same people would say, "Oh, that wasn't real socialism." But you know, you were pretty excited about it at the time, so he could have fooled us. Anyway, thanks so much for this important work. We appreciate it.

NIEMIETZ: No, thanks for the invitation.