

But Hayek appears to be anxious to create artificial problems. For example, it is not necessary to distinguish between the value arising from natural soil fertility (which is a feature only of the agricultural sector) and values arising from communal effort. For practical purposes, these can be considered one and the same thing.

As for separating values created by individuals from those which are communally-created, this is—again, for practical purposes—an exercise performed daily by bargaining in the market on behalf of labour and capital.

**AND YET**, when it comes down to brass tacks, Hayek ignores land monopoly in favour of promoting the trade union threat to liberty. Boldly, he asserts that “the whole basis of our free society is gravely threatened by the powers arrogated by the unions.”<sup>5</sup>

**Socially important industries, such as building, will be greatly hampered in their development and will conspicuously fail to satisfy urgent needs simply because their character offers the unions special opportunities for coercive monopolistic practices.**

Yet the professor has ruled out, on the basis of faulty logic and a deficient appreciation of valuation techniques, the policy which would wipe out the land monopoly which directly undermines “socially important industries, such as building.”

No doubt the market would operate just that little bit more smoothly if unions could not enforce restrictive practices. But the cyclical problem of unemployment, and the ever-present scandal of low wages for many people, would still be with us.

As with the power of capital, which was derived from the imperfect market conditions existing at the time of the Industrial Revolution, trade union power arose as a result of pre-existing exploitative conditions. Only after a radical transformation of the monopolistic distribution of natural resources can we reasonably expect to deal with secondary problems like union power.

#### REFERENCES

1. *The Times*, 10.10.78.
2. Routledge & Kegan Paul, 1962; first published 1944.
3. Routledge & Kegan Paul, 1960, p. 352.
4. *Ibid.*, p. 353.
5. *Ibid.*, p. 269.

# --The Japanese Bogey--

**SOCIETIES** with declining economic performance frequently search for the bad guys who are assumed to be the cause of falling living standards.

Japan has been cast by the West as the favourite bogeyman. In brief, according to various business and political spokesmen, the Japs do not play fair! Antipathy towards Japanese commercial expansion and phenomenal economic growth is not of recent origin. Alarm bells were being rung before World War I: the message was that Japanese industrial expansion was a potential “threat” to western economic supremacy in the Far East.

to counteract what was seen to be a direct menace to their commercial interests, the US in particular—and to a lesser extent the British Empire and Commonwealth—indulged in a number of petty restrictionist activities which naturally irritated and angered the Japanese. The result of this unholy commercial alliance against Japan ultimately led to anti-liberal forces gaining control of domestic politics; this led to military expansion in Korea and China as a means of gaining access to the raw materials which Japan lacked, and an overseas market for her output.

The hostile attitude to Japan was often repeated elsewhere, when and wherever Britain and the USA felt the competition of overseas rivals; in Britain’s case, Germany was the industrial rival most feared. It seems to me that the two world wars were more concerned with destroying the commercial rivals of these two countries rather than the oft-repeated aim of making the world fit for freedom and democracy.

It says much for the resilience and determination of both Germany and Japan that both have emerged economically fitter, stronger and more efficient than their victorious enemies.

The latest contribution from the prolific publications department of the Institute of Economic Affairs is concerned with the workings of current Japanese trading practises. The author, Prof. G. C. Allen, is an old “Japanese hand,” in that he lectured in economics there between 1922 and 1925. Now retired, he was, until 1967, Professor of Political Economy at University College, London. His

book *How Japan Competes* contains a useful commentary from a leading Japanese economist, Yukihide Okano.

Although largely concerned with examining the charge that the Japanese are guilty of “dumping,” there are some useful and informative passages dealing with the history of the economic growth of modern Japan.

The author draws attention to the many myths and misunderstandings regarding Japanese commercial practises. It would seem that Japan is no more guilty of bad economic practises than her principal rivals. Her success has come largely from her own efforts, skill and native genius, and not from pursuing a policy of begging her competitors. Her very success has made her the scapegoat for our own failures and inept economic policies. The U.S.A. is once again picking on her to explain away America’s economic failure to come to grips with domestic inflation and economic stagnation in such traditional areas like steel, motor cars and electronics.

As far as the UK is concerned, Prof. Allen points out that the hysteria regarding imported Japanese goods is both unwarranted and short-sighted. “Japan’s share of the British market for a few products (e.g. motor vehicles and electronic goods) is relatively high but her *total sales to Britain* account for well under 3 per cent of Britain’s imports. Moreover, the imbalance is largely redressed by Britain’s surplus of invisibles in her trade with Japan.” (My italics.) That would seem a normal and healthy state to be in. Let each country do that which it does best; free exchange will then benefit both parties.

The division of labour and comparative advantage is working to the benefit of both countries. If the Japanese appear to be doing better, it might help in arriving at the truth if we and the Americans took a little more notice of our respective government expenditure and budget deficits, and stopped bullying and hectoring the Japanese; this would also apply to the periodic niggling against Germany in which we periodically indulge.

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