

untouched by the laws, bureaus and regulations that burden and warp the free market. However, set American business aside and think of the typical model of socialism. In that case, you surely have a set of planners who have come into power by a conspiracy. It is their vision that is step one in the socialist plan of improvement.

Step two is the production planning session where they decide how many cars, widgets, tooth brushes, and the like they shall manufacture. They never get it quite right even though they peek at the free market, as Ludwig von Mises was the first to point out.

Step three is the allocation of resources. Of course, step two and step three have to be coordinated or done together. The one asks, "What shall we make?" The other asks, "How much capital will we be able to get our hands on to do it?"

Step four is the confiscation of or gathering of capital. Theoretically a socialist state already has all the capital that exists in the country. But, since there is never enough capital to wage the perennial wars of socialism and feed, clothe and shelter the masses, the socialists must be ever alert for new sources of revenue. There are the countries they have "liberated" to be stripped and an eye must be kept on the sneaky peasants who find ways to save from their meager allotments. So socialist countries have taxes, too.

And they have rules against hoarding things that could add to capital for socialist production. After all, it takes capital to produce whether the economic system is socialist or private. In the socialist system the capital is "appropriated" by some compulsory (involuntary) means. In the private enterprise system, it is accumulated by savings based on voluntary self-denial.

The socialist step five is the production step. It is common knowledge that production rarely meets any of the goals set by the planners. This has led to many purges. The socialist mind tends to believe that the solution to greater production lies in the quality of the supervisors rather than in the quality of the system. This results in grave injustices in who knows how many cases. And it creates a system of cruelty and jeopardy. Also, it trains the masses to lay blame on the government for all problems instead of developing self-reliance.

Saving Discouraged

That's how socialism eats the seed grain: it uses up and eliminates all desire to save. It punishes and discourages all savers. There is no motivation to do anything but consume—get one's share and eat it up. It is like opening day of fishing season: many fishermen want to follow the stocking trucks and get "their" limit. They expect the state to keep

the waters stocked with catchables. If the fishing is bad, they grumble and feel that the state has failed them. The care of the back and the belly becomes the immediate and pressing need, the whole object of occupation and preoccupation except for the circus. There must be the circus in addition to the bread. It comes in different packages from country to country and time to time.

People are the most important asset of a nation when they are free to be productive and responsible for their own capital. But, when weak and discouraged, they are the greatest liability. Then a man may just as well be an alimentary canal with a funnel for a mouth, wrapped in an overcoat and housed in a mobile latrine. All the things of the soul cease to have meaning. 

Saving, Foreign Aid, and Growth

THE MAIN resources and the main effort for growth must come from the growing nations themselves. American aid can usefully complement, but can never replace, their own means and endeavors. Indeed, gifts and loans are not the major contribution we can make to economic growth abroad. More important is that we maintain a fully and efficiently employed and expanding economy of our own and that we maintain free access to this economy by the rest of the world. In neither good sense nor in good conscience can we expend our resources on foreign aid while at the same time leaving clogged the channels of foreign trade and investment.

Finally, we must appreciate that the world is a complicated place. In important respects, it is far more complicated and discouraging for today's economically underdeveloped countries than it was for the underdeveloped nations, including the U.S., of 150 or 200 years ago.

In America, the cultural background; the supply of acquired skills of workers and of experienced investors and managers; the legal, religious, and economic institutions; the climate; the endowment of natural resources; the ratio of population to other resources—all were favorable to growth and, by and large, remain favorable to continued growth. Not all areas of the world are so blessed. And even if they were, the living standard of this part of the world is now far higher than that of most regions—and it is very likely that the size of the gap will grow much larger during the next several decades.

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IDEAS ON



LIBERTY