

Capitalism Versus Socialism: Who Is Really "Mean?"

By: [Melissa Clouthier](#)

Money is power. And when the government takes tax dollars and employs a huge percentage of the workforce, it takes power from the people. For the statist among us, that's exactly why redistribution of wealth and rules and regulations appeal to them. Holding the purse strings holds the power to control the people.

Money gives a certain kind of power: the power to choose. Choose what? Well, money gives the power to choose anything. A person can live his life as he chooses. He can spend money on his kid's piano lessons or buy parts for his motorcycle or he can build another business. A man with money in a free market system has many choices and they confer freedom.

For example, people in upstate New York give so much of their money in taxes that they could live quite "large" in Texas. I write from personal experience having moved from New York to Texas, although my family remains up north. As incomes remain stagnant, taxes have increased. Family members pay state income tax, county and village taxes, in addition to property taxes. When I'm feeling mean, I point out how well they could live here in Texas where property taxes are commiserate but there's no state income tax and no county and village taxes outside specific municipal utility taxes.

The numbers demonstrate that people move away from high taxation. If a person survives paycheck to paycheck, excess taxes can make all the difference. [Michael Barone for the Washington Examiner examines numbers that tell this story:](#)

Texas today has almost as large a share of the nation's population as New York did in 1970. I think one of the most underreported stories of the last decade has been the story of Texas's continued economic boom. While California has, for the first time since it was admitted to the Union in 1850, grown no faster than the national average, and New York continues to lag far, far behind national growth, Texas has been surging. In today's recession its levels of unemployment and mortgage foreclosures are far below the national average. Texans have figured something out, and the rest of us might do well to learn what it is.

Well, I have some ideas. First, a person prefers a job over a handout. That is, even with generous assistance, and New York is generous to those who need social services, people would rather work and be able to live on their own. Houston, in contrast, is not as nice. Consider this from the [Houston Chronicle](#) via [Houstonist](#):

In including Houston on the "meanest cities" list for the first time in the four years it has been compiled, leaders of two national homeless-advocacy organizations cited other neighborhoods' efforts to be added to the areas covered under a city ordinance that makes it illegal to lie, sit or place belongings on downtown or Midtown sidewalks from 7 a.m. to 11 p.m.

The report's authors also cited rules the city adopted in April that prohibit people with "offensive bodily hygiene" from using public libraries. Advocates for the homeless say the rules, which also forbid sleeping on tables or using restrooms for bathing, obviously target homeless people.

The National Coalition for the Homeless and the National Law Center on Homelessness and Poverty said such measures are growing more common across the country even as urban homelessness worsens.

But what is "mean"? While states like New York [New York City now has a [9 percent unemployment rate](#)] and Michigan [[Detroit has 23 percent unemployment](#)] suffer terrible unemployment rates, how is Houston, Texas doing? Well, Houston's unemployment rates ["jumped" to 6.9 percent](#), that's a fraction of Detroit, Michigan's unemployment rate and more than 2 percent less than New York City's unemployment rate. That's significantly better.

So the "nice" social services cities have "mean" joblessness. People would prefer jobs, if they had a choice.

People also prefer lower costs of living. Since the economic implosion in Michigan, [houses come cheap too](#), but no one wants them (well [some do](#)) because no one has jobs. In contrast, even after the housing bubble burst in New York, it's [still outrageously expensive to live there](#).

Texas housing remains affordable. [There has been no bubble and thus no pop](#). Homes never sky-rocketed in value, but they never got unaffordably expensive either. Public policy made a huge difference. [CBS' Econwatch Blog](#):

The best explanation I've heard comes from Randal O'Toole, a senior fellow at the free-market Cato Institute in Washington who specializes in the study of urban land use issues. I met O'Toole at a political conference in Las Vegas last year, and since then I've read some of his work on the topic.

Here's an excerpt from what O'Toole wrote in 2007: "The housing bubble really only affected a dozen states. In the remaining states, increases in housing prices were relatively modest. While housing prices grew by more than 130 percent in California and Florida from 2000 to 2006, prices in Texas grew by only 30 percent. With few exceptions, the states that saw the biggest bubbles were ones that had passed growth-management planning laws. And with one exception, every state that has passed such a law also saw a housing bubble."

If you think of supply and demand, this makes sense. If homes are more difficult (or impossible) to build because of the local government's growth-management rules, all else being equal, prices go up.

So prices for homes went up in bubble states because government regulators constricted building. Texas, in contrast, has had a building boom for the increased population.

Can you see the unintended consequences? Government restricts building which restricts jobs. Not only that, but there is not enough housing for people, especially in the middle class, to live. The housing that remains becomes incredibly expensive and overvalued. When the economy hits a slower cycle, people move. People are upside down in homes and cannot sell. They default on loans they should never have received because they were barely making it.

So forced tax lending laws, coupled with restrictive building laws and outrageous taxation, combined with a slowing economy, created a perfect storm. Individuals defaulted. Banks defaulted. Businesses defaulted. Now, cities and states are nigh unto defaulting. The economy spiraled.

People and companies in the economic environment the government created now wear fiscal straight jackets. The government started this mess with poor policy and regulation and continues to consume more of the private sector, thus stifling capital which stifles freedom.

Well, that's happening in most places. In states like Texas, growth continues even in a slow economy. People can afford to live and endure taking jobs that pay lower wages. And people can buy a home and have some money to spare.

Of course, when people work, they still pay taxes. So Texas also doesn't have a [budget problem](#). And because of being overly reliant on the petroleum industry in the past they have a "[rainy day fund](#)".

In states where there are budget woes, the legislators have a choice: increase taxation or decrease services. Increasing taxation will create more pressure on individuals and businesses which will stifle growth and spending and result in more jobs lost and more individuals leaving the state. The decreased population, fewer workers and more unemployed people needing services will strengthen the downward cycle. It is never-ending.

And yet, this horribly destructive socialistic impulse reigns by our current national leaders even though there is ample evidence that the states who have employed these failed policies suffer. And the people in these states either suffer there or leave for greener pastures.

Socialism starts out with the notion of being fair and friendly when people suffer. What is more likely to happen is what we see in Michigan, New York and California: taxation and regulation destroyed the housing and job markets. Jobless and homeless, these states killed with kindness.

Meanwhile, in mean old Houston, a person can work and live. Sleeping on the city streets, though, is discouraged. Thankfully, unlike in Michigan, California and New York, there's little need of that. Ultimately, capitalism is the loving, life-affirming, job creating and house-building philosophy.

Hopefully, people will look at the lessons between the states and see the difference. Capitalism works. Socialism causes suffering.

Melissa Clouthier's Bio



Dr. Melissa Clouthier blogs on her own website and RightWingNews.com . She also hosts a new online radio show on RFC Radio . Owning her own medical business means that what happens in Washington is not theoretical to her or her family.