

overthrow or collapse. What is it that thus differentiates the Soviet regime from the present government of France, Italy, and Great Britain?

Assuredly the difference does not lie in the respective natures of their economic systems. All of their regimes are now basically socialistic—the state in each case operating or controlling the major industries. All have marked communistic characteristics, exemplified by such manifestations as confiscation of large incomes, rent controls, and rationing. Yet, in Russia, the government maintains undisputed sway throughout its territory, and is apparently increasing production, while the governments of France and Italy are in precarious positions, and the British are unable either to support themselves or to keep their currency on a sound basis. Evidently the three nations last mentioned have a common weakness not shared by Russia. What is it?

The answer seems to be clear cut. The weakness of France, Italy, and Britain is the weakness of democracy. This statement will doubtless shock those who believe that democracy is the remedy for all national ills. Therefore this sweeping assertion about the

weakness of democracy calls for analysis. Let us look at the facts.

Control of industry by government is the very essence of socialism. Every socialistic government must, then, take the responsibility for fixing wages, and also the prices of industrial products. Most of the voters are wage earners. Therefore, to maintain itself in power, the government must keep the support of the wage earners. Obviously, the wage workers always want higher wages, and government has no alternative except to yield to their demands.

But the voters also demand lower prices for the goods which they buy. The government failing to grant this demand is quickly replaced by one which is more compliant. Hence, in England, France, and Italy, we find the governments boosting wages while keeping down the prices of the products of industry. The result is, of course, that either the industries lose money or the government uses subsidies to keep prices down. In either case, the result is a treasury deficit.

The government tries to meet this deficit by taxing the wealthy; but soon it absorbs all of their incomes, and still the deficit grows. It cannot tax the masses more and still

stay in power. Hence, it does the only thing left—it prints money to pay its bills. But more money makes higher the prices of goods bought by the voters. This brings demands for still higher wages. The government perforce yields. The result is a larger deficit, and more inflation.

Rationing and price fixing are tried. These measures result mainly in generating flourishing “black markets.” The government falls.

The next government meets with the same difficulties. The situation gets worse and worse, and the attempts of the government to meet recurring crises grow ever more frantic. The only remedy seems to be a dictatorship of the right or of the left.

In the light of experience, is it not, therefore, evident that democracy and socialism mix no better than do oil and water? In other words, is it not clear that every collectivist democracy contains within itself the seeds of its own destruction? If such is the case, it appears to be true that a socialistic state, if it is to be even moderately successful, must have a government which is not dependent for its support upon the votes of the masses. Now we see why the policies of

the Russian Government are so much less wavering than are those of the socialist democracies. In Russia, the function of the masses is to obey orders without question.

This means that socialism and democracy are inherently inimical, while socialism and absolutism are natural partners. It does not mean, however, that the latter pair can ever secure any such efficiency in production as that developed in a republic by free enterprise and competition. In the collectivist state, the managers of industry obtain their positions, not because of their skill as producers, but because of their political acumen. By contrast, where competition is free and keen, the industrial magnates are chosen by the dollar votes of the customers. The producers who serve the public best thus receive mandates to continue and expand their services.

Furthermore, no government-controlled regime can equal a competitive system in furnishing to men and women producers the incentives which lead them to do their best to increase output. Only where everyone is free and rewarded adequately are human energies released in full. Only under such

conditions do all classes really prosper and enjoy life.

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THE RISE OF THE UNITED STATES to a scale of living unequalled in history resulted largely from the independence and protection against a collectivist crowd, which our constitutional republic assured each citizen starting new enterprise.

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Mr. Read

Why DEMOCRATIC SOCIALISM BREAKS DOWN

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by WILLFORD I. KING
*Eminent economist and author of
"Keys to Prosperity"*



FOR MONTHS, France has been on the verge of revolution. Similarly, the Italian Government has stood in constant dread of overthrow by an uprising of Communists. And even proud Britannia has, ever since the close of World War II, been compelled to subsist in part on American bounty.

By contrast, the Russian Government is today apparently stronger and more menacing than at any time in the past, despite the fact that, for thirty years, wishful thinkers in conservative circles have been predicting its