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Government Takeover of GM 'Just Short of Socialism,' Economists Say

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By Adam Brickley

Washington (CNSNews.com) – Free-market economists and policy experts were highly critical of the government taking over majority ownership of General Motors (GM), but stopped short of calling the move “socialism.”

“I am much more concerned about what we might call ‘state capitalism,’ ” said author and syndicated columnist Amity Shlaes.

CNSNews.com caught up with Shlaes at the libertarian Cato Institute, Monday, where she delivered a speech on the New Deal.

“We don’t even need to say socialism,” she said. “State capitalism is bad enough.”

Under state capitalism, the government owns the means of production, but operates them in a capitalistic manner.

Shlaes described the consequences of state capitalism.

“It’s a lower growth trajectory than the U.S. is accustomed to having. It’s a lower standard of living and comes with a kind of junk GDP (Gross Domestic Product),” she said.

“We have GDP growth that might look good,” Shlaes added, “but it’s not optimal in terms of productivity.”

Daniel Ikenson, associate director of Cato’s Center for Trade Policy Studies, was more amenable to using the term “socialism.”

“It’s not a bad characterization,” he said. “I mean, taxpayers and the government (do) own a majority stake in this company.”

But even Ikenson seemed to have qualms about using the term -- at this point.

“I will have no qualms at all about characterizing it as socialism if and when Ford is forced to follow in GM’s footsteps.”

Ikenson also asserted that the government is likely to take steps to make it hard for Ford to resist a government takeover.

“I think the policies are going to be adopted that incentivize people to consume GM products as opposed to Ford,

or Toyota, or Honda,” he said, “and that’s going to make it harder for Ford to continue in its enlightened path of forgoing government assistance.”

Whether they were willing to call it socialism or not, there seemed to be consensus among the economic experts that current government intervention in the economy is setting a dangerous precedent.

“We’re seeing a level of intervention we’ve rarely seen in the United States,” said Shlaes.

“We shut the stock market down in World War I,” she noted, “so we’ve had interventions in wartime.”

However, she added: “It’s rare for peacetime – that’s the main point. When you move the pieces around on the board this much, that’s problematic.”

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