

THE COLD WAR

Viewpoints

Throughout the Cold War, communist and capitalist systems competed for influence around the globe. In the passages below, two economists explain some benefits or positive aspects of each system. The first excerpt is by an eminent Soviet economist. It appeared in a pamphlet published for an American audience. The second excerpt is from an influential book written by a U.S. economics professor. ♦ *As you read, think about how economic decisions are made in each system. Then, on a separate sheet of paper, answer the questions that follow.*

Comparing Competing Economic Systems**From *Industrial Management in the USSR***

by A. Arakelian (1950)

The Council of Ministers of the USSR exercises leadership in planning, establishes national economic connections and proportions, and assures coordination and harmony in the development of all branches and spheres of Soviet economy. . . .

On the basis of directives from the Party and the government, the Soviet State Planning Commission drafts uniform national economic plans for the branches of economy and regions, and presents plans to the Council of Ministers for confirmation. These plans provide for the following: guaranteeing and further strengthening of the freedom and independence of socialist economy from capitalist economy . . . prohibition of the rise of capitalist elements, assurance of coordination and correct relationships in the development of different branches of economy and economic regions, prohibition of disproportions in the national economy, and so forth. After review and confirmation by the government, the plans . . . have the validity of law, and are obligatory for fulfillment.

From *Omnipotent Government* by Ludwig von Mises (1944)

Within the market society the working of the price mechanism makes the consumers supreme. They determine through the prices they pay and through the amount of their purchases both the quantity and quality of production. They determine directly the prices of consumers' goods, and thereby indirectly the price of all material factors of production and the wages of all hands employed. . . . In that endless rotating mechanism [*i.e.*, a market society] the entrepreneurs and capitalists are the servants of the consumers. The consumers are the masters, to whose whims the entrepreneurs and capitalists, must adjust their investments and methods of production. The market chooses the entrepreneurs and the capitalists, and removes them as soon as they prove failures. The market is a democracy in which every penny gives a right to vote and where voting is repeated every day.

Sources: (1) *Industrial Management in the USSR*, by A. Arakelian, translated by Ellsworth L. Raymond (Washington, D.C.: Public Affairs Press, 1950); (2) *Omnipotent Government*, by Ludwig von Mises. Reprint edition (Libertarian Press, Incorporated; August 1, 1985).

Questions to Think About

1. According to Arakelian, who decides what will be produced in the Soviet Union?
2. According to von Mises, who decides what will be produced in the United States?
3. **Make Comparisons** What would Arakelian argue is a weakness of the capitalist economy? What would von Mises argue is a weakness in the socialist economy? What do you think is one strength of each system?