

## **NEEDIST SOLUTIONS: SOME PROBLEMS**

**By Louis O. Kelso and Patricia Hetter**

If needist redistribution takes the form of coerced or legislated wage increases in the useful-goods industries, it bloats consumer prices with welfare costs; thus, to the extent the increased distribution to labor (not being accompanied by any increase in productive input by labor) is not absorbed by the capital owners at the cost of the erosion of their property rights, the benefit takes the form of inflation and is illusory. Paying a worker more for the same or less labor input does not increase the available consumer goods and services which he or she produces.

If redistribution takes the form of coerced or legislated wage increases in the useless or non-economic goods industries (such as the space race, military overkill hardware, etc.), the effect is purely inflationary to the extent that the wage increases are not offset by corresponding income tax increases. The purchasing power which arises out of the production of useless goods and services is not matched by an equivalent supply of consumer-useful goods and services, which are the only kind that satisfy creature comforts. Therefore, in the pockets of individuals, it will be spent to bid up the price of useful goods and services. The net effect is to broaden the distribution of poverty, rather than to increase the number of families who enjoy affluence.

If redistribution takes the form of direct money doles to individual consumers, such as welfare checks, guaranteed annual income payments, or negative income tax distributions, with taxation on middle and high incomes or increases in government debt supplying the funds, some income otherwise invested will be diverted to consumer goods and services. But the apparent increases in the gross national product will be mostly inflationary (i.e., imaginary). An indispensable condition for building a genuinely affluent economy is new productive power. Redistribution is incapable of bringing into existence any significant amount of new capital formation.

If redistribution according to need takes the form of direct governmental distributions of goods the government has bought previously (such as goods surpluses), the path is paved for habitual government purchase of such goods; thus, as noted above, the concentration of ownership of productive capital is further promoted. The resulting economic patterns are familiar throughout the non-socialist Western world. It is true that the most dire forms of poverty may be somewhat diminished through this process, but the poor are still never enabled to become affluent. No one has ever achieved affluence on a dole, nor will this ever happen.

Needist schemes have another inherent shortcoming that none can avoid. Its most familiar manifestation is the "means test," presently found in all welfare laws and arrangements. The recipient is required to demonstrate, as a condition to his dole, the nature and extent of his need. Thus the human dignity of the recipient, already wounded by having to apply for charity, is dealt a second blow. On humanitarian grounds most

modern needist schools propose that the means test be abolished, and that all humans be granted a legal or constitutional right to some kind of income without productive responsibility. Expedients of various kinds may succeed in disguising the means test temporarily, but they will never dispose of it—the problem goes deeper than the Needists suppose.

Experience shows that, as a general rule, human beings are incapable of judging the needs of others to be as great as their own. To put it another way, every human being desires affluence for himself but few, if any, having the power to bestow or withhold, believe that this need is equally valid for others, particularly when those “others” are strangers. Exceptions to this harsh rule are rare, as any estate lawyer can testify. During their lifetimes and in their last wills and testaments, the wealthy almost unfailingly appraise the “needs” of their children, grandchildren, relatives, friends, and employees as being well below the levels of consumption they considered desirable, and even necessary, for themselves during their own lifetimes; frequently they prefer to give the bulk of their fortunes to charities and foundations in which they have evidenced little previous interest. Many potential heirs live on their expectations for decades, rear their families in genteel penury, and are well past middle age when their inheritance finally devolves upon them.

A Joseph Kennedy who gives each one of his children a million dollars upon their majority because he wants them to be independent even of him astonishes the world precisely because the sentiment is so uncommon. Even old family retainers who have given a lifetime of faithful and unselfish service are seldom left with more than a symbolic pittance by the departed objects of their devotion. As for those who give generously of their wealth to strangers, they are in every age the stuff of legend and sainthood.

The historical lesson is clear: the needs of persons not objects of natural bounty will always be appraised as minimal. The productive will never voluntarily support the unproductive in an affluent style. They never have, and the evidence is that they are emotionally incapable of it. Even the Soviet Union has its anti-parasite laws, and its constitutional mandate that those who do not render society productive labor shall not eat. Thus distribution of wealth according to the need principle—so offensive to society in practice—is indefinitely postponed to those distant aeons, calculable only in astronomical magnitudes of time, when the acquisitive instinct, according to the Marxist intellectuals, shall have been purged from human nature.

The most important generalization that can be made about all needist proposals is that they are invariably addressed to the effects of poverty, i.e., insufficient income, rather than to the cause of poverty, i.e., low productive power of the poor. Needist solutions in general are either proposals for further steepening pinnacle affluence, or for equalizing poverty. They are not, and by their very nature cannot be, instruments for achieving the ideal goal of universal capitalism, which is universal affluence. That goal can be achieved only by universal capitalism and practical steps for its realization of the tenor of those contained in the Second Income Plan. They alone are designed to enlarge the

physical economy, to bring into existence a capital plant (in the United States and in Canada, for example) several times as productive as those presently in existence, and to structure the financing of these second economies so that they will be owned by the 90% of families and individuals who do not own viable capital holdings in either of these economics today.

The less the incentive to produce, the smaller the product. To the extent that Needists succeed in redistributing income and wealth from those who produce to those who do not, they kill the incentive to produce. Laws will not substitute for that incentive . . . .

The nations of the world may take years and even decades to recognize as needist proposals many schemes that are verbally, legally, politically, or psychologically disguised. But in a world in which all individuals want affluence and most, if not all, could produce it through the combined forces of labor and capital, needism as a principle of distribution is doomed. Needism is contrary to human nature: it cannot work, and it will not work. It can only foment bitterness, enmity, strife and disillusionment in the societies that undertake the experiment.

-- First published in *Two Factor Theory: The Economics of Reality* (New York: Vintage Books, Random House, Inc., 1967), pp. 25-29.