

9 SIGNIFICANCE OF THE FINANCED-CAPITALIST PLAN: REVERSING THE TREND TOWARD SOCIALISM AND BUILDING A CAPITALIST ECONOMY

The practical implications of the discovery that new *personal* capital formation (*i.e.*, newly formed capital that is individually owned) can come into existence independently of financial savings are broader than we can begin to explore in this essay. But the most important of the possibilities envisaged is the vast power of the financed-capitalist plan to build capitalist economies.

It is, for example, immediately apparent that under a financed-capitalist system of economic growth, there is no relationship between the size of an industrial undertaking and the ability of private business to carry it out. Using the capital diffusion insurance method, it is quite as easy to achieve widely diffused private ownership in financing the construction of a multi-billion-dollar project as in the financing of a ten-thousand-dollar project. It would be as feasible to convert the Hoover Dam or the Tennessee Valley Au-

thority into a business privately owned by hundreds of thousands of individual shareholders as it was for the West German Republic recently to convert the Volkswagen Company into a privately owned corporation.

Socialist methods of new capital formation are more efficient and quicker than the traditional methods of business finance now employed by the free world. But the socialist technique places ownership of newly formed capital in the State, and thus is incapable of taking advantage of the powerful latent desire of all men to acquire *as their private property* the ownership of productive capital. It was this desire personally to own productive capital that caused the great industrial advances of the United States, Great Britain, Germany, and the other industrial nations of the free world during the past century. As we have shown, however, the desire to own productive capital has been effectively thwarted for all but a small minority by the traditional methods of corporation finance which limit eligibility to acquire newly formed capital to those who already own capital.

The financed-capitalist plan would end this frustration. It can not only make possible the industrialization of underdeveloped economies in a manner that employs the powerful incentive of private ownership, but it can also bring about the most rapid growth of new capital formation achievable by any means.

Of even greater importance for the American economy is the fact that, through the method of financing new capital formation which we have outlined, the economic race between the free world and the communist world can be placed in its proper perspective, and our chances of winning it can be increased immeasurably. No longer would the issue merely be one of whether socialist methods or traditional Western methods of bringing about economic growth can create the higher standard of living. Rather, the rivalry would be between a totalitarian technique of forcing industrialization by mandate upon a propertyless and freedomless people, and a

capitalist system of simultaneously creating a high level of wealth production and consumption along with conditions of maximum individual freedom and maximum personal incentive. We have no reservations in predicting that, on this basis, the West can win.

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Born in New York City in 1902, a graduate of its public schools and of Columbia, where he also received his Ph.D., Mortimer Adler taught at Columbia University from 1923 to 1929, and then at the University of Chicago from 1930 to 1952, where he was for many years Professor of the Philosophy of Law. In 1952 he left Chicago to establish in San Francisco the Institute for Philosophical Research, of which he is now President and Director.

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Author of the popular best seller, *How to Read a Book*, Dr. Adler has written books about a wide variety of subjects, among them *Art and Prudence*, *What Man Has Made of Man*, *A Dialectic of Morals*, *How to Think about War and Peace*. With Father Walter Farrell, O.P., he published in *The Thomist*, between 1941 and 1944, a series of articles on the Theory of Democracy directly relevant to the thesis of *The Capitalist Manifesto*. He has recently written a two-volume work entitled *The Idea of Freedom*.