



U. S. Socializes South America

HANS F. SENNHOLZ, Ph.D., *Grove City College*

MANY American liberals honestly believe that social reforms offer the best defense against world communism. In their recommendations to poor or underdeveloped countries they urge especially adoption of land ownership reforms, tax reforms, and social programs. These reforms are said to distribute national wealth more equally and expand economic production for the needs of the people.

Our South American policies seem to be motivated by these considerations. When, at the beginning of May, President Kennedy announced new grants and credits to Bolivia he eulogized the Bolivian economic reforms. "Your grand revolution," he wrote to the Bolivian president, "has opened the road for other countries to follow."

It is interesting to recall that the socialist government of Bolivia nine years ago confiscated mines, farmlands, and other private property. The then Minister of Labor and now Vice President, Juan Lechin, boasted that the Bolivian "agrarian reform" was more radical than that of Red China. The government even imprisoned and expelled thousands of landowners and capitalists.

But instead of plenty this "revolution" has brought hunger to Bolivia. Mineral production, formerly the mainstay of the Bolivian economy, has dropped precipitously. The country is bankrupt, the people are impoverished and radicalized, ready for unadulterated communism.

In a recent message to the Inter-American Economic and Social Conference in Punta del Este, Uruguay, President Kennedy clearly reiterated the liberal position. Speaking about "self-fulfillment" he said: "For the developing nation, it means careful national planning, the orderly establishment of goals, priorities, and long-range programs. . . . It means full recognition of the right of all the people to share fully in our progress. For there is no place in democratic life for institutions which benefit the few while denying the

needs of the many even though the elimination of such institutions may require far-reaching and difficult changes such as land reform and tax reform and a vastly increased emphasis on education and health and housing."

We completely agree with the President that poor countries urgently need social and economic reforms. But the choice of reforms is the paramount problem. Some reforms do improve economic conditions and promote democratic institutions. Others destroy production, initiative, and morality, and thus foster the growth of communism.

Good reforms enhance individual freedom and safeguard private property. They set free the inventive genius of men and protect the industrious producer from the greed and envy of shiftless idlers and political pressure groups. South and Central America, indeed, need to be freed of numerous bureaucratic controls and government cartels and monopolies. Suffering seriously from inflations the people of Latin America need monetary stability and fiscal integrity, which foster individual thrift, industry, and self-reliance. They are in urgent need of the very policies that made this country free and prosperous.

Bad reforms are government interventions that curtail individual freedom and initiative. They deprive producers of the fruits of their labors and squander their income and property through government doles and handouts. Bad reforms prepare the way for socialism which is the forerunner of communism.

No one can deny that the establishment of government economic plans and economic priorities are essential features of socialism. They are the socialist substitutes for free markets in which the people are free to follow their own goals and establish their own priorities. Government plans and priorities deprive the people of individual freedom of choice and establish political control over their economy.

"National planning" means political planning by planners and inspectors in accordance with their conceptions of fairness, adequacy, and political appeal. It means log-rolling and pressure politics aimed at taking income and wealth from the producers and distributing it among the favorites of the state. As such it destroys production, initiative, and morality.

The quest for land and tax reforms is taken from the armory of socialism. Confiscation of higher incomes and the expropriation of land holdings destroy the very foundation of a free society, private property and individual productivity. They prevent capital formation and accumulation, technological research and development. They cause economic stagnation and poverty and breed statist mentality, which is the mental condition for communism.

It is tragic, indeed, that the United States Government exerts its great influence towards bad reforms in Latin America. Through lavish foreign aid spending we finance socialistic schemes and experiments. To meet our conditions for foreign aid the recipient governments are urged to raise income and business taxes, divide large land holdings and distribute the spoils among the populace. We recommend budget deficits and credit expansion as conditions for economic growth. When a government has thus dilapidated its fiscal system and faces currency devaluation, the U. S. Government comes to its rescue through foreign aid in the form of gold and foreign exchange reserves. That our currency is weakened thereby, that we are threatened by devaluation and gold payment suspension, unfortunately is ignored by the foreign aid spenders.

Contrary to official American advice and example, the poor peoples of Latin America need lower taxes and sound money, more private capital and initiative. They need no "Alliance of Progress," but an alliance of freedom which is the indispensable condition of progress.