

# FREE ENTERPRISE: A LOST WORLD?

B. W. B.

**"Unemployment is the malady which tempts Governments to take the narcotic drug of inflation."**

WHETHER Enoch Powell's recent retirement from the Parliamentary arena represents the final throwing-in of the towel or merely a tactical withdrawal we cannot yet be sure. But even Mr. Powell would probably concede that, in the Britain of 1974, despite all his stoical efforts, the words "individual freedom" and "free enterprise" have acquired a distinctly old-fashioned look. Not forgotten; not sufficiently *passé* to qualify for the BBC's word game "Call My Bluff"; but undeniably a little out of vogue.

Yet it is little more than three years since strong and stirring words about the virtues of individualism were being featured in speeches at the Guildhall and at least one Party Conference. Consider these extracts:

"It was in freedom, not in reliance upon the state that Britain achieved greatness through individual development and through industrial expansion. It was the acceptance of personal responsibility, not dependence upon the central government, that made this island with its comparatively small population so dominant in the world."

"It will not happen overnight. Maybe there will be no day that you can mark on the calendar and say 'that was freedom day.' It is a continuing process which will happen by degrees, but it is going to happen in every aspect of our lives."

It is true that the speaker of those fine words - Mr. Edward Heath in the autumn of 1970 - has made so many U-turns since then that Selsdon Man now has little more relevance to Conservative Party policy than his Piltown ancestor. And many of Mr. Heath's followers - men of the so-called right - now vie with those of the left in extolling the virtues of State control. Indeed not one of the three main political parties now seems to pay even lip service to the merits of free enterprise. So what now? Are we resigned to a perpetual amalgam of authoritarian and paternal government differing only in content according to which group is in power? Is the world of free

enterprise completely lost?

One man who thinks not is Antony Fisher, successful farmer, founder of the Institute of Economic Affairs and author of a newly published book\*. Deeply, he deplores the long post-war slide of the British people into the grinding vortex of nationalisation, state restriction and control which now engulfs them. Loudly he laments the reduction in individual choice, the high taxation, inflation, industrial unrest and steady deterioration in moral standards, the latest round of which "culminated in a 'Conservative' government breaking all records for reducing choice" by its Draconian controls over prices, wages and profits while all the time, like lava from Vesuvius, inflation rolled on, oblivious to such futile efforts to stop it.

In Mr. Fisher's view the tragic foolishness of the policies that led to the calamitous state of affairs in Britain today is there for all to see. Propping up lame-duck industries, setting up marketing boards, subsidising almost any hare-brained project at the drop of a by-election seat invariably yields catastrophic results - floods of milk, mountains of butter and white-elephant Concordes to mention but a few - and leads indirectly to governments living beyond their means thus spelling inflation and its disastrous consequences.

And the supreme tragedy is that the now familiar but misguided expedient of dealing with inflation by the use of "incomes policy" is not new, it is old, very old. Indeed man's capacity to repeat his same old mistakes is here revealed in all its depressing detail. Right from the time of the Roman Emperor Diocletian in AD 301 governments have sought to mask the effects of their inflations by the use of statutory controls on incomes and prices. And always the result has been the same - fiasco. The message is clear: although you may control some of the people some of the time you cannot control all the people all the time. As Prof. Milton Friedman put it "the pretended cures are not cures. I know of no inflation at any time, anywhere, which has ever been cured by wage or price control or freeze."

But while governments are learning the hard way, severe damage is done. The process of ensuring full employment by guaranteeing every worker his old and loss-making job, and every concern its long established output at the taxpayers' expense interferes with the market mechanism and a creeping inefficiency results. So much so that the United Kingdom which, before 1939, had the highest standard of living in Europe has now been overtaken by countries such as Germany, France, Holland, Belgium and Denmark.

As proof of his theory that Government interven-

\* *Must History Repeat Itself?* Churchill Press Ltd., Enfield, Middlesex, England. £2.40/\$6.00

tion in industry is unnecessary, wasteful and counter-productive, the author cites the "German miracle" of Dr. Erhard. From picking itself off the floor in 1945 Germany became by 1960, "the unchallenged economic leader of Europe" - a process achieved on the twin principles of freedom from Government controls and of sound money.

Mr. Fisher's book is written with deep conviction and sincerity and the case is a compelling one - as far as it goes. But unfortunately it does not go far enough. He does not explain, for example, why the German miracle, so firmly based on the principles of individualism which he advocates, should have petered out. Nor, indeed, does he explain why, if the system of free enterprise had been so universally beneficial, it should ever have been abandoned - in any part of the world, let alone in virtually every part of it. For let us make no mistake, Mr. Fisher's "freedom of choice", (which some would call merely "free trade") is automatically the natural state of affairs. When men first began to trade and discovered the benefits of the division of labour they did not look to governments to lay down the rules. In the beginning all trade whether national or international, was free trade and all choice was the "maximised" kind of Mr. Fisher's concept. It was not by government decree that shoe making became concentrated in Nottinghamshire, pottery in Staffordshire, whisky in Scotland. Nor was it through an edict of some precursor of the E.E.C. that led to Switzerland becoming the home of watchmaking and Germany the centre of optical instruments. These concentrations of expertise, based on natural advantages, flowed naturally from this freedom. They came about not because there were government rules to promote them but because, in those unsophisticated days, there was no government intervention to stop them. It was "what came naturally", and it was on such basic freedom to do what was economic that Britain achieved the 19th century greatness of which Mr. Heath spoke in 1970 and Germany achieved its 20th century miracle.

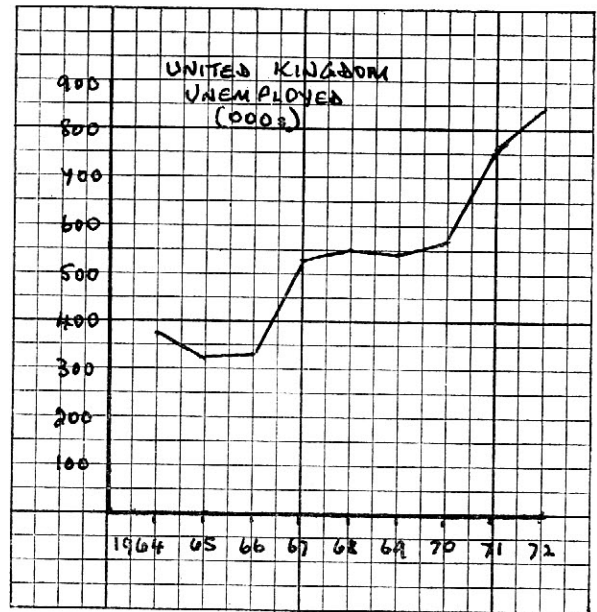
So why did either country stray from the path of



freedom and individualism to the rocky road to control, restriction and inflation, a road that can lead only to more control, restriction and inflation?

The answer lies surely in one word; a word that hardly intrudes at all into Mr. Fisher's vocabulary: unemployment. Unemployment is the malady which, in particular industries, leads governments to "pro-

tect" them from foreign competition or "help" them with handouts. Unemployment is the general sickness which tempts governments to take the narcotic drug



of deficit financing and inflating the currency. Unemployment is the scourge which drives even well meaning governments to regulate and control our daily lives; control which inevitably brings them into confrontation with every section of the population and leads to the state of "minimised choice" which Mr. Fisher so rightly deplures.

No more dramatic example of unemployment driving a government into monetary chaos is needed than that of Mr. Heath's Government of 1970. The steeply rising graph (inset) shows the problem with which that government had to do battle. And with only the weapon of inflation in his armoury is it any wonder that Mr. Heath was vanquished by it?

But what of Mr. Fisher? Can he have any real hope of pushing the world towards his goal; a world of economic freedom, of "maximised choice" and of a minute Civil Service reflecting a Government withdrawal from industry and commerce? We must regret that without more fundamental thought about poverty and unemployment and the causes of industrial depressions he has little hope. No patient can be expected to give up the drug that claims to relieve the symptoms of his malady until a real cure is on offer. And Mr. Fisher offers nothing except an exhortation to return to the past. Until he makes a more fundamental study of the condition of man and of those factors which determine his economic well being, about which Henry George wrote in *Progress and Poverty*, he cannot expect to sway his audience however sympathetic to his long term aim that audience may be.