raw material or finished product others in his line are planning to produce, as well as relatively how much ultimate consumers are going to want or demand? In a communistic system, centralized or decentralized, there will always be unbalanced and unmatched production, shortages of this and unusable surpluses of that, duplications, time lags, inefficiency, and appalling waste.

Private Property the Key

It is only with private property in the means of production that the problem of production becomes solvable. It is only with private property in the means of production that free markets, with consumer freedom of choice and producer freedom of choice, become meaningful and workable. With a private price system and a private profit-seeking system, private actions and decisions determine prices, and prices determine new actions and decisions; and the problem of efficient, balanced, coordinated, and synchronized production of the goods and services that consumers really want is solved.

Yet it is precisely private property in the means of production that communist governments cannot allow. They are aware of this, and that is why all hopes that the Russian communists and their satellites are about to revert to capitalism are premature. Only a few months ago the Soviet leader, Kosygin, told Lord Thomson, the British newspaper publisher: "We have never rejected the great role of profits as a mechanism in economic life. . . [But] our underlying principle is inviolate. There are no means of production in private hands."[3]

The communist rulers cannot permit private ownership of the means of production not merely because this would mean the surrender of the central principle of their system, but because it would mean the restoration of individual liberty and the end of their despotic power. So I confess that the hope that some day an idealistic Peter Uldanov, miraculously finding himself at the pinnacle of power, will voluntarily restore the right of property, is a dream likely to be fulfilled only in fiction. But it is certainly not altogether idle to hope that, with a growth of economic understanding among their own people, the hands of the communist dictators may some day be forced, more violently than Lenin's were when the mutiny at Kronstadt, though suppressed, forced him to adopt the New Economic Policy.

Yet any attempt to decentralize

[3] *New York Herald-Tribune*, Sept. 27, 1965.

planning while retaining centralized ownership or control is doomed to failure. As a recent writer explains it:

> If the state owns or controls the major resources of the economy, to allow for local autonomy in their utilization invites utter chaos. The Soviet planners, then, are caught on the horns of a serious dilemma. They find that their economy is becoming too complex and diverse to control minutely from above; yet they cannot really achieve the tremendous productiveness of a decentralized economy without relinquishing complete ownership or control of the nation's resources.[4] ◈

[4] G. William Trivoli in *National Review*, March 22, 1966.

IDEAS ON LIBERTY

Inflation Erodes Investment

INFLATION reduces the value of financial assets such as savings accounts, bonds, pension plans and insurance policies. These investments have a constant face value, and rising prices mean the dollars a person gets back will buy less than the ones he put in. Inflation, therefore, tends to shift purchasing power from these investors, who are essentially lenders, to borrowers.

The notion once was popular that lenders were usually rich and borrowers often poor. If this idea ever were true, it is no longer valid in these affluent times. Surveys show that every income grouping of individuals – even the lowest – now has more financial assets than indebtedness. Put another way, every income group is a net lender, on the average, and thereby stands to lose purchasing power through inflation. Who are the "poor" debtors who stand to gain? All levels of government rank high among them.

It would be disastrous if inflation caused a reduction in the amount of money saved and invested in new or expanded factories, offices, farms, and stores. This process is the mainspring of economic growth and, because of modern technology, requires huge amounts of extra funds every year.

From *Inflation and/or Unemployment* by Lawrence C. Murdoch, Jr., Federal Reserve Bank of Philadelphia.