

In brief

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OWNERSHIP
IN COMMON

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OWNERSHIP IN COMMON



WHEN the government owns anything — be it a post office, a school, a hydroelectric dam, or whatever — it is called “common ownership” on the theory that it belongs to all of the people. In a discussion of the ideas behind this theory of government or common ownership, it is, of course, unnecessary to examine all the examples of it. The study of a single industry will suffice to illustrate the problem. The example here selected is the electric industry — with particular emphasis on the device of river valley development.

GOVERNMENT ELECTRICITY

IN 1932, the federal government was producing less than one-half of one per cent of all electricity generated in the United States. In 1949 this had increased to more than 13 per cent. If state and local government production is added, this figure rises to almost 20 per cent. Further, it is estimated that federal projects will account for at least 25 per cent of the new production capacity to be constructed in the United States during the next three years.

The implications for the future are far more serious than shown by the actual figures of this

trend toward government ownership. Here is the reason: When even one government electricity project is built, the result is that private capital for the building and expanding of private power companies in nearby areas tends to become increasingly scarce. Many persons with money to invest are beginning to realize that once the government enters into any area on even a small scale, it will sooner or later control the entire area. So it was in the Tennessee Valley. So it is in the Pacific Northwest. And there is no evidence to indicate a different result in any other section of the country that contains a government electricity plant, regardless of the excuse used by government to build the initial project. As in the past, private competitors will continue to be ruthlessly driven out by such devices as government-created and government-protected cooperatives; by price wars; by the building of duplicate facilities at the taxpayers' expense; and by special elections and referendums where public officials encourage the voters to authorize the government to purchase privately owned electric systems at fire-sale prices.

MONOPOLY

IN ADDITION to these various methods of discouraging the use of private capital and private ownership, the government has now even gone so far as to actually *forbid* private construction of additional hydroelectric capacity in some instances. The most flagrant example of this

is government's refusal to permit the Virginia Electric and Power Company to construct a dam and power plant at Roanoke Rapids, North Carolina. The reason given for this refusal is that government itself may some day decide to build a hydroelectric plant at that location.

Apparently, then, government no longer believes it necessary even to claim that it operates only in areas where private enterprise cannot or will not function. Government now merely issues an edict reserving for itself whatever hydroelectric locations and distribution areas it wants — or may want at some time in the future.

DEPENDENT ON THE STATE

THIS EVIL of government ownership feeds upon itself. Once it starts, there seems no way to confine it to a given area, or even to a given function. The private power companies that are permitted to operate within the area of a government hydroelectric project are soon forced to depend upon government for their own supplies of electricity. This situation should now be obvious to all persons in the Pacific Northwest. For there many of the owners of private power companies now literally must beg for the "opportunity" to distribute electricity generated by the huge hydroelectric dams of government. This same procedure is becoming increasingly obvious in other areas where these grandiose hydroelec-

tric projects have been built by government through its programs for developing the river valleys of the United States. The situation has progressed so far today that we now find some of the owners of private power companies actually praising and encouraging the idea of government electricity production. And many of the private owners who do not praise the idea, have at least been frightened into silence.

IRRIGATION FALLACY

THESE HYDROELECTRIC projects usually are first advanced under the guise of the "comprehensive development of an entire river valley — flood control, navigation, irrigation, and any incidental electricity that may result as a by-product of these other primary aims." But surely no one now believes that the primary purpose of the Tennessee Valley Authority, the Bonneville Administration, and other similar government projects is either flood control or navigation. All of these projects now stand exposed for what they were primarily intended to be in the first place: government ownership of the means of producing electricity. And as for the irrigation features of Bonneville and other similar projects, consider this question: How can government justify the expenditure of public funds to bring new land into agricultural production while, at the same time, it is spending public funds to purchase and store agricultural products and keep them off the market? With one hand the government

is trying to force abundance by means of its irrigation programs; with the other hand the government is trying to force scarcity by means of its price support programs. And with both hands the government is bleeding the taxpayers and consumers in the process — all in the beguiling name of irrigation and river valley development.

SOURCE OF A FALSE IDEA

THE ADVOCATES of government ownership and operation of the means of producing electricity offer many reasons for their philosophy of common ownership. In the first place, they claim that they can “prove conclusively” that the government can do it better and cheaper than private enterprise. They advance the thesis that no person should be denied the use of electricity merely because he is unable or unwilling to pay the market price for it. They claim that private producers charge “too much,” and that such a vital and necessary product as electricity should not be entrusted to misuse and neglect by private owners who are motivated by a desire for profit instead of by patriotism and the unselfish desire for a planned and controlled national prosperity.

COMPULSORY INVESTMENT

THE ADVOCATES of common ownership who advance these collectivistic arguments are probably sincere. They may honestly believe that

their grandiose schemes are best for the people and the nation. But the fact remains that they can put their plans into effect *only* if they can gain control of government to enable them to do so at the forced expense of the taxpayers. This gaining control of government to make the people conform, is all-important to the planners. It is necessary because, in advance, they already know that a free people will not voluntarily support, with their own money, what they consider to be uneconomic electric projects and river valley development programs. That is why private enterprise in a free market would not undertake the building of them in the first place. Thus the planners literally have no alternative but to get themselves elected or appointed to public office. They must have the law and the force of government on their side. Only then can they ignore the supply and demand decisions of free people using their own money. Only then can the peoples' taxes be used to force them to become "investors" in these uneconomic projects which have been repudiated by a free people in a market economy.

PRIVATE ENTERPRISE PROJECTS

CONTRASTED with the TVA and Bonneville method of forced investment, let us now briefly examine an example of the free market approach to river valley development. Probably the most complete project for the integrated development of a river valley by private enter-

prise is the Wisconsin Valley Improvement Company. The WVIC began its comprehensive development of the 430-mile-long Wisconsin River in 1907. It has built 21 storage reservoirs for flood control and steadier water flow on the tributaries of the river. There are 24 hydroelectric and hydromechanical power plants on the main stream. In addition to flood control, the basic needs for navigation, fish life, elimination of water pollution, and other services are provided — at no cost to the taxpayers. In fact, instead of using the taxpayers' money like TVA and all other government power projects, the WVIC *pays* taxes — local, state, and federal. The WVIC is proud to announce that it was organized to make a profit for its voluntary investors, and that it does so — a current return of 4.4 per cent on its investment.

THE RUSSIAN COMPARISON

THE POLITICAL managers of the Tennessee Valley Authority, the Bonneville Administration, and others, generally claim that these various compulsory projects by government also “won't cost the taxpayers a cent; that all of the money, including the equivalent of taxes, interest, and even a profit to the government, will be paid back; that the common owners will then have their original investment, free and clear, plus all the installations and improvements and services.”

This is essentially the same claim that is

advanced by the Russian advocates of common ownership in defense of their river valley programs. For example, the facts and figures issued by the Russians to prove the success of their Dneiper River hydroelectric project are of the same general nature as those issued by the Tennessee Valley Authority and other government power projects. The political managers in both countries issue reports that are designed to prove beyond a shadow of a doubt that government ownership and operation of the means of producing electricity is superior to private ownership. These reports in both countries are designed to show that "unselfish government managers" are more interested in national progress and prosperity than are "selfish private operators who are governed entirely by the profit motive."

And the point has now been reached where a person has almost as much difficulty challenging the figures issued by these United States government "authorities" as he has challenging the figures issued by the common ownership managers in similar electric projects in Russia. In either case, the objector will be called a propagandist, a reactionary, an enemy of the people, a lobbyist, a hireling of Wall Street, a purveyor of half-truths and slanted figures, and the other time-worn and customary epithets that are hurled at those persons who dare challenge the concept of common ownership of the means of production. Yet this concept of government ownership in America must be challenged if freedom is to be revived.

A CARDINAL PRINCIPLE

THE SUPPORTERS of these various hydroelectric projects often advance the argument that they would never be built unless government built them; that the various river valleys would remain "undeveloped" unless government developed them; that all this water would continue to be "wasted" unless government utilized it. Perhaps so. It is also true that a free people have never voluntarily undertaken to transport to the tropics all the ice that is "going to waste" around the North Pole. And the reason is simple: A free people do not knowingly support uneconomic expenditures of effort and capital. They will not voluntarily invest their savings in a project where they anticipate that the cost will be greater than the return; where there is no apparent economic demand for the product. That economic concept is the cardinal principle of private ownership. For example, the former owners of private electric companies in Tennessee generally chose to build steam plants instead of hydroelectric dams. Why? Again the reason is simple: In their opinions, it represented the most economic expenditure of capital. If the hydroelectric dam had seemed to be the better choice — as it was in some instances — the private owners would have built them. If this is not true, then the conclusion necessarily follows that the private owners deliberately chose a lesser profit. And no advocate of government ownership can afford to make that statement,

because it would eliminate his most effective argument for ownership in common.

A SPURIOUS CLAIM

THE SUPPORTERS of these government electric projects and river valley development programs sometimes argue that the undertakings are “too big” for private enterprise to finance and build. To see the absurdity of this fallacy, it is only necessary to compare these government hydroelectric dams with some of our large private industries in various fields of production, including electricity. Private enterprise could raise the money for any project, if there were sufficient demand for the product or service. And would not the workmen and engineers work just as efficiently — probably more efficiently — for private management than for government management?

THE PROSPERITY ARGUMENT

NEXT, the advocates of common ownership will present the facts and the figures to show that government electricity projects have brought prosperity to the various river valleys where they are located. But they seem unaware that the various figures for increased prosperity in the Tennessee Valley since the establishment of TVA can be matched and exceeded by similar figures for many other regions where there is no valley authority. For example, one logical measurement would be the

yearly income per person in the various states. Department of Commerce figures show that, relative to all other states, the so-called seven TVA states as a group have lost ground since 1933 in per capita income payments. Tennessee itself was forty-second in rank when TVA was begun. And in 1949, Tennessee was still forty-second. Other comparisons, again on a relative or percentage basis, show that while the Southern states as a whole have made great economic gains in the last few years, Tennessee itself has generally lagged behind her neighboring states in these various economic gains.

It is true that there are now more homes and industries in Tennessee and the Pacific Northwest than there were before the advent of TVA and Bonneville. And the officials of those federal agencies do not hesitate to accept full credit for this increased industrial activity. How would they answer this question: Is the privately owned Consolidated Edison Company in New York City primarily responsible for the increased industrial activity there since that company was first established?

BEFORE TVA

FEW PERSONS NOW seem to remember that there were twenty-one private electric companies in the Tennessee Valley before TVA bought them up or otherwise drove them out. Before TVA destroyed the free market in its area, private power companies in Tennessee were producing all the electricity that the peo-

ple were willing to pay for. If there had been an increased demand for electricity in Tennessee, the private companies in that state would have increased their production to meet it, in the same manner that private electric companies have doubled and trebled their production in many other areas to meet the increased demand from their customers — before TVA, and after TVA.

TAX-CREATED PROSPERITY

IT IS TRUE that the people in Tennessee now have more actual dollars than they had before the advent of TVA. But is this not due in large part to the inflationary schemes of government, and in part to the specific fact that hundreds of millions of dollars were taken in taxes from the people elsewhere and poured into the Tennessee Valley? The cost of TVA, the Oak Ridge atomic project, and the various other government projects in Tennessee, probably runs into the billions of dollars. Any person could create some “prosperity” wherever he wished — including the middle of a desert — if he had that amount of money at his disposal. But in any case, the government cannot create prosperity in Tennessee except at the expense of the prosperity of the taxpayers in other regions who had that much less money to spend on their own welfare and on the private development of their own resources because some of their money was taken from them and spent in the Tennessee Valley.

LEVELLING THE MOUNTAINS

THE ADVOCATES of common ownership have still another argument to “prove” that these various government river valley projects that are paid for by all the taxpayers *do* have a beneficial effect for all the people. It is argued that if the people in Tennessee or the Pacific Northwest have more money to spend, this in turn will mean that the spending of this money will create additional prosperity in other sections of the country. This is like saying that a huge national expenditure of tax funds to level all the mountains would create prosperity everywhere on the theory that the mountaineers would then have more flat lands for farming, and thus would soon have more money to spend in this campaign of creating universal prosperity by universal robbery.

THE MARKET VERDICT

AGAIN, the advocates of common ownership, with their charts and figures, will “prove conclusively” that it *is* an economic expenditure of capital, and that all the people will prosper if only the government planners are given the power to force all the people to conform to their plans. But, again, not a single one of these political managers is willing — with his own money — to submit his plan to the impartial test of the market place where free people make their voluntary decisions. Since the political managers suspect the market ver-

dict in advance, they by-pass it and resort to the political means. They make all sorts of glowing promises to the people *if only the people will give them power over their actions and their taxes*. It is never stated that honestly, of course, but that is actually what it means.

NATIONAL DEFENSE

WHEN ALL other arguments fail, the advocates of common ownership do not hesitate to advance the idea of "national defense" and to play upon a person's love for his country. For example, the Tennessee Valley Authority is generally given credit for supplying the electricity that made the atomic bomb. Yet the truth of the matter is that the Oak Ridge atomic project contained its own steam generating plant when it was first built. Oak Ridge was not designed to be dependent upon TVA for its electricity. The fact that Oak Ridge saves on its fuel costs by using large quantities of TVA "dump power" during the seasonal peak TVA production period, has no bearing whatever on this fact. There have been times when Oak Ridge has supplied electricity to TVA.

It is true that the United States has not lost a war to date. But this has not been due to government ownership of the means of production. On the contrary, our strength has been in the fact that we have had *less* common ownership and *fewer* government controls than have our enemies. In America, free peo-

ple — operating in a competitive market over a period of time — have built huge industries for the production of automobiles, nylon hosiery, and aluminum pots and pans *for a profit*. And the necessary electrical capacity to operate these plants has appeared when and where needed. This capacity will continue to be available if the people are left free to build the plants with their own money at no expense to the taxpayers. This procedure automatically insures adequate reserve capacities for the building of tanks, uniforms, guns, and airplanes when the need arises.

ERRONEOUS PATRIOTISM

THE ADVOCATES of common ownership are exceedingly careful to wrap their product in the American flag. They will point out that this is a democracy; that the people can vote for anything that pleases them; that the minority must be forced to conform to the will of the majority. But the fact that this is the case, does not mean that every issue should necessarily be voted upon. For “might” does not make “right” in America any more than it did in Germany, or does in Russia. For example, the issue of what religion a person should follow should never be voted upon — democracy or no democracy. Yet it is true that the citizens of the United States could vote to establish a state religion — and force everyone to follow it — if they so desired. The American people could, if they so desired, also use this “majority

rule" principle to divide up all the wealth, to equalize all incomes, to abolish the right of a person to own property, and to endorse the principle of common ownership completely. These measures would, of course, be immoral even though they should come to pass by the democratic process. In truth, the surest way to insure the loss of what most Americans consider to be the real meaning of democracy and the right to vote, is to vote our destinies into the hands of the advocates of common ownership. For here as in Russia, there would then be no real choice because we would then "own everything in common." And all these common ownership projects would be "unselfishly" managed in the interest of all the people rather than "for the profit of just a few persons." Or so we would be informed by the political managers who would then control our very lives.

RESULTS OF EVIL IDEAS

WE SHOULD remember that the Russian people are not innately any more evil than we are; it is just that they have adopted an economic philosophy that necessarily must create evil, and exist upon evil. That economic principle is the theory of government-controlled, compulsory, common ownership of the means of production, be it a complete river valley development or whatever. And what will it profit us even to attempt to stop the world-wide spread of communism — "government ownership of

the agents of production” — if in the process we adopt the selfsame economic principle that we claim to be fighting against? Freedom will eventually cease to exist in *any* nation that adopts that principle, for the fundamental freedom upon which all other freedoms are based is the economic right of an individual to work, trade, spend, save, and invest as he himself decides is best. The only possible way that this freedom can be expressed is through the voluntary processes of the market economy, leaving each individual responsible for the choice he makes.

Note: Dean Russell is the author of *The TVA Idea* (The Foundation for Economic Education; 1948; 108 pp.; 75¢). This is a detailed and readable explanation of the social, political, and economic consequences of the TVA “idea” in practice.

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