

# A New Scheme

*F. A. Harper*

A NEW SCHEME is afoot by which the people of the United States — rich and poor alike — are likely to become trapped into financing national socialism abroad. This is the pattern:

It all starts innocently enough. Private investors here would gladly pour funds into a country like India to provide much-needed venture capital, if only they felt it were safe to do so. But they fear that the Indian government may one day nationalize the enterprise and confiscate their investment. How is this fear to be allayed?

It is proposed that our government enter the deal, ostensibly to lend encouragement to these private ventures abroad. A Washington news report tells us that a plan is "almost ready" for an intergovernmental agreement to compensate our private investors in event of nationalization. The suggestion rides on the excuse that we must outbid Russia for this help to India as a matter of national defense.

Who will compensate whom under this plan? The United States government would pay citizens for

their investment losses, and our government would then "settle with New Delhi." Now the simple solution would seem to be for New Delhi to settle with the private investors in the first place, directly. Why set up a useless intermediary? New Delhi could just mail the check to each investor at his address in India, thus compensating him directly for the confiscation. Why should settlement be routed halfway round the world through the maze of Washington bureaucracy?

"But," it will be argued, "suppose the New Delhi government should refuse to pay foreigners for the confiscated property?"

Well, well. Now the secret is out. The nationalizing government may not intend to pay foreigners at all for the wealth it confiscates. If so, their intent would be the same whether or not the United States government acts as guarantor, for it would still be the investment of foreigners.

When the New Delhi government refuses payment — which is the basic assumption behind the proposal — what will happen

then? First, there will likely be created an international incident between two governments, with one claiming the other owes it what the other refuses to pay. Without our government having entered the deal, it would have been only another case of The House of Morgan or some other private investor making a foolish investment abroad and losing it, each investor standing to gain or lose from his own venture.

The second consequence will be that the United States government will have to tax us all for the funds with which to reimburse the private investors. Why? Because the government is an enterprise of

losses rather than one of profits and must always collect the money for any such use in the form of taxes. This tax cost has to be borne by everyone in the United States — both rich and poor.

And so it turns out that the scheme promises more than mere compensation to private investors. That alone is questionable enough. It is difficult to see why our government should redesign the deal this way: "Heads, the investor wins; tails, all United States taxpayers lose." But in addition, the proposal could easily create an international incident at some time in the future, while forcing us all to help pay for socialism abroad.

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### *The Role of the Scholar*

AN EXAMINATION of political and economic matters must touch at points upon controversial issues. Within scientific and scholarly circles, controversy is an accepted tool for the refinement of knowledge, and the liveliest differences are welcomed as a part of the process of arriving at truth. The rest of us are quite happy to let the scientists quarrel about matters of which we know nothing; we enjoy the Shakespearean plays no less because of the disputes about their authorship. But political scientists and economists touch sensitive nerves if deeply entrenched ideas are exposed to scrutiny or vested interests feel threatened by change. The role of the scholar is not always understood and, it must be said, not always understood by the scholar himself. Nevertheless, scholarship has played an important part in the strengthening of free institutions, both by refreshing our memories about why and how they came into being and by disclosing the alternatives which men must face if they prefer not to be free.

*The President's Review from The Rocketteller Foundation Annual Report, 1954*

# The Growth of an Idea

*Thousands of FREEMAN readers have had little opportunity to learn about the journal's publisher—the Foundation for Economic Education. So this month, in the space usually reserved for Charles Wolfe's report of current "News From Irvington," the folks at FEE will try to present a clear over-all picture of what they believe and what they do.*

EVERYBODY says he's in favor of freedom. Even the leaders of communist Russia claim to be the only real defenders of true human freedom. Peace and freedom are their favorite words, just as the same words are used constantly by our own leaders. Yet, freedom of choice in the daily lives of the people is strait-jacketed in both the United States and Russia, and peace describes a period of armed truce between major wars.

Why? Apparently it's because we don't know what freedom is. We don't understand the fact that small-scale compulsions within nations tend to grow into large-scale violence among nations. The person who desires to impose his will and viewpoint upon his neighbors in small ways "for their own good" is well on his way toward imposing his ideas upon all people in large ways, "for the good of mankind."

This is not a new problem. Many civilizations in the past have

perished because they didn't understand the proper relationships of man to his fellow men and were thus unable to stop conflicts between persons and nations.

## Search for Solution

Throughout history, persons in groups or alone have devoted their efforts to the search for a solution to this problem of the proper relationships among persons—and the part that should be played by the authority and force of government. Yet, few of the answers are generally known. If they were, conflict between persons and groups would soon become a minor problem.

There have been, and still are, many persons and groups in the United States devoting their full efforts to a study of this problem of freedom—the problem of individuality within society. Some specialize in one area of it, such as freedom of speech or freedom of the press or some other fraction of freedom.