The Logic of Freedom

By PETER TRACEY

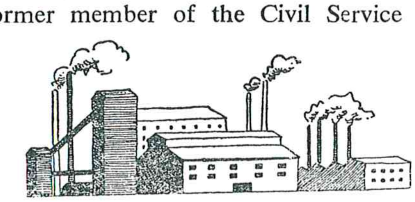
"WE HAVE become accustomed to talk about the 'imperfection' of competitive markets.... But there has been no comparable attention paid to the arbitrariness by which political priorities are established in response to such irrelevant pressures as the personalities of rival ministers, administrative convenience, the unequal power of organised lobbies, or simply short-term electoral calculations. . . . Can there be any doubt that markets can be more surely and more easily purged of imperfections than can the monolithic governmental experiments that have provided so much evidence of extravagance and incompetence since 1945 ?"

This challenging statement introduces five Hobart Papers now published as a book.*

The fact that public services provided without direct charge seem inescapably to lead to either inadequate or inefficient supply, or both, is the theme of three of the papers. The title *Freedom or Free-For-All*? was suggested by the conflict between freedom of choice and the freedom from having to pay a direct charge for many essential services.

Dr. D. S. Lees subjects to systematic analysis the National Health Service as a monopoly supplier of services for which the consumer pays little or nothing in direct charges at all, and concludes that reform towards a fee-for-service system is essential to avoid a breakdown of the general practitioner service. Professor J. E. Meade examines unilateral free trade and multilateral bargaining as means of establishing a North Atlantic free trade area in the event of Britain's not joining the Common Market. "The United Kingdom," he says, "should join the EEC if it has real promise of becoming a liberal, outward looking institution," but not otherwise. As an alternative, unilateral free trade would have very great advantages. The ensuing strain on the balance of payments should be dealt with by abandoning the fixed exchange rate.

Henry Smith, Vice-President of Ruskin College, Oxford, and a former member of the Civil Service Arbitration



Tribunal, discusses the place of arbitration in the labour market and argues the case for improving monetary and fiscal policy to prevent excessive demand and for removing obstacles to a freer working of the labour market. "The only way to ascertain what labour is worth" he says, "is to allow free bargaining between the two sides of industry. . . . If arbitrators knew what was the right wages structure for the immediate future they could impose it . . . But they do not. Nobody knows."

Sir Alan Herbert argues the Society of Authors' case for imposing a charge on borrowers from public libraries (to go to the author as royalty), and Mr. A. R. Ilersic, of London University, examines the merits of charging directly for certain local authority services, such as health and education in order to reduce the ever-growing burden of local rates.

In all these papers the distinguished authors are arguing against the contemporary orthodox view. The overall conclusion is that competition is still the best protection for the consumer.

Free enterprise on its own, however, is like a beautiful house without foundations, and while we must applaud all attempts at getting our house in order, we must insist upon drawing attention to its foundations — social justice. It is indeed only because these foundations have been neglected that the house itself has had to bear the brunt of criticism and the props and stays of state socialism are thought to be indispensable parts of the house itself.

Originally published in 1961-63, and revised and brought up to date, these *Hobart Papers* are compulsively readable and in many ways are as fresh and relevant to the problems of the day as they were when first published.

Logic of Planning

IN AN ARTICLE in *The Daily Telegraph* called "Mr. Brown's National Guess," Russell Lewis takes a look at the National Plan. The unkindest criticism, he says, is that the Plan was out of date even before it appeared, for the industrialists answered the questionnaire on which the Plan is based before the July Budget. Other criticisms are that the answers to some of the questions were based on assumptions that themselves depended upon the answers yet to be given, and that from an arithmetical point of view the Plan does not add up. It is 200,000 workers short in 1970, and has no suggestions as to where more workers might come from.

"It is about time" says Mr. Lewis, "that more politicians asked themselves seriously just what the point is of the whole planning exercise. Can it really be true, as Mr. Brown says in his foreword, that to enable business to plan for the future they 'must have a picture of the potential growth of the economy four or five years ahead?" How curious, then, that this country managed to become the workshop of the world when none knew and few cared about the potential growth of the economy. Industry managed remarkably well in those days without any bullying from Whitehall.

"This National Plan is not so much an illumination of as a diversion from Britain's real economic problem, which is the reform of the economy's structure. It is dangerous for the false assurance it seems to give that the

* *Freedom or Free-for-all*? Vol. 3 of the Hobart Papers. Edited by Ralph Harris. Institute of Economic Affairs, 25s.

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arithmetic of growth will somehow come true of its own accord. However harmless this detailed figuring may seem, if it succeeds in its object of creating a myth of growth, of generating large popular expectations, then it could be the prelude to something nasty. For high hopes may lead not to growth but to inflation; not to sweet content but to bitter disillusion.

"And in the wake of disillusion will come demands for extreme and ruthless remedies. It is difficult for us in this country, with our tradition of endless compromise, to realise that there is a whole-hog logic about planning. This logic proceeds from persuasion to force. As James S. Duncan said, you cannot have a little state planning any more than you can be just a little pregnant."

Highway of Progress

THE PROFIT MOTIVE is as natural to man as breathing, sleeping and eating, and without it, civilisation could not have developed.

This is the basis of Mr. MacMurchie's beliefs, and it is a personal approach to the ideas of Henry George. *Honest Profits — The Golden Eggs of Efficiency** is a useful contribution to the education of those who have been brainwashed into regarding profits as evil and anti-social, and is an original introduction to the land question.

To those who think that production should be for use, not profit, Mr. MacMurchie explains how impossible this is, for the desire for profit initiates trade and commerce and brings an infinite variety of commodities and services to the consumer. Criticism of the profit motive is based largely on the obvious fact that there is inequality in the distribution of wealth. But this, Mr. MacMurchie shows, is due to monopoly, mainly that of land. If the rent of land were collected by the state instead of being left in private hands, the subsequent lightening of taxes on labour and capital would release purchasing power that could be used fruitfully to further production and earned profit for all.

The author has many pertinent comments to make on modern politics, prices and incomes policies and the like, but his appeal for elevation of the profit motive to a place of high esteem is his most important contribution.

He illustrates this booklet with many original phrases such as: "productive work and the profit motive are as closely associated as cause and effect;" "man is naturally the profit hunting animal," and "the profit incentive is the highway of progress." R.S.

—And Russia Knows It

AFTER THE ACCEPTANCE of the desirability of the profit motive by the Russians, and their admission that free enterprise methods are worth studying, comes news that private farm plots cultivated by Russian peasants can play an important part in their country's economy. Their preservation is stoutly defended in the latest issue of the Soviet Communist Party's journal *Kommunist*.

It seems that someone has made the discovery that the peasant farmers work with greater intensity and gusto on their private holdings than they do on the collective farm fields. Everyone works better if there are adequate incentives, if there are reasonable chances of seeing something for their labours, and if the fruits of those labours are not all whittled away by penal taxation or by state mismanagement.

The Russian private farms produced 3.4 million tons of meat in 1964 out of the total Soviet production of 8.2. million tons. They also produced 26.6 million tons of the national milk production of 63.6 million tons, and 19,700 million out of the total of 26,700 million eggs. Local collective farm officials are advised by *Kommunist* not to interfere with this development of private plots.

Those people in Britain who so stubbornly want to bring nearly every activity under state control should also learn by pondering on Russia's recognition that there are valuable virtues and rewards in free enterprise after all.

UNFORGIVEN

The people is a beast of muddy brain
That knows not its own strength, and therefore stands
Loaded with wood and stone; the powerless hands
Of a mere child guide it with bit and rein;
One kick would be enough to break the chain,
But the beast fears, and what the child demands
It does; nor its own terror understands,
Confused and stupified by bugbears vain.
Most wonderful! With its own hand it ties
And gags itself — gives itself death and war
For pence doled out by kings from its own store.
Its own are all things between earth and heaven;
But this it knows not; and if one arise
To tell this truth, it kills him unforgiven.

— Thomas Campenella,

WHAT THE EYE DOESN'T SEE!

ALTHOUGH much of the free world is either admonishing or looking askance at Britain for its lingering balance of payments difficulties, the man at the center of this vortex has managed to retain a sense of humour.

James Callaghan, Chancellor of the Exchequer, appeared at the National Press Club in Washington the other day and the inevitable question came up:

"Why do you have balance of payments problems now, when you didn't have them fifty years ago?"

Callaghan's reply: "There were no balance of payments problems fifty years ago because there were no balance of payments statistics."

— *Milwaukee Journal*

* James H. MacMurchie, 153 High St., Lochee, Dundee, 2s. 6d.