P.S. to the NEWS
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FOREIGN AID VS. CASH CUSTOMERS

It took an outsider to come to Capitol Hill and speak a truth that has been crying to be heard for years: "A shopkeeper does not flourish by giving his cash to people who may later spend some of it in his shop."

That metaphor shows that it is ridiculous (the speaker called it "sophistry") to assert that America is better off to give away our wealth to foreign countries in the hope they will use some of it to trade with us. The speaker who spoke the obvious was Professor Peter T. Bauer of the London School of Economics.

Yet U.S. foreign aid to more than a hundred other countries goes on and on and on, and Congress recently passed another huge appropriation. Foreign giveaways are now euphemistically labelled "international wealth transfers," but garbage by any other name smells just the same.

None of the other arguments for foreign giveaways has any more merit than the argument that they may produce future customers. U.S. generosity doesn't even produce any credit or good will with the beneficiary nations.

About a third of all Western aid is now channeled through international agencies which are not permitted to take into account the security concerns of the donor nations. Furthermore, the Soviet bloc is well represented in all those international agencies and is in on the distribution of the funds even though it contributes very little.

In his speech to a seminar sponsored jointly by the Heritage Foundation and the United Nations Association, Professor Bauer developed the thesis that the bad effects of foreign aid are felt by the aid-receiving countries as well as the aid-giving countries. He said that aid to the less-developed countries "aggravates the disastrous politicization of life in the Third World and intensifies the struggle for political power."

In other words, U.S. foreign aid to less-developed countries just puts more money, power and patronage in the hands of the dictators who run those countries without serving any good political or economic objectives for them or us. U.S. foreign aid may even

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help incompetent governments to continue insolvent financial policies and self-defeating economic policies and do nothing for the political, social or economic welfare of their peoples.

Professor Bauer warns that unless we reform our foreign aid program, giving away U.S. wealth will continue to promote totalitarian systems in Asia, Africa and Latin America. He says that commercial contracts are far more effective than government grants in achieving sound objectives, and that straight relief should be left to voluntary agencies which do a better job.

The failure of U.S. foreign aid to accomplish any tangible benefit for donor or donee should be contrasted with the amazing success story of Taiwan, which has lifted itself up by its own bootstraps practically without any foreign help, and without mineral wealth such as oil, gas, iron or copper. Thirty years ago, Taiwan was an island devastated by a half century of Japanese occupation, and the per capita income was less than $100 a year.

Today, Taiwan has one of the highest living standards in Asia and its 17 million people do more foreign trade than the 800,000,000 people of Mainland China. The annual per capita income is more than $1,700 and is generally conceded to be more equitably distributed than in almost any other developing or developed nation, capitalist or Communist.

In the Mainland Chinese "People's Paradise" where the revolutionary proletariat have supposedly leveled off living standards, the party bosses live at least 10 times better than the workers. In Taiwan, the rato between the income of the highest 20 percent and the lowest 20 percent is only four to one.

It is time for our government to tell the more than 100 nations who have been riding Uncle Sam's gravy train that the party is over. The only proven way to economic prosperity is to establish a free economic system, build a reputation of respecting other people's property and living up to your contracts, and working hard to produce useful products that others want to buy.

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