

Socialism in America: Measures and Consequences

Introduction

Recent government actions indicate that the U.S. has begun to move toward a socialist economic system. The bank bailouts, the car industry bailouts, the government takeovers of AIG and GM, and the firing of a private sector CEO are just a few incidents of government intervention in the private sector. Though it can be argued that these actions by the U.S. government are ultimately for the benefit of society and the economy as a whole, they are still reminiscent of governmental behavior in socialist countries. Is America drifting toward socialism and, if so, what are the consequences for the economy and for society?

This paper is divided into five main parts. Part One addresses the question - *what is socialism?* The percentage of a country's government expenditures relative to GDP is indicative of how much ownership a government has in the factors of production. An analysis of government expenditures is included as a measuring device for determining whether or not the U.S. appears to be moving toward socialism. Therefore, Part Two is an analysis of *government expenditures and Gross Domestic Product (GDP)*, as well as *quantitative evidence of a drift*. Part Three is an *analysis of socialist countries*, which is assessed by using the scores for various economic freedoms as units of measure. For comparison purposes, Part Four is an analysis of *America's political economic system*, which is defined as a mixed economy. Part Five is an *analysis of economic freedom* in general - its characteristics and outcomes. Part Six is the *commentary*. Part Seven is the *conclusion*, which is that America is drifting toward socialism and there will be negative consequences for the economy and for society.

Part One - What is Socialism?

In a socialist economy, a country's government owns the majority of the factors of production, which are land, labor, capital, and entrepreneurship (Arnold, 2007). Knowledge and resources are also considered to be factors of production. Winston Churchill (1908) summed up socialism as something that "...seeks to pull down wealth...would destroy private interests...would kill enterprise...assails the pre-eminence of the individual...exalts the rule...[and] attacks capital..." (The Churchill Centre and Museum at the Cabinet War Rooms [Churchill Centre], 1908, ¶ 14). Mr. Churchill goes on to say the following about socialism:

I have never been able to imagine the mechanical heart in the Socialist world which is to replace the ordinary human heart that palpitates in our breasts. What motive is to induce the men, not for a day, or an hour, or a year, but for all their lives, to make a supreme sacrifice of their individuality? (Churchill Centre, 1908, ¶ 16)

Central planning is the chief mechanism by which resources are allocated in a socialist economy (Djankov, Glaeser, La Porta, Lopez-de-Silanes, & Shleifer, 2003). The job of central planners is to weigh the wants of society and make determinations as to, for example, who gets housing and who gets health care (Henderson, McNab, & Rozsas, 2005). From a political perspective, socialism is a system that focuses virtually all economic decision making and political power in the hands of just a few elite people, thereby giving them tremendous power and incentive to perpetuate themselves (Djankov et al., 2003). The result of this type of political system is that a country's entire population finds itself economically dependent on the elite (Djankov et al., 2003).

There are a couple of other well-known characteristics of socialism. One of them is pervasive shortages of goods (Shleifer & Vishny, 1992). This can be caused by ineptitude on the part of central planners who are not influenced by the natural forces of supply and demand. Socialism itself is an open invitation to rampant self-interest on the part of bureaucrats who make

determinations as to prices and the level of output of goods (Shleifer & Vishny, 1992). As Shleifer & Vishny go on to explain, bureaucrats purposely instigate shortages so that they can benefit financially from bribes from those consumers who are being rationed. Bribes are often larger than any profit a bureaucrat could obtain by raising prices on goods to meet market demand.

Another characteristic of socialism deals with the subject of property rights. Successful economies must have the security of a legal system that protects property rights, enforces contracts, and provides for dispute resolution (Djankov et al., 2003). Djankov et al. (2003) say that individuals and corporations must feel safe to invest human effort and physical capital. De Soto characterizes property rights in this way:

The lack of legal property thus explains why citizens in developing and former communist nations cannot make profitable contracts with strangers and cannot get credit, insurance, or utilities services: they have no property to lose. Because they have no legal property, they are taken seriously as contracting parties only by their immediate family and neighbors. People with nothing to lose are trapped in the grubby basement of the precapitalist world. (2001, p. 31)

Part Two - Government Expenditures and GDP

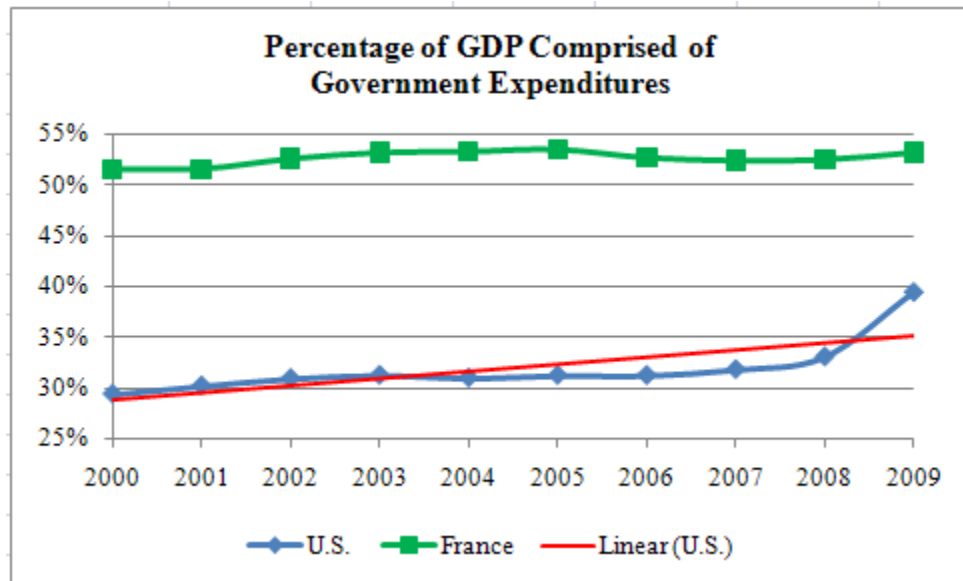
The extent to which an economy has shifted toward socialism can be understood by analyzing the percentage of GDP that is comprised of government expenditures; however, one must take into account the nature of the expenditures since government spending in and of itself is not a socialist activity. According to Arnold (2007), governments disburse revenues on goods and services purchased from the private sector, infrastructure projects, and transfer payments such as social security. However, as Arnold goes on to explain, government expenditures are only one of four elements in the computation of GDP. The other three contributors to GDP are personal consumption, investments, and net exports. Because GDP is used as a gauge of a country's standard of living and economic health, a high GDP is generally regarded as a positive economic indicator. However, this number can be misleading when its size is largely due to

either deficit spending that does not result in real production or spending that can result in the government ownership of private sector companies.

Before continuing with this topic, the difficulties in finding accurate data about government expenditures should be noted. One table on the Bureau of Economic Analysis (BEA) website shows that government spending comprises about 20% of GDP. The components of this percentage are federal spending for national defense, as well as various forms of state and local government spending. What is not included in calculating either GDP or government expenditures as a percentage of GDP is what the BEA calls government social benefits, which refers to social security, welfare, and other forms of social benefits. The line for this data is found on a different BEA table. One line item must be added to the other one in order to arrive at total government expenditures, but this comprehensive data is not posted on their website. Therefore, those who are unaware of this discrepancy in the data can be led astray when evaluating the true percentage of GDP that is comprised of government spending.

Evidence of a Drift

Evidence of a drift toward socialism is determined by analyzing government expenditures as a percentage of GDP for two countries - the U.S. (a capitalist country) and France (a socialist country).



Sources: Bureau of Economic Analysis, 2009, table 3.1; Organisation for Economic Co-Operation and Development, 2008, table 25

The red trend line for the U.S. data clearly shows that the percentage of government spending has been trending upward since at least the year 2000. The U.S.'s sharp increase to approximately 40% in 2009 is primarily attributable to the \$700 billion Troubled Asset Relief Program (TARP), which was created in late 2008 to enable the U.S. Treasury to purchase mortgage-backed securities from certain financial institutions in order to free up the markets ("TARP", n.d.). However, several financial institutions, as well as Fannie Mae and Freddie Mac, were not able to survive, so the U.S. government used some of the money to purchase an ownership stake in them.

The government spent even more money to bail out troubled automakers Chrysler and GM. The government initially gave GM \$19.4 billion in an effort to help the company avoid bankruptcy, but another \$30 billion from the government was required for GM to continue to operate during the company's reorganization (Isidore, 2009). Isidore (2009) explains further that 60% of GM is now owned by U.S. taxpayers, with the remaining 40% of GM being owned by its creditors, its union, and the Canadian provincial and federal governments. In the case of

Chrysler, “President Obama forced Chrysler into federal bankruptcy protection...so it could pursue a lifesaving alliance with the Italian automaker Fiat, in yet another extraordinary intervention into private industry by the federal government” (Rutenberg & Vlasic, 2009, ¶ 1). The U.S. government loaned Chrysler first \$8 billion followed by another \$4 billion, which made the government a partner in that company as well (Rutenberg & Vlasic, 2009). “It was a stark moment, and *one unseen in modern times* [italics added], as the fledgling president deepened his involvement in a struggling but iconic American company” (Rutenberg & Vlasic, 2009, ¶ 4). As previously mentioned, many believe these governmental actions in the cases of GM and Chrysler were necessary in order to prevent a nationwide economic collapse. Nevertheless, government ownership of private sector companies is what occurs in socialist and communist countries.

In addition to the \$700 billion TARP program, Congress also approved, and President Obama signed into law in early 2009, the American Recovery and Reinvestment Act - a \$787 billion stimulus package (Congress, 2009). According to Riedl (2008), government spending in the form of a stimulus does not stimulate the growth of the economy because every dollar that is injected into it needs to either have been borrowed out of the economy or be in the form of taxes (Riedl, 2008). Riedl goes on to say that “government spending ‘stimulus’ merely redistributes existing income, doing nothing to increase productivity or employment, and therefore nothing to create additional income” (2008, ¶ 6). Real growth occurs when there is production of more goods and services (Riedl, 2008). The private sector is actually weakened by most federal spending due to resources being directed toward uses that are less productive (Riedl, 2008). An example of this is the government manpower that will be required to ensure Chrysler warranties are honored. Activities such as this prevent the economy from growing and benefiting society as a whole (Riedl, 2008).

Government spending on things that result in long-term return on investment (i.e., job training, education, research and development, and physical infrastructure) is good for the economy and for society (Riedl, 2008). However, a critical component for such an outcome is that government spending should not replace the private sector's ability to spend the money for these items in a more competent and efficient fashion (Riedl, 2008). According to Riedl, "Historically, governments have rarely outperformed the private sector in generating productivity growth" (2008, ¶ 10). Government spending has reduced long-term economic growth and productivity due to: (1) taxes, (2) incentives, (3) displacement, and (4) inefficiencies (Riedl, 2008).

Riedl (2008) explains these four factors in more detail. First, tax rates that are high reduce people's incentives to work, save, and invest. This results in an unmotivated workforce and businesses that are less likely to invest in technology or expend new capital. Second, social spending or entitlement programs tend to reduce people's incentives to be productive. Welfare programs can be excuses for people to not work. Unemployment insurance programs can be merely incentives for people to stay unemployed until the benefits are depleted. Third, displacement refers to the fact that as politicians spend one dollar, one less dollar is allocated to the private sector. This allocation to the private sector is normally determined by market forces. "For example, rather than allowing the market to allocate investments, politicians seize that money and earmark it for favored organizations with little regard for improvements to economic efficiency" (Riedl, 2008, ¶ 15). Finally, the government generally cannot provide services to the public as efficiently as the private sector can. For example, the government promotes third-party payers in the education and health care markets, which results in insensitivity to prices and over-

consumption. People tend to not be as concerned about prices when they are using someone else's money.

There have been a number of academic studies that show an inverse relationship between economic growth and government expansion (Riedl, 2008). The results of a couple of these studies are as follows:

“Public Finance Review reported that ‘higher total government expenditure, no matter how financed, is associated with a lower growth rate of real per capita gross state product’” (Riedl, 2008, ¶17).

The *Quarterly Journal of Economics* reported that ‘the ratio of real government consumption expenditure to real GDP had a negative association with growth and investment,’ and ‘growth is inversely related to the share of government consumption in GDP, but insignificantly related to the share of public investment.’ (Riedl, 2008, ¶18)

There is one other consequence of excessive government spending that was not addressed by Riedl, and that is the inhibition of innovation (Mitchell, 2005). Mitchell (2005) says that members of the private sector are constantly searching for new opportunities because of the presence of competition and people's innate desires to increase their wealth. He goes on to say that “economic growth is greatly enhanced by this discovery process of ‘creative destruction’¹” (Mitchell, 2005, ¶ 15). In contrast, he says, government programs are known for being inflexible because of excessive bureaucracy and centralization. Furthermore, as the scope and size of the U.S. government increases, there are greater chances for corruption to thrive due to complex economic regulations and pervasive government involvement in the U.S. economy (Miller, 2009).

Part Three - Analysis of Socialist Countries

Perhaps the most damaging consequence of socialism for society is the decline of individual freedom and how that impacts private sector activities. When the government

¹ The phrase “creative destruction” was first coined by Joseph Schumpeter on page 83 of his book entitled, *Capitalism, Socialism and Democracy*, which was published in 1942.

assumes roles that have historically been left to the private sector, many forms of freedom are negatively impacted. The Index of Economic Freedom (Index) gives broad insight into how a country's political structure impacts various types of freedoms (The Heritage Foundation and The Wall Street Journal [The Heritage Foundation], 2009). The Index is a guide that is published annually by The Heritage Foundation and The Wall Street Journal (The Heritage Foundation, 2009). The Heritage Foundation evaluates 183 countries on 10 benchmarks, which are analyzed and scored on both an individual and aggregate basis. Every benchmark has a maximum score of 100. An analysis of two socialist countries' scores, as compared to the scores of the U.S. (a capitalist country), will provide evidence that freedom is generally equated with the ability of a country to achieve economic growth and a high standard of living for its citizens.

The scores for four of the benchmarks in particular are indicative of a country's propensity to be more capitalist or socialist. In order to gain some insight into how a country's political structure impacts various freedoms, an analysis of these benchmarks follows: (1) business freedom, (2) government size, (3) labor freedom, and (4) property rights. Business freedom addresses the general freedom to open, operate, and close a business with minimal state interference. Government size measures the percentage of GDP that is comprised of government expenditures, which includes consumption and transfers. The Index acknowledges that some government spending for public goods is good for everyone. Therefore, only those governments that are very large receive low scores. Labor freedom analyzes areas such as a country's laws regarding layoffs, regulatory requirements regarding hiring practices and worker hours, severance requirements, and regulations regarding minimum wages. Property rights measures the extent to which the laws of a country protect the rights of citizens to own private property and the extent to which a country's government enforces those laws.

Cuba is one example of a socialist country (PRS Group, 2008). Cuba's commitment to socialism is made clear in the country's constitution, which states "...only under socialism and communism, when man has been freed from all forms of exploitation – slavery, servitude and capitalism – can full dignity of the human being be attained..." (The Cuban Constitution, n.d.). Cuba's socialist economic system exists at the will of the Cuban government, which controls Cuba's economy (PRS Group, 2008).

According to the report by The Heritage Foundation (2009), Cuba's aggregate score for all benchmarks is 27.9², indicating Cuba is nearly the least free of all 183 countries, ahead of only Zimbabwe and North Korea. Cuba scored 10 for business freedom due to very limited instances of private entrepreneurship. Cuba's government does not consistently and forcefully apply regulations, which prevents people from feeling safe enough to engage in the risk required to innovate and start businesses. Government size is rated as 0 because government spending comprised 72.6% of GDP in the most recent year. The property rights score is 10, which is representative of the extent to which the government controls ownership rights. Labor freedom scored 20 because Cuba's government employs approximately 75% of the country's labor force, there are wide variations in the government-mandated minimum wage, and the sole purpose of labor organizations is to promote governmental support. A graphic of these scores follows.

Venezuela is another example of a socialist economy (Economist Intelligence Unit [EIU], 2008). During the 2008 election, Hugo Chavez's campaign was focused on "the construction of '21st century socialism' [and] the struggle against 'US imperialism'" (EIU, 2008, p. 8). According to The Heritage Foundation (2009), Venezuela's aggregate score is 39.9, which puts Venezuela only three countries ahead of Cuba. The score for business freedom is 50.8 because the regulatory environment in Venezuela is very restricted. Though citizens can start businesses,

² All scores in Part Two are graphically depicted in Part Five.

it takes nearly four times longer than the world average to do so. A score of 69.3 represents government size, which is 32% of GDP. Property rights have a score of 5 due to the government's outright assault on the right of citizens to accumulate and hold private property. Labor freedom has a score of 30.1, which is representative of generally inflexible employment regulations that have a negative impact on the growth of productivity.

Part Four - America's Political Economic System

For comparison purposes, the political economic system in America is examined. It is defined as mixed capitalism, which is comprised of aspects of both socialism and capitalism (Arnold, 2007). Mixed capitalism, as Arnold explains, is the economic system of choice for most countries. However, countries differ as to which end of the capitalism-socialism spectrum their economies favor the most. Because America favors the capitalist end of the spectrum, its political economic system will hereinafter be referred to as capitalism.

There are several attributes of capitalism that are appealing to capitalist nations, including freedom, justice, efficiency, opportunity, protection of property rights, and the ability to promptly respond to the demands of the public (McGuire, 1976). The general belief about the concept of capitalism is that "public welfare can best be advanced through the efforts of individuals seeking to maximize their own self-interests in a competitive environment" (McGuire, 1976, p. 6). A powerful incentive for individuals to act in their own self-interests is the promise of financial rewards (McGuire, 1976). Another characteristic of capitalism is the presence of markets that serve as rudders for economic coordination (Kornai, 2000). As Kornai (2000) points out, these markets dictate prices, quantities, demand, and supply.

Adam Smith said that the pursuit of individual self-interests results in competition among producers, which in turn results in the provision of goods that societies want, in the quantities

they want, and for the prices they are willing to pay (Heilbroner, 1999). Generally speaking, capitalism is a very productive system that is designed to benefit society by offering many choices “of goods and services at the lowest possible prices with the highest possible returns to labor and other resources” (McGuire, 1976, p. 11).

Additional hallmarks of a capitalist system include opportunities to engage in innovation and technological development (Kornai, 2000). Kornai explains that under capitalism, the support of entrepreneurship from the highest levels of government paves the way for all citizens to be free to innovate and start businesses. As a result, capitalism can achieve greater labor productivity and increase production at a faster rate, which results in the material welfare of America’s citizens (Kornai, 2000).

According to The Heritage Foundation (2009), the U.S. scored sixth in the world in economic freedom. The U.S. is the largest producer of manufactured goods in the world, just ahead of China which ranks second in the world. The U.S. is also the world’s largest economy. An analysis of the same four benchmarks that were referenced above for Cuba and Venezuela will shed light on how vastly different economic freedoms are in socialist and capitalist countries.

Business freedom, as ranked by The Heritage Foundation (2009), scored 91.9³ in the U.S., which provides strong regulations designed to protect citizens’ freedom to start businesses. Government size scored 59.6, which is high because government expenditures were 37.6% of GDP according to their most recent data. However, that percentage is closer to 40% now, and what that means for America is the focus of this paper. Labor freedom scored 95.1, indicating extremely flexible labor regulations that significantly enhance the growth of productivity. Finally, the U.S. government guarantees property rights, which scored 90. Not only are property

³ All scores in Part Four are graphically depicted in Part Five.

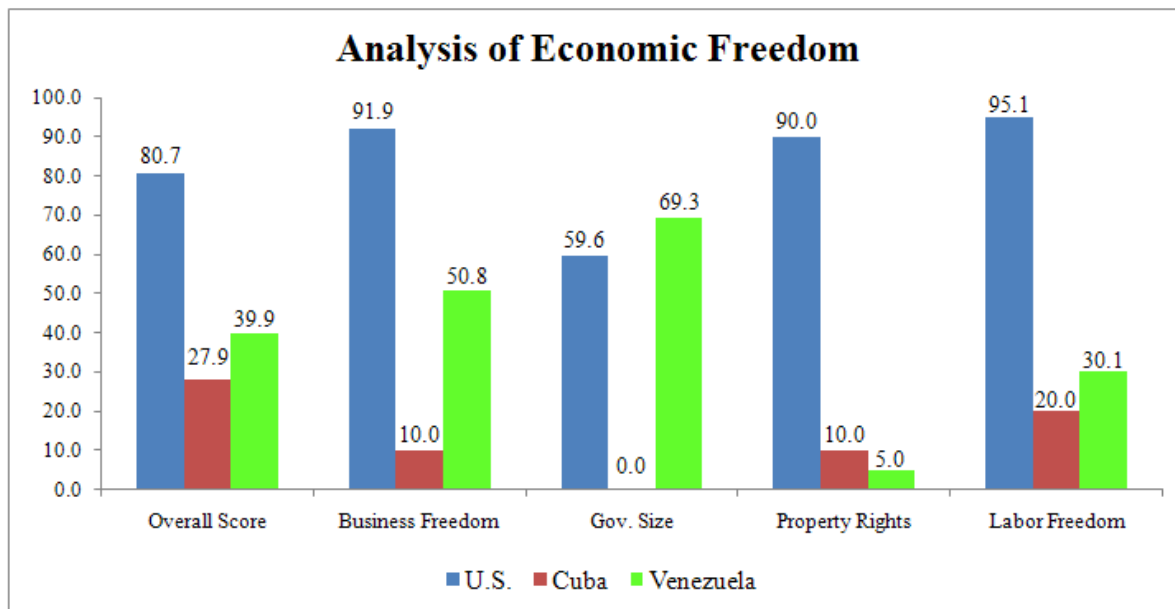
rights guaranteed, but contracts are also strongly enforced in accordance with state laws. The U.S. has a licensing system that protects such intellectual property items as trademarks, patents, and copyrights. The consistently high scores of these key characteristics of a capitalist economy are evidence that government support of them is critical for a country to enjoy economic freedom and, therefore, economic growth.

Kornai (2000) offers an interesting viewpoint on the connection between democracy and capitalism. Kornai (2000) says that it is possible for capitalism to exist under more dictatorial regimes, provided that the leaders of the country are proponents of free enterprise, individual ownership of private property, and the freedom for individuals to engage in contractual relations. However, “capitalism is a necessary condition of democracy” (Kornai, 2000, p. 35). Capitalism, Kornai explains, works in America because a legal infrastructure exists to protect the ownership of private property and the enforcement of contracts.

A deeper understanding of the definition and description of a democracy is helpful in understanding Kornai’s quote noted above. The definition Kornai gives for democracy is “a conjunction of the political organizations, institutions, social norms and confirmed forms of behavior that provide certain operating conditions for society” (2000, p. 36). There are four conditions that must be met in order for a democracy to work: (1) members of government can be replaced in a civilized manner, (2) citizens can dismiss members of government using an electoral procedure, (3) no particular political ideology is enforced by the state, and (4) political freedoms are not simply enacted by the democracy; they are guaranteed in practice (Kornai, 2000).

Part Five - Analysis of Economic Freedom

Below is a graphic showing the ranking of all four individual freedoms for the U.S., Cuba, and Venezuela, as well as each country's overall score.



Source: The Heritage Foundation, 2009

The research conducted by The Heritage Foundation since 1995 indicates that “overall human development, political openness, and environmental sustainability thrive in an environment that is economically free” (n.d., p. 3). As The Heritage Foundation (n.d.) goes on to explain, there is more to the concept of economic freedom than simply governmental support of entrepreneurship and all that entails. Economic freedom empowers people, promotes individual choice and opportunity, and increases overall quality of life.

The Heritage Foundation (n.d.) has also discovered a strong correlation between higher levels of economic freedom and higher per capita incomes. Exhibit 1 attached hereto compares economic freedom and prosperity, as measured using GDP per capita. Exhibit 2 attached hereto compares economic freedom and the standard of living, as measured using average GDP per capita. “The prosperity that flows from economic freedom results in greater access to education,

reduced illiteracy, increased access to higher quality health care and food supplies, and longer life expectancy” (The Heritage Foundation, n.d., p. 4).

Part Six - Commentary

Based on the information provided in this paper, I believe that America has recently begun to lean more toward the socialist end of a mixed economy. I believe that the behaviors of the government will have negative consequences for society and the future of America if we continue on the current path. The citizens of America, both this generation and generations to come, will be responsible for paying the debt, with little expectation that our increasingly socialist economy can grow its way past it.

The recent increase in government spending in the automobile industry means that the government is now a competitor of the private sector in a way it has not been before. The Obama administration plans to require GM and Chrysler to build politically correct, environmentally friendly cars. It is not possible for other automakers to engage in fair competition with the government because they must operate under the constraints of normal business protocol, which includes having a profit motive. Generally speaking, the government does not have the profit motive that the private sector has because the government’s focus is instead on reaching political goals. This has a negative impact on the market forces that have always governed supply and demand in this country. Without a profit motive behind production decisions, there are inefficiencies in the production and distribution of goods and services. For example, for a period of time the government is engaging in private sector activities such as ensuring Chrysler warranties are honored. This is an inefficient and unproductive use of government resources, even on a short-term basis.

The increase in government spending also tends to result in higher taxes for individuals and companies. When the private sector is allowed to invest the fruits of free enterprise rather than pay more taxes, it propagates lasting prosperity that can be spread worldwide. For example, the development of the computer chip and the software to operate it quickly changed the world economically. Fueled by the Reagan tax cuts of the early 1980s, brilliant entrepreneurs took risks, put profits back into their businesses, and took their success worldwide. The products and profits that derived from this dynamic expression of free enterprise are in every home, automobile, and workplace in the developed world. In emerging nations, this technological renaissance has given a focus for education and a hope for a better future, as humanitarians give children from the poorest villages their own \$100 laptop computer. Rhetorically, would all this have happened without the Reagan tax cuts? I think it is safe to say that these results would at least have been hindered. Are more tax cuts advisable? I believe it can reasonably be argued that lower taxes on individuals and corporations would cost no more than the bailouts of the last year. Revenues to all levels of government would increase automatically as the American people prosper.

Central planning will be a term associated with America if the government health care plan passes Congress and is signed by the President. The government will be deciding who gets what kind of health care, as well as essentially who lives and who dies. They will be making decisions that should be left to families and doctors. Though Medicare is a currently existing, government-mandated health care plan, it is not a system that functions well. Shortages and a lack of excellence are inherent in the system. Offsetting the lack of excellence, though, is the current prevalence of private health care entities that have a profit motive. A government health care plan for everyone would result in yet another industry in which the government competes

with the private sector in a more profound way. Because some people in society will be inclined to opt for the government's likely cheaper health care, the profits in the private sector are therefore likely to diminish. Therefore, some private sector companies could be forced to go out of business simply due to competitive pressures from the very government that has historically been the strongest supporter of private sector businesses.

Individual freedom is the heart and soul of Americans since the founding of this country. It underlies the pursuit of our self-interests, the opportunities we have to create new wealth, and the happiness and quality of life that comes from both of these activities. America is the largest economy in the world because its people have always been free to pursue wealth and success, and Americans have proven throughout history that they will naturally do so. The loss of individual and economic freedom to the suffocating ideology of socialism would be a heartbreaking travesty of Thomas Jefferson's motivating and inspiring words in the Declaration of Independence. Jefferson said, "And for the support of this Declaration, with a firm reliance on the protection of divine Providence, we mutually pledge to each other our *Lives, our Fortunes and our sacred Honor* [italics added]" (The U.S. National Archives and Records Administration, n.d., ¶ 6). With these words, Jefferson forever established the price worth paying to be a free people. Our founding fathers risked everything to struggle for a new nation built on admirable principles affirmed by God. Now it is tragically possible that individual Americans will bargain away that freedom in return for a modicum of security from a government that has so weakened the reward for individual achievement that a government handout is all that remains.

Part Seven - Conclusion

The objective of this paper is to assess whether or not America is moving toward socialism and, if so, what the consequences are for the economy and for society. Though it

seems inescapable that the events of the last few quarters are impelling us more toward the socialist end of a mixed economy, it is not too late to take to heart the lessons of history and take appropriate actions to keep this from happening. Socialism is bad for business, the economy, and society.

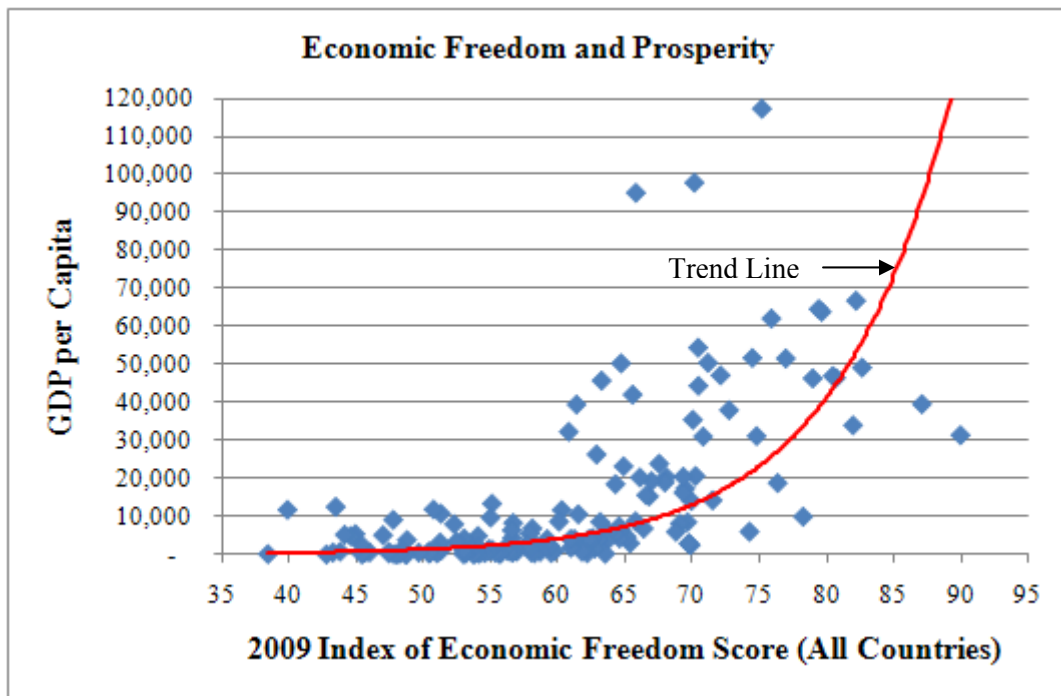
I conclude that the U.S. government should extricate itself from the private sector as quickly as possible, thereby getting out of the way of the historically productive American people. Congress and the President should institute reasonable safeguards that protect the economy from future abuses and fraud in financial institutions and other private sector industries. Furthermore, no further consideration should be given to nationalized health care, as it has proven to be a failure in the countries that currently have such a program. Though the contest between socialism and capitalism can be continued on theoretical grounds, it can be settled convincingly by the reemergence of America as a successful capitalistic society that is thriving due to real economic growth.

REFERENCES

- Arnold, R. A. (2007). *Economics: Concise edition*. Mason, OH: Thomson South-Western.
- Bureau of Economic Analysis (2009, May 29). *Government current receipts and expenditures*. Retrieved from Bureau of Economic Analysis Website:
[http://www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=84&ViewSeries=N
O&Java=no&Request3Place=N&3Place=N&FromView=YES&Freq=Year&FirstYear=1
999&LastYear=2009&3Place=N&Update=Update&JavaBox=no](http://www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=84&ViewSeries=N&O&Java=no&Request3Place=N&3Place=N&FromView=YES&Freq=Year&FirstYear=1999&LastYear=2009&3Place=N&Update=Update&JavaBox=no)
- Congress. (2009, January 6). *American Recovery and Reinvestment Act of 2009* (H.R.1). Washington, DC: U.S. Government Printing Office.
- De Soto, H. (2001). The mystery of capital. *Finance & Development*, 38(1), 29-33.
- Djankov, S., Glaeser, E., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2003). The new comparative economics. *Journal of Comparative Economics*, 31(4), 595-619.
- Economist Intelligence Unit. (2008, November). *Country report: Venezuela* (Economist Intelligence Unit). New York, NY: Economist Intelligence Unit.
- Heilbroner, R. L. (1999). *The Worldly Philosophers* (7th ed.). New York, NY: Touchstone.
- Henderson, D. R., McNab, R. M., & Rozsas, T. (2005). The hidden inequality in socialism. *Independent Review*, 9(3), 389-412.
- Isidore, C. (2009, June 2). GM bankruptcy: End of an era. *CNNMoney.com*. Retrieved from http://money.cnn.com/2009/06/01/news/companies/gm_bankruptcy/index.htm
- Kornai, J. (2000). What the change of system from socialism to capitalism does and does not mean. *The Journal of Economic Perspectives*, 14(1), 27-42.
- McGuire, J. W. (1976). Perfecting capitalism - an economic dilemma. *Business Horizons*, 19(1), 5-12.
- Miller, T. (2009). *Government intervention: A threat to economic recovery*. Retrieved June 10, 2009, from <http://www.heritage.org/Research/Economy/tst061009a.cfm>
- Mitchell, D. J. (2005). *The impact of government spending on economic growth*. Retrieved June 13, 2009, from <http://www.heritage.org/research/budget/bg1831.cfm>
- Organisation for Economic Co-Operation and Development (2008). *Government, general, total outlays*. Retrieved June 10, 2009, from <http://www.oecd.org/dataoecd/26/40/38785295.htm>

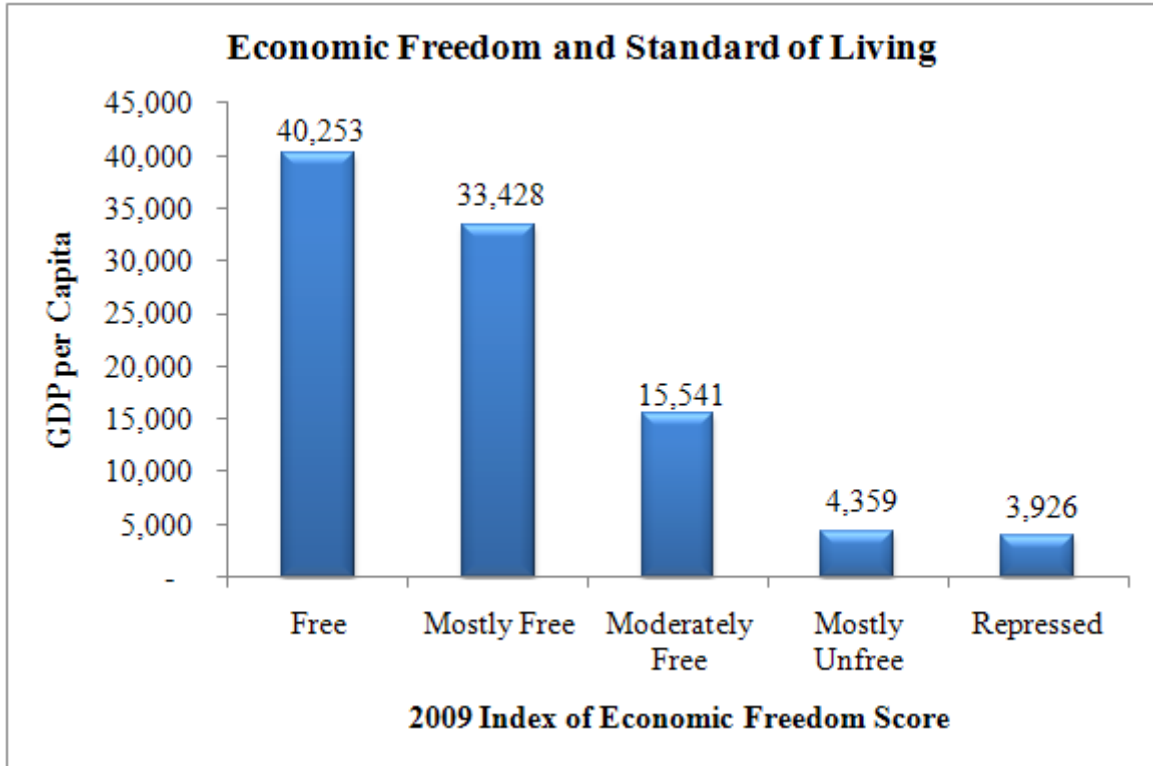
- PRS Group. (2008, June 1). *Political risk yearbook: Cuba country forecast* (PRS Group). East Syracuse, NY: PRS Group.
- Riedl, B. M. (2008). *Why government spending does not stimulate economic growth*. Retrieved June 13, 2009, from <http://www.heritage.org/Research/Budget/bg2208.cfm>
- Rutenberg, J., & Vlasic, B. (2009, April 30). Chrysler files to seek bankruptcy protection. *The New York Times*. Retrieved from http://www.nytimes.com/2009/05/01/business/01auto.html?_r=1
- Shleifer, A., & Vishny, R. (1992). Pervasive shortages under socialism. *The RAND Journal of Economics*, 23(2), 237-246.
- The Churchill Centre and Museum at the Cabinet War Rooms (1908). *Speeches of Winston Churchill: Liberalism and socialism*. Retrieved June 3, 2009, from <http://www.winstonchurchill.org/learn/speeches/speeches-of-winston-churchill/99-liberalism-and-socialism>
- The Cuban Constitution (n.d.). *Constitution of the Republic of Cuba, 1992*. Retrieved May 26, 2009, from http://www.cubaverdad.net/cuban_constitution_english.htm
- The Heritage Foundation (n.d.). *Executive summary*. Retrieved June 14, 2009, from http://www.heritage.org/index/pdf/Index09_ExecSum.pdf
- The Heritage Foundation and The Wall Street Journal (2009). *Index of economic freedom*. Retrieved May 27, 2009, from <http://www.heritage.org/index/>
- The U.S. National Archives and Records Administration (n.d.). *Declaration of Independence*. Retrieved July 28, 2009, from http://www.archives.gov/exhibits/charters/declaration_transcript.html
- Troubled asset relief program - TARP. (n.d.). In *Investopedia*. Retrieved July 5, 2009, from <http://www.investopedia.com/terms/t/troubled-asset-relief-program-tarp.asp>

Exhibit 1



Source: The Heritage Foundation, n.d., figure 3

Exhibit 2



Source: The Heritage Foundation, n.d., figure 1

Distribution of Global Economic Freedom Scores				
100 - 80	79.9 - 70	69.9 - 60	59.9 - 50	49.9 - 0
Free	Mostly Free	Moderately Free	Mostly Unfree	Repressed