



"We have learned to counteract and thus avoid any serious depression."

A PERSISTENT COMPLAINT against the capitalist system of competitive private enterprise is that it leads to periodic booms and busts. The implication is that businessmen either want to promote depression or that they are powerless to prevent it. Further implied is that some other system—invariably a form of socialistic intervention—would stimulate continuous growth and progress and feature automatic stabilizing devices to offset and forestall any threatened depression.

Long favored among the tools of political intervention is the oft discredited but never abandoned scheme of subsidizing farmers, on the ground that one prosperous farmer will generate a contagious prosperity among at least half a dozen urban dwellers. This myth was perhaps most widely circulated and implemented some thirty years ago, but it was still being promoted by at least one of the presidential candidates in the fall of 1960. Meanwhile, farm subsidies have increased until they exceed in annual amount the combined earnings of all operators in the subsidized segments of American agriculture! That could scarcely be called farm prosperity, hence, little stimulation for the rest of the economy; and it seems fair to conclude that this antidepression device doesn't work.

A more modern variation on the same theme, patriotically camouflaged as national defense, is the foreign aid program into which the federal government has poured \$78 billion at taxpayers' expense since the end of World War II. But this overseas pump-priming has neither won friends to defend us in case of war nor strengthened our domestic economy. Instead of bringing domestic prosperity, it brought us inflation and the pricing of American goods and services out of foreign markets. Foreign subsidy is no better than farm subsidy as an antidepression stimulant for the home front.

Social Security is often mentioned among the measures to combat depression. Yet, the Congress has been hard-pressed to keep the boosts in Social Security benefits coming fast enough to squeeze the beneficiaries through a prolonged period of fairly

good times. It is inconceivable that the system has left in it any further priming power to be released in case of depression.

Other touted political antidepressants include such federal building and spending projects as post offices, hospitals, schools, highways, dams, and similar welfare measures to aid depressed areas. But like Social Security, these priming devices also have been pushed to their limit in a frantic effort to keep the economy standing still at boomtime. Who is to provide subsidies in anything like comparable amounts in case of depression?

The planners' ultimate weapon to combat depression is deficit financing—government spending in excess of tax collection. But this weapon depends for its effectiveness on a blind patriotic faith in the integrity of the government and its ability to make good on its debts. Unfortunately, perhaps, the real power to challenge the soundness of the American dollar today is not in the hands of "patriotic American citizens," but in the hands of foreigners who currently hold dollar claims equal to the entire stock of gold supposed to back our paper money. So it would seem that even the ultimate weapon against depression has been proved a dud, of no help in an emergency.

The gist of it all is that the capitalistic free market system has been falsely blamed for booms and busts that in reality have been the result of government intervention, subsidy, deficit financing, and inflationary tampering with money and credit. The only kind of a boom a businessman can generate is to "build a better mousetrap," and the only person he can "bust" is himself.

Economy-wide booms and busts can be generated only by a great power—the government itself. The cure for these is to turn the management of business back to businessmen and consumers guided by the free market. Let government confine itself to policing the market—protecting production and exchange against fraud and violence.

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