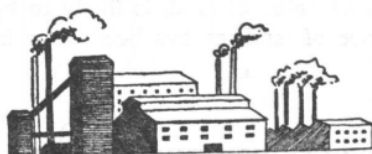


# Matters of Perspective

## 1. RELIVING HISTORY

IF we were designing the economy of a completely new human society, we might perhaps take Henry George in hand, and apply his doctrines to our work. The trade would be free, the land values would be taxed, the currency sound and convertible, and so on. For weal or woe, however, this is not the kind of society with which we are compelled to deal. People have hopes and fears which are built on what the past was like - or, more important still, on what they imagine the past was like. Traditions of the "welfare state", memories of mass-unemployment in the past, and an uncomfortable recrudescence today; bad housing; an economy distorted all over the place by taxes and subsidies; these, and innumerable other matters, have affected the views which people take of economic problems.

We ignore the past at our mortal peril. "The price of not learning from history", runs the old saw, "is to be compelled to re-live it." Economists will therefore welcome a second edition of W. M. Stern's already famous *Britain Yesterday and Today*.<sup>\*</sup> This is a comprehensive study of our economic history over the past 200 years or so. It is designed for the sixth-former or undergraduate, but it is no less suitable for the general reader who wishes to have some idea of what happened to people's economic lives since the beginning of the so-called "Industrial Revolution". It corrects many fallacies, and helps



to set events in their perspective without too many dates or footnotes.

<sup>\*</sup>*Britain Yesterday and Today*, Longman—paperback £1.25.

As a result of this essentially "popular" approach, there are places where one tends to gulp. We read, for example, on page 218 a criticism of Free Trade, which tells us that: "... it was the British producer, even more than the would-be producer, unable to find employment for his services or capital, who could no longer sustain it."

This is the sort of statement against which we must be on our guard - and, one may add, against which Mr. Stern should have been on his guard. It is possible (though I think it very unlikely) that he could sustain the view he holds in argument; but it is by no means a certain historical fact, and it should be stated - if at all - with a great deal more caution. The reader is hereby warned to treat all generalisations of that kind with the utmost suspicion.

The land question again calls for comment. Mr. Stern has removed from this edition the serious error which the first one made of calling Henry George a land nationaliser. Yet I am by no means certain that he gives the land the prominence it deserves, in spite of the numerous references that he makes. The Highland clearances are very cursorily mentioned; I think that we should be told more about them. We see little of the appalling social conditions in the Western Isles nearly three-quarters of a century later, in the 1880's, which brought crofters to stone the police, and made it necessary for the Government to send two gunboats to subdue the people of Skye. We are told something - but not, I feel, as much as we should be told - about the English farm labourer; or about who was rocked (and why) by the agricultural depression of the late 1870's. Nor do we learn what economic causes operated to make the urban workers so immensely concerned with the land question

immediately before 1914. Nor does Mr. Stern's book lay enough emphasis on the enormous regional variations which often existed between conditions of life and employment in the same occupation at the same period in different parts of the country. In the late 19th century, for example, a Scottish miner had a very different life from a West Midland miner; and a Lancashire farm labourer from a Wiltshire farm labourer.

When this book passes (as it certainly deserves to, and probably will) into a third edition, I hope that these defects will be remedied. In the meantime, let us salute it as a very good book for its purpose; yet one which must be read critically, and often with considerable caution.

## 2. A BIT SOON FOR HISTORY

IT IS always very difficult to write the history of the last twenty-five years or so. The archives from which we would like to draw our information are not open to us. The statesmen have not safely and finally bequeathed their papers to the custody of their descendants. Public sources, like the Cabinet papers, are still closed. In any case, we are so extremely close to the events that it is peculiarly difficult to set them in perspective: to decide what really matters and what is of only marginal interest: to decide which saplings are likely to grow into the great oaks which will one day overshadow the forest.

People who write this very recent history tend to be either statesmen who are setting down apologia for themselves, or journalists to whom, after all, a quarter of a century ago is remote antiquity. They must usually draw, in the main, either on what other journalists wrote even closer to the events, or else on what politicians have written in their own defence. Andrew Roth<sup>\*</sup> has relied mainly on journalists as his authorities.

The picture which he draws is a bleak one for all who have been

<sup>\*</sup>*Can Parliament decide...about Europe...or about anything?* Macdonald, £2.50.

brought up in the tradition of Parliamentary democracy. Of course, it is impossible nowadays to find anyone who will advance a positive defence of democracy with much enthusiasm, although there are a lot of us who still echo, rather timorously, Churchill's celebrated dictum to the effect that he could think of ninety-nine objections to democracy, and a hundred to any other system.

After Andrew Roth, perhaps we should set the first number at 99½ or 99¾. We learn - or perhaps I should say we are reminded - of the double dealing, the almost total lack of real political principle, which has characterised the last quarter of a century, not only on the question of the U.K.'s relation with Western Europe, but on a very large chunk of policy, both domestic and foreign. We receive the overwhelming impression that leading politicians have been taking decisions of the most terrible importance to their country and to the human race as part of a "political game" played with the utmost degree of frivolous irresponsibility.

On this central question of the Common Market, we learn that the politicians have landed on one side or other of the fence in a large proportion of cases not through any deep underlying conviction either way but through the operation of the ancient game of "Ins" and "Outs". We receive a not dissimilar view on questions like nuclear defence and most other matters as well. To call our present system "democracy" in any etymological sense of the term is fatuous to a degree. It looks very much as if the 19th century impetus of the parliamentary system is more or less played out, and we will soon see a radical readjustment of all constitutional and political ideas.

We must not form our views too much on the basis of a book like this, which is so very much the work of a journalist rather than a historian. But I should not be writing a review in this tone if it did not happen to correspond with a line of thought which has been impressing itself upon me for a long time.

## Corruption and Planning

FRED HARRISON

**C**ORRUPTION is a word bandied about a great deal in the literature on economic development of the Third World. Normally it is associated with central planning of the economy. Intuitively, of course, we can all see that corrupt practices are likely to emerge when a few people - the politicians, scientific experts and especially the bureaucrats upon whom the administration rests - have the power to determine who shall receive the official favours.

Rarely, however, is the extent of corruption quantified. Quite obviously the problems of doing so are enormous, but we now have some idea of its pervasiveness in India\*. It is crucially important to note that the illegal incomes calculated by Prof. Shenoy are the

consequence of policy decisions, not the result, in the first instance, of some inexorable streak of corruption in man.

India has been wedded to economic planning since gaining independence. Only now are we gaining knowledge of the extent to which distortions have arisen in markets and resource allocation. The five-year plans, with a related morass of regulations effectively designed to dissuade entrepreneurial activity, have proved admirable vehicles for lining the pockets of a few civil servants, politicians and businessmen, in the following ways:

(1) A fixed exchange rate unrelated to the competitiveness of the economy in foreign markets is not a virility symbol peculiar to industrially advanced societies. Indian leaders have also refused to make adjustments. Thus, the official ex-

change rate remained fixed between 1949 and 1966 while home prices rose 80 per cent. Thus, reports Prof. Shenoy, importers con-



tinued to pay Rs. 476 for every \$100 worth of imports while the prices at which they sold them rose by 80 per cent. As a result, wide gaps were created between the landed costs and the market prices of imports, ranging between 30 and 500 per cent of the former.

(2) Apart from redistributing income in the above manner, it quickly became clear that the system of import licences was a source of quick income. An illegal market in them developed which - as with the other forms of corruption - is officially recognised as being of "common knowledge"! The prices quoted for the licences are in terms of premia over the face value of the licences, and sales are effected through such means as the forward sale of the goods concerned. Prof. Shenoy tells us that, so open was this illegal market, that price quotations were occasionally printed in the Indian newspapers. The import licences are issued free: their value arises purely because of the insistence on an inflexible exchange rate - and there is no doubt that part of the illegal proceeds find their way back to the public servants who issue the licences.

(3) Vast sums of public money, spent under the plans, found their way into private pockets. Official estimates gauge the loss as between 10 and 40 per cent of public sector expenditures. Prof. Shenoy says that if we assume that 20 per cent was siphoned off, then about Rs. 433 crores a year was salted away into private pockets, between 1961 and 1969. This when incomes of the agricultural peasants remained static.

(4) Not surprisingly, black markets and smuggling became organised rackets, because of the import restrictions and exchange controls. The goods unofficially traded in include jute, cashew nuts and spices, as well as gold, foreign currencies and rupees. Prof. Shenoy estima-

\* S. R. Shenoy, *India: Progress or Poverty?* I.E.A. Research Monograph 27, £1.